

Registered Number: 03744383

MARTINEAU GALLERIES (GP) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
Year ended 31 December 2019

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MARTINEAU GALLERIES (GP) LIMITED

DIRECTORS' REPORT

Year ended 31 December 2019

The Directors submit their report and the audited financial statements for Martineau Galleries (GP) Limited (the "Company") for the year ended 31 December 2019.

The Directors' Report has been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and consequently no Strategic Report has been prepared.

1. PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The principal activity of the Company is to act as the General Partner to The Martineau Galleries Limited Partnership (the "Partnership") which owns and operates the Martineau Galleries shopping centre. Hammerson Martineau Galleries Limited, Hammerson MGLP Limited and Hammerson MGLP 2 Limited are the Limited Partners, each owning 33.18% (2018: 33.18%) of the Partnership, with the Company owning the remaining 0.46% (2018: 0.46%). The Directors do not anticipate any significant change in the principal activity in the foreseeable future.

An assessment of the impact the Covid-19 pandemic has had on the business and how this may affect its future developments is provided in the post balance sheet events note 10 to the financial statements.

2. RESULTS AND DIVIDENDS

The profit for the year after tax was £1,000 (2018 loss: £1,000). The Directors do not recommend the payment of a dividend for the year (2018: £nil).

Net liabilities of the Company as at 31 December 2019 were £114,000 (2018: £115,000).

3. DIRECTORS

- (a) Mr. W.S. Austin and Mr M.R. Bourgeois were Directors of the Company throughout the year and were in office at the date of approval of this report.
- (b) Mr. P.F. Cooper resigned as a Director of the Company on 30 April 2019.
- (c) Mr. A.J. Berger-North was appointed as a Director of the Company on 30 April 2019 and resigned as a Director of the Company on 7 August 2020.
- (d) Mr. T. Cochrane was appointed as a Director of the Company on 7 August 2020 and was in office at the date of approval of this report.
- (e) In accordance with the Articles of Association of the Company, the Directors are not required to retire by rotation.
- (f) 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.

MARTINEAU GALLERIES (GP) LIMITED

DIRECTORS' REPORT (CONTINUED)

Year ended 31 December 2019

5. GOING CONCERN

The Directors have considered the use of the going concern basis in the preparation of the financial statements in light of the net current liability and net liability position on the balance sheet as at 31 December 2019 and, having taken into account the existing and anticipated effects of Covid-19 and the letter of support received from Hammerson plc, its ultimate parent company, concluded that it was appropriate.

The letter of support states the intent to provide the necessary financial support to ensure the Company is a going concern for at least twelve months from the date of signing of these financial statements. More information is provided in note 1(b) to the financial statements.

6. INDEMNITY

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

7. INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP resigned as auditors to the Company and BDO LLP were appointed. 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.

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.

MARTINEAU GALLERIES (GP) LIMITED

DIRECTORS' REPORT (CONTINUED)


Year ended 31 December 2019

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.

By order of the Board



J. Crane
For and on behalf of
Hammerson Company Secretarial Limited
acting as Secretary
Date: 18 December 2020

Registered Office:
Kings Place
90 York Way
London N1 9GE
Registered in England and Wales
No. 07784823

MARTINEAU GALLERIES (GP) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARTINEAU GALLERIES (GP) LIMITED

Opinion

We have audited the financial statements of Martineau Galleries (GP) Limited (the "Company") for the year ended 31 December 2019 which comprise the statement of comprehensive income, balance sheet, 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the period 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.

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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

MARTINEAU GALLERIES (GP) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARTINEAU GALLERIES (GP) LIMITED (CONTINUED)

Matters on which we are required to report by exception

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.

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; or
- the Directors were not entitled to take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

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.

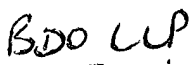
Auditor's responsibilities for the audit of the financial statements

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.

A further description of our responsibilities for the audit of the financial statements is located at 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.



Christopher Wingrave (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Gatwick, United Kingdom

Date: 18 December 2020

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

MARTINEAU GALLERIES (GP) LIMITED**STATEMENT OF COMPREHENSIVE INCOME****For the year ended 31 December 2019**

	Note	2019 £'000	2018 £'000
Increase/(Decrease) in fair value adjustment	4(c)	<u>1</u>	<u>(1)</u>
Profit/(Loss) after taxation and total comprehensive income/(expense) for the financial year		<u>1</u>	<u>(1)</u>

All amounts relate to continuing activities.

MARTINEAU GALLERIES (GP) LIMITED**BALANCE SHEET****As at 31 December 2019**

	Note	2019		2018	
		£'000	£'000	£'000	£'000
Non-current assets					
Investments	4(a)		6		5
Current liabilities					
Payables	5	<u>(120)</u>		<u>(120)</u>	
Net current liabilities			<u>(120)</u>		<u>(120)</u>
Net liabilities			<u>(114)</u>		<u>(115)</u>
Capital and reserves					
Called up share capital	6		2		2
Accumulated losses	7		<u>(116)</u>		<u>(117)</u>
Total deficit			<u>(114)</u>		<u>(115)</u>

The financial statements were authorised for issue by the Board of Directors on 18 December 2020 and were signed on its behalf.



W.S. Austin

Director

Registered Number: 03744383

MARTINEAU GALLERIES (GP) LIMITED**STATEMENT OF CHANGES IN EQUITY**
For the year ended 31 December 2019

	Called up share capital £'000	Accumulated losses £'000	Total deficit £'000
At 1 January 2018	2	(116)	(114)
Loss and total comprehensive expense for the financial year	-	(1)	(1)
At 31 December 2018	2	(117)	(115)
Profit and total comprehensive income for the financial year	-	1	1
At 31 December 2019	2	(116)	(114)

MARTINEAU GALLERIES (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

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 2019, the following relevant new and revised Standards and Interpretations have been adopted:

- IFRS 16 Leases, effective for accounting periods beginning on or after 1 January 2019.

Impact of new and revised Standards

IFRS 16 Leases

The standard requires lessees to recognise, for each lease, a right-of-use asset and related lease liability representing the obligation to make lease payments. Interest expense on the lease liability and depreciation on the right-of-use asset is recognised in the Company's statement of comprehensive income. There has been no impact on the Company on the adoption of IFRS 16.

Basis of preparation

Martineau Galleries (GP) 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, except for the fair value of investments. 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(f).

MARTINEAU GALLERIES (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

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 9.

(b) Going concern

In considering going concern the Directors have initially assessed the existing and expected future effects of the Covid-19 pandemic on the Company's activities and the appropriateness of the use of the going concern basis. An outline of the current effects of the pandemic on the business is included in the post balance sheet events note 10 to the financial statements.

In addition, the Directors note that although the Company has no external borrowings or debt covenants, as at 31 December 2019 it has net current liabilities and net liabilities and is reliant on the continued support of its ultimate parent company, Hammerson plc, to be able to meet its liabilities as they fall due. These liabilities relate primarily to amounts due to other group undertakings.

MARTINEAU GALLERIES (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

1. ACCOUNTING POLICIES (continued)

(b) Going concern (continued)

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 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, the Directors have considered the forecast cash flows of the Hammerson plc group (the "Group") and note that the Group has substantial forecast liquidity for at least twelve months from the date of signing the Company's financial statements.

However, the Directors also reviewed the interim financial statements for Hammerson plc to 30 June 2020, which were published on 6 August 2020. The Directors noted the inclusion of a material uncertainty over going concern within those interim financial statements. This highlighted that the Group was forecast to breach certain of its debt covenants under a severe but plausible scenario, and that the key mitigating actions to resolve these breaches, namely an equity raise and the disposal of substantially all of the Group's investment in VIA Outlets, were still subject to a joint shareholder vote as at the date of approval of the interim financial statements. In addition, the resolution of the breaches was subject to the successful completion of the equity raise and therefore the associated proceeds could not be regarded as secured at the time of signing those interim financial statements on 6 August 2020.

Subsequent to 6 August 2020, the equity raise and disposal were approved at the General Meeting of Hammerson plc shareholders on 1 September 2020. Furthermore, the equity raise closed on 25 September 2020 and raised gross proceeds of approximately £552 million, and the disposal of substantially all of the Group's investment in VIA Outlets completed on 31 October 2020 and raised further gross proceeds of approximately £277 million. Accordingly, both drivers of the material uncertainty over going concern within the Hammerson plc interim financial statements have now been resolved. Consequently, the Directors are satisfied they can rely on the letter of support from Hammerson plc.

Consequently, the Directors have a reasonable expectation that the Company will have access to adequate resources from Hammerson plc to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

(c) Fixed asset investments

Investments in subsidiaries and other related undertakings, are shown at cost less provision for impairment. Other investments are shares held in quoted investments and are accounted for on the fair value basis. These other investments are held on the balance sheet and any increase or decrease in fair value is reflected on the statement of comprehensive income.

(d) 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.

MARTINEAU GALLERIES (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

1. ACCOUNTING POLICIES (continued)

(e) 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.

(f) Critical accounting policies and estimation uncertainty

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 unquoted investments. The Company's investments includes its investment in The Martineau Galleries Limited Partnership (the "Partnership"), which is 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 Partnership in which the Company invests. The principal asset of the Partnership is its investment properties which are valued six monthly by professional qualified external valuers. The Directors must ensure they are satisfied that the Company's investment in the Partnership is appropriate for the financial statements. The basis of valuation of the Partnership's investment properties is set out in the notes to the financial statements of the Partnership for the year ended 31 December 2019.

MARTINEAU GALLERIES (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

2. ADMINISTRATIVE EXPENSES

The average number of employees during the year was nil (2018: nil).

The Directors did not receive any remuneration for their services from the Company in the year (2018: £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 the current or preceding financial year.

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 £1,130 (2018: £1,500).

3. TAXATION

The Company's ultimate parent company, Hammerson plc, is a UK Real Estate Investment Trust ("UK REIT"). As a consequence, its subsidiaries are exempted from UK corporation tax on the profits of a UK property rental business and on the gains on UK investment properties (including profits and gains from activities conducted via a limited partnership).

Group companies remain subject to UK corporation tax on items other than UK property rental profits and gains on UK investment properties but, as the Group has surplus tax losses, the Group's policy is for these taxable profits and losses to be fully offset by group relief surrendered without payment, so that individual subsidiaries do not bear tax.

During the year the Company had taxable income of £nil (2018: £nil) relating to its share of the interest income of The Martineau Galleries Limited Partnership. The Company therefore had no tax charge for the year, and this is expected to continue for the foreseeable future.

4. INVESTMENTS

(a) Summary

	2019 £'000	2018 £'000
Investment in The Martineau Galleries Limited Partnership - note 4 (b)	2	2
Other investments - note 4 (c)	4	3
	<u>6</u>	<u>5</u>

(b) Investment in The Martineau Galleries Limited Partnership:

	Cost £'000	Impairment provision £'000	Carrying value £'000
Cost and net book value			
At 1 January and 31 December 2018	2	-	2
At 1 January and 31 December 2019	<u>2</u>	<u>-</u>	<u>2</u>

The Company has a 0.46% interest in The Martineau Galleries Limited Partnership (the "Partnership"), a joint venture that owns and manages a portfolio of properties in Birmingham. The remaining interests in the Partnership are held by fellow subsidiaries of Hammerson plc. The registered office of the Partnership is Kings Place, 90 York Way, London N1 9GE.

MARTINEAU GALLERIES (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

4. INVESTMENTS (continued)

(c) Other investments

	Cost £'000	Fair value adjustment £'000	Total £'000
At 1 January 2018	7	(3)	4
Decrease in fair value	<u>-</u>	<u>(1)</u>	<u>(1)</u>
At 31 December 2018	7	(4)	3
Increase in fair value	<u>-</u>	<u>1</u>	<u>1</u>
At 31 December 2018	<u>7</u>	<u>(3)</u>	<u>4</u>

Other investments comprise shares held in quoted investments.

The market value of the above quoted investments at 31 December 2019 was £3,880 (2018: £3,216).

5. PAYABLES: CURRENT LIABILITIES

	2019 £'000	2018 £'000
Amounts owed to The Martineau Galleries Limited Partnership	<u>120</u>	<u>120</u>

Amounts owed to The Martineau Galleries Limited Partnership are repayable on demand and are non-interest bearing. All amounts owed are unsecured.

6. CALLED UP SHARE CAPITAL

	2019 £	2018 £
Authorised:		
180,000 ordinary shares of £0.01 each	<u>1,800</u>	<u>1,800</u>
Allotted, called up and fully paid:		
180,000 ordinary shares of £0.01 each	<u>1,800</u>	<u>1,800</u>

7. RESERVES

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

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

8. 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.

MARTINEAU GALLERIES (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

9. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

At 31 December 2019, 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 2019, the Company's immediate parent company was Hammerson Birmingham Properties 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.

10. POST BALANCE SHEET EVENT

The effects of the Covid-19 pandemic are the result of events that arose after the reporting date and therefore this is a non-adjusting post balance sheet event. No changes have been made, or are required, to the Company's statement of comprehensive income or balance sheet.

The going concern implications for the business are discussed in note 1(b) to the financial statements and further details on the potential impact on the business in the year ending 31 December 2020 are set out below.

The Company has a 0.46% interest in the Martineau Galleries Limited Partnership (the "Partnership"). As a result of the Covid-19 pandemic, on 23 March 2020, the Partnership's investment property, Martineau Galleries Shopping Centre in Birmingham, was closed and subsequently reopened on 15 June 2020, having complied with Government safeguarding restrictions. A further national lockdown period was also introduced from 3 November to 2 December 2020. Only retailers providing essential services and supplies continued to trade during the lockdown periods. This unprecedented situation has had a significant impact on the Partnership's business.

The asset management team are in dialogue with tenants to provide support to ensure continuity of tenants' businesses and collect arrears where possible. Where appropriate, flexible repayment terms or rent waivers have been offered.

Footfall is currently lower than comparable periods pre-lockdown, due in part to: requirements to maintain social distancing; the mandatory wearing of face-coverings; additional sanitisation requirements; and a reduction in consumers' use of public transport. Footfall has steadily increased and in October 2020 was averaging 38% below 2019 levels, with cumulative footfall from 15 June to 31 October 2020 approximately 48% below 2019 levels, however it is difficult to predict how customer behaviour will evolve with regards to spending.

Whilst Covid-19 is not likely to have a significant impact on the Company's net finance income, it is anticipated that net rental income levels for the Partnership in 2020 will be materially lower than the prior year, and property valuations may reduce, which may result in an impairment provision against the Company's investment in the Partnership in 2020. It is not currently possible to quantify the financial effects of these changes.

THE MARTINEAU GALLERIES LIMITED PARTNERSHIP

ANNUAL REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2019

THE MARTINEAU GALLERIES LIMITED PARTNERSHIP

REPORT OF THE GENERAL PARTNER Year ended 31 December 2019

Martineau Galleries (GP) Limited (the "General Partner") submits its report and the audited financial statements for The Martineau Galleries Limited Partnership (the "Partnership") for the year ended 31 December 2019.

The Report of the General Partner has been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and consequently no Strategic Report has been prepared.

1. PRINCIPAL ACTIVITIES

The principal activity of the Partnership is property investment and development in the United Kingdom. The General Partner does not anticipate any significant change in the principal activity in the foreseeable future.

2. REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Performance during the year

The Partnership's principal business is to hold for investment the Martineau Galleries Shopping Centre ("Martineau Galleries") in Birmingham. The Partnership made an operating profit before other net losses of £1,863,000 (2018: £1,614,000) and a total loss for the financial year of £31,907,000 before partners' interests (2018: £15,844,000 profit).

Future prospects

As a result of the Covid-19 pandemic, on 23 March 2020, the Partnership's investment property was closed and subsequently reopened on 15 June 2020, having complied with Government safeguarding restrictions. A further national lockdown period was also introduced from 3 November to 2 December 2020. Only retailers providing essential services and supplies continued to trade during the lockdown periods.

This unprecedented situation has had a significant impact on the business. As at the date of signing these financial statements, approximately 77% of the Q1 rent and service charges had been collected, together with 72% of the Q2 demands and 63% of the Q3 demands.

During the lockdown periods it was essential to ensure the property was operating as efficiently as possible to minimise costs, whilst continuing to provide support to those essential stores.

Since reopening after the initial lockdown period, in line with Government guidance, health and safety measures have been implemented such as changes to the footfall system to monitor shopper numbers, perspex screens at the customer service desk, floor/escalator stickers to ensure social distancing, additional hand sanitiser and queue management systems outside stores. All retailers and restaurants reopening have arrangements in place for social distancing compliance, hygiene and cleaning, compliance in higher risk situations and varied opening hours to enable social distancing.

Footfall is currently lower than comparable periods pre-lockdown, due in part to: requirements to maintain social distancing; the mandatory wearing of face-coverings; additional sanitisation requirements; and a reduction in consumers' use of public transport. Footfall has steadily increased and in October 2020 was averaging 38% below 2019 levels, with cumulative footfall from 15 June to 31 October 2020 approximately 48% below 2019 levels, however it is difficult to predict how customer behaviour will evolve with regards to spending.

The asset management team are in dialogue with tenants to provide support to ensure continuity of tenants' businesses and collect arrears where possible. Where appropriate, flexible repayment terms or rent waivers have been offered.

THE MARTINEAU GALLERIES LIMITED PARTNERSHIP

REPORT OF THE GENERAL PARTNER (CONTINUED)

Year ended 31 December 2019

2. REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS (CONTINUED)

As the impact of the pandemic on retailers, consumers and communities cannot easily be assessed at this stage, the Directors of the General Partner are uncertain what changes this may have on the Partnership's business activities in the short and longer-term. Further details of the impact of Covid-19 on the current and future operating activities of the business are set out in the post balance sheet events note 19 to the financial statements.

3. RESULTS AND DISTRIBUTIONS

The Partnership made a loss for the financial year of £31,907,000 before partners' interests (2018: £15,844,000 profit). No distributions have been made during the year (2018: £nil).

Net assets for the Partnership as at 31 December 2019 were £61,281,000 (2018: £93,188,000).

4. DIRECTORS OF THE GENERAL PARTNER

- (a) Mr. W.S. Austin and Mr M.R. Bourgeois were Directors of the General Partner throughout the year were in office at the date of approval of this report.
- (b) Mr. P.F. Cooper resigned as a Director of the General Partner on 30 April 2019.
- (c) Mr. A.J. Berger-North was appointed as a Director of the General Partner on 30 April 2019 and resigned as a Director of the General Partner on 7 August 2020.
- (d) Mr. T. Cochrane was appointed as a Director of the General Partner on 7 August 2020 and was in office at the date of approval of this report.
- (e) In accordance with the Articles of Association of the General Partner, the Directors of the General Partner are not required to retire by rotation.
- (f) No Director has any interests in contracts entered into by the General Partner.

5. INDEMNITY

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

6. GOING CONCERN

The Directors have considered the use of the going concern basis in the preparation of the financial statements as at 31 December 2019 and, having taken into account the existing and anticipated effects of Covid-19 and the letter of support received from Hammerson plc, its ultimate parent company, concluded that it was appropriate.

The letter of support states the intent to provide the necessary financial support to ensure the Partnership is a going concern for at least twelve months from the date of signing of these financial statements. More information is provided in note 1(b) to the financial statements.

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.

THE MARTINEAU GALLERIES LIMITED PARTNERSHIP

REPORT OF THE GENERAL PARTNER (CONTINUED)

Year ended 31 December 2019

8. STATEMENT OF GENERAL PARTNER'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The General Partner is responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the General Partner to prepare financial statements for each financial year. Under that law the General Partner has 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 General Partner 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 Partnership and of the profit or loss of the Partnership for that period. In preparing the financial statements, the General Partner is 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 qualifying Partnership will continue in business.

The General Partner is also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

9. DISCLOSURE OF INFORMATION TO AUDITORS

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

- (a) so far as the Director of the General Partner is aware, there is no relevant audit information of which the Partnership's auditors are unaware; and
- (b) the Director of the General Partner has taken all the steps that ought to have taken as a Director in order to be aware of any relevant audit information and to establish that the Partnership's auditors are aware of that information.

Approved by Martineau Galleries (GP) Limited, General Partner, and signed on its behalf:



W.S. Austin

Director

Date: 10 December 2020

Report on the audit of the financial statements

Opinion

In our opinion, The Martineau Galleries Limited Partnership's financial statements:

- give a true and fair view of the state of the qualifying Partnership's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008.

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 2019; 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 qualifying Partnership 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the General Partner's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the General Partner has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the qualifying Partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the qualifying Partnership's ability to continue as a going concern.

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 General Partner is 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 Report of the General Partner, we also considered whether the disclosures required by the UK Companies Act 2006 as applied to qualifying partnerships have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

THE MARTINEAU GALLERIES LIMITED PARTNERSHIP

INDEPENDENT AUDITORS' REPORT TO THE PARTNERS OF THE MARTINEAU GALLERIES LIMITED PARTNERSHIP (CONTINUED)

Report of the General Partner

In our opinion, based on the work undertaken in the course of the audit, the information given in the Report of the General Partner for the year ended 31 December 2019 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 qualifying Partnership and its environment obtained in the course of the audit, we did not identify any material misstatements in the Report of the General Partner.

Responsibilities for the financial statements and the audit

Responsibilities of the General Partner for the financial statements

As explained more fully in the Statement of General Partner's responsibilities in respect of the Financial Statements, the General Partner is 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 General Partner is 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 General Partner is responsible for assessing the qualifying Partnership'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 General Partner either intends to liquidate the qualifying partnership or to cease operations, or has 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.

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 opinion, has been prepared for and only for the Partners of the qualifying Partnership as a body in accordance with the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 and for no other purpose. We do not, in giving this opinion, 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 as applied to qualifying partnerships we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the qualifying Partnership, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of General Partner's 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.

THE MARTINEAU GALLERIES LIMITED PARTNERSHIP

INDEPENDENT AUDITORS' REPORT TO THE PARTNERS OF THE MARTINEAU GALLERIES LIMITED PARTNERSHIP (CONTINUED)

Entitlement to exemptions

Under the Companies Act 2006 as applied to qualifying Partnerships we are required to report to you if, in our opinion, the General Partner were not entitled to take advantage of the small companies exemption in preparing the Report of the General Partner, and take advantage of the small companies exemption from preparing a strategic report. 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
10 December 2020

THE MARTINEAU GALLERIES LIMITED PARTNERSHIP

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Revenue	3	3,826	3,709
Rents payable and other property outgoings	3	<u>(1,374)</u>	<u>(1,658)</u>
Net rental income	3	2,452	2,051
Administrative expenses	4	<u>(589)</u>	<u>(437)</u>
Operating profit before other net (losses)/gains		1,863	1,614
Other net (losses)/gains	5	<u>(33,603)</u>	<u>14,401</u>
Operating (loss)/profit		(31,740)	16,015
Net finance costs	6	<u>(167)</u>	<u>(171)</u>
(Loss)/Profit and total comprehensive (expense)/income for the financial year before partners' interests		<u>(31,907)</u>	<u>15,844</u>

All amounts relate to continuing activities.

THE MARTINEAU GALLERIES LIMITED PARTNERSHIP

BALANCE SHEET

As at 31 December 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Investment properties	7(a)	43,950	52,460
Interest in leasehold properties	8	<u>1,164</u>	<u>1,181</u>
Total non-current assets		45,114	53,641
Current assets			
Receivables	9	20,034	42,526
Restricted monetary assets	10	355	-
Cash and deposits	11	<u>110</u>	<u>739</u>
		20,499	43,265
Current liabilities			
Payables	12	<u>(2,574)</u>	<u>(2,286)</u>
Net current assets		17,925	40,979
Total assets less current liabilities		63,039	94,620
Non-current liabilities			
Payables	13	(511)	(186)
Obligations under head leases	14	<u>(1,247)</u>	<u>(1,246)</u>
Net assets		61,281	93,188
Represented by:			
Partners' equity			
Partners' capital accounts	15	109,352	109,352
Partners' current accounts	15	<u>(48,071)</u>	<u>(16,164)</u>
Total Partners' equity		61,281	93,188

The financial statements were authorised for issue by the Directors of the General Partner on 10 December 2020 and were signed on its behalf.



W.S. Austin

Director

Partnership registration number: LP006355

THE MARTINEAU GALLERIES LIMITED PARTNERSHIP**STATEMENT OF CHANGES IN EQUITY****For the year ended 31 December 2019**

	Partners' capital accounts £'000	Partners' current accounts £'000	Total Partners' equity £'000
At 1 January 2018	109,352	(32,008)	77,344
Profit and total comprehensive income for the financial year	<u>-</u>	<u>15,844</u>	<u>15,844</u>
At 31 December 2018	109,352	(16,164)	93,188
Loss and total comprehensive expense for the financial year	<u>-</u>	<u>(31,907)</u>	<u>(31,907)</u>
At 31 December 2019	<u>109,352</u>	<u>(48,071)</u>	<u>61,281</u>

THE MARTINEAU GALLERIES LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

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

Basis of preparation

The Martineau Galleries Limited Partnership (the "Partnership") is registered pursuant to the provisions of The Limited Partnerships Act 1907. The Partnerships and Unlimited Companies (Accounts) Regulations 2008 (SI 2008/569) require certain qualifying partnerships to prepare and have audited financial statements as required for a company by the Companies Act 2006. The nature of the Partnership's operations and its principal activities are set out on page 1. The address of the registered office of the General Partner is the same as that of Hammerson plc, the ultimate controlling party, which is Kings Place, 90 York Way, London, N1 9GE.

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

The presentation currency used is sterling and amounts have been presented in round thousands ("£000s"). The financial statements have been prepared on a historical cost basis, except for the revaluation of investment properties. 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 Partnership's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1(k).

Disclosure exemptions adopted

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

- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities';
- Paragraph 38 of IAS1, 'Presentation of financial statements' – comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
 - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period);
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirements for minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information);
 - 111 (cash flow statement information); and
 - 134 – 136 (capital management disclosures);
- IAS 7, 'Statement of cash flows';

THE MARTINEAU GALLERIES LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

1. ACCOUNTING POLICIES (continued)

(a) Basis of accounting (continued)

- 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 Partnership is consolidated. The financial statements of Hammerson plc are publicly available and can be obtained as described in note 18 to the financial statements.

(b) Going concern

In considering going concern the Directors of the General Partner (the "Directors") have initially assessed the existing and expected future effects of the Covid-19 pandemic on the Partnership's activities and the appropriateness of the use of the going concern basis. An *outline of the current effects of the pandemic on the business is included in the Report of the General Partner on page 1 and in the post balance sheets event note 19 to the financial statements.*

In addition, the Directors note that the Partnership has net current assets, primarily relating to amounts due from group undertakings. It also has significant net assets, with no external borrowings or debt covenants.

The Directors consider that the Partnership 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 Partnership is a going concern for 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, the Directors have considered the forecast cash flows of the Hammerson plc group (the "Group") and note that the Group has substantial forecast liquidity for at least twelve months from the date of signing the Partnership's financial statements.

However, the Directors also reviewed the interim financial statements for Hammerson plc to 30 June 2020, which were published on 6 August 2020. The Directors noted the inclusion of a material uncertainty over going concern within those interim financial statements. This highlighted that the Group was forecast to breach certain of its debt covenants under a severe but plausible scenario, and that the key mitigating actions to resolve these breaches, namely an equity raise and the disposal of substantially all of the Group's investment in VIA Outlets, were still subject to a joint shareholder vote as at the date of approval of the interim financial statements. In addition, the resolution of the breaches was subject to the successful completion of the equity raise and therefore the associated proceeds could not be regarded as secured at the time of signing those interim financial statements on 6 August 2020.

THE MARTINEAU GALLERIES LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

1. ACCOUNTING POLICIES (continued)

(b) Going concern (continued)

Subsequent to 6 August 2020, the equity raise and disposal were approved at the General Meeting of Hammerson plc shareholders on 1 September 2020. Furthermore the equity raise closed on 25 September 2020 and raised gross proceeds of approximately £552 million, and the disposal of substantially all of the Group's investment in VIA Outlets completed on 31 October 2020 and raised further gross proceeds of approximately £277 million. Accordingly, both drivers of the material uncertainty over going concern within the Hammerson plc interim financial statements have now been resolved.

Consequently, the Directors are satisfied they can rely on the letter of support from Hammerson plc and they have a reasonable expectation that the Partnership will have access to adequate resources to continue in existence for at least twelve months from the date of signing these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

(c) Net rental income

Rental income from investment property leased out under an operating lease is recognised in the 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 statement of comprehensive income as incurred.

(d) Net finance costs

Net finance costs include interest payable on borrowings, interest on obligations under head leases, net of receivable on funds invested and is included in the statement of comprehensive income.

(e) Investment properties

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

(f) Leasehold properties

Leasehold properties that are leased out to tenants under operating leases, are classified as investment properties or development properties, as appropriate, and included in the balance sheet at fair value. The obligation to the freeholder or superior leaseholder for the land element of the leasehold is included in the balance sheet as a head lease at the present value of the minimum lease payments at inception. Payments to the freeholder or superior leaseholder are apportioned between a finance charge and a reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents payable, such as rent reviews or those related to rental income, are charged as an expense in the period in which they are incurred. An asset equivalent to the leasehold obligation is recorded in the balance sheet within 'interests in leasehold properties', and is amortised over the lease term.

THE MARTINEAU GALLERIES LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

1. ACCOUNTING POLICIES (continued)

(g) 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.

(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.

(i) Financial instruments

Financial assets and financial liabilities are recognised when the Partnership 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 Partnership 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 Partnership transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Partnership, 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) 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 Partnership but which the Partnership 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 Partnership's balance sheet.

(k) Critical accounting policies and estimation uncertainties

In the application of the Partnership's accounting policies, the Directors of the General Partner 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 MARTINEAU GALLERIES LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

1. ACCOUNTING POLICIES (continued)

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

The Partnership's critical judgement and area of estimation uncertainty is in respect of property valuations. The Partnership's investment property, which is carried in the balance sheet at fair value, is valued six-monthly by professionally qualified external valuers and the Directors of the General Partner must ensure that they are satisfied that the valuation of the Partnership's property is appropriate for the financial statements. Investment properties, excluding properties held for development, are valued by adopting the 'investment method' of valuation. This approach involves applying market-derived capitalisation yields to current and market-derived future income streams with appropriate adjustments for income voids arising from vacancies 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 in the valuation. Other factors that are taken into account in the valuations include the tenure of the property, tenancy details and ground and structural conditions.

In the case of on-site developments, the approach applied is the 'residual method' of valuation, which is the investment method of valuation as described above with a deduction for all costs necessary to complete the development, together with a further allowance for remaining risk, developers' profit and purchasers' costs. Properties held for future development are generally valued by adopting the higher of the residual method of valuation allowing for all associated risks, or the investment method of valuation for the existing assets.

2. LIMITED PARTNERSHIP AGREEMENT ('The Agreement')

- (a) The Agreement dated 1 March 2002 states that the purpose of the Partnership is to carry out property investment and development.
- (b) During the year Martineau Galleries (GP) Limited acting as the General Partner had an interest of 0.46% (2018: 0.46%) in the profits and assets of the Partnership.
- (c) At 31 December 2019, Hammerson Martineau Galleries Limited, Hammerson MGLP Limited and Hammerson MGLP 2 Limited acting as the limited partners (the "Limited Partners") had interests of 33.18% (2018: 33.18%) each in the profits and assets of the Partnership.

THE MARTINEAU GALLERIES LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

3. NET RENTAL INCOME

	2019 £'000	2018 £'000
Base rent	2,007	2,038
Car park income	1,174	1,040
Lease incentive recognition	36	27
Other rental income	89	132
	<hr/>	<hr/>
Gross rental income	3,306	3,237
Service charge income	520	472
	<hr/>	<hr/>
Revenue	3,826	3,709
Ground and equity rents payable	(128)	(131)
Service charge expenses	(877)	(1,074)
Inclusive lease costs recovered through rent	(240)	(279)
Other property outgoings	(129)	(174)
	<hr/>	<hr/>
Rents payable and other property outgoings	(1,374)	(1,658)
	<hr/>	<hr/>
Net rental income	2,452	2,051

4. ADMINISTRATIVE EXPENSES

	2019 £'000	2018 £'000
Management fee payable to Hammerson UK Properties plc	579	431
Valuation fees	-	6
Other administrative fees	10	-
	<hr/>	<hr/>
	589	437
	<hr/>	<hr/>

The Partnership had no employees in either the current or preceding financial year.

The Directors of the General Partner did not receive any remuneration for their services from the Partnership in the year (2018: £nil), having been paid by other group undertakings. It is deemed impractical to allocate their remuneration between group undertakings for the purpose of disclosure. The services of the Directors of the General Partner are of a non-executive nature.

Another group company has paid the auditors' fees for the audit of the Partnership's annual financial statements in the current year. Fees for the audit of the Partnership were £3,690 (2018: £2,200).

5. OTHER NET LOSSES

	2019 £'000	2018 £'000
Revaluation (losses)/gains on properties (note 7(a))	(10,358)	14,401
Impairment provision against amounts due from Limited Partners (note 9)	(23,245)	-
	<hr/>	<hr/>
	(33,603)	14,401
	<hr/>	<hr/>

THE MARTINEAU GALLERIES LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

6. NET FINANCE COSTS

	2019 £'000	2018 £'000
Interest on obligations under head leases	(171)	(171)
Bank and other interest receivable	4	-
	<u>(167)</u>	<u>(171)</u>

7. INVESTMENT PROPERTIES

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

Long Leasehold	2019 £'000	2018 £'000
At 1 January	52,460	37,400
Additions at cost	1,830	639
Amortisation of lease incentives	18	20
Revaluation (loss)/gain (note 5)	<u>(10,358)</u>	<u>14,401</u>
At 31 December	<u>43,950</u>	<u>52,460</u>

(b) The properties are stated at fair value at 31 December 2019, valued by professionally qualified external valuers, Cushman & Wakefield Debenham Tie Leung, Chartered Surveyors. The valuations have been prepared in accordance with the RICS Valuation – Professional Standards 2017 based on certain assumptions as set out in note 1(k).

(c) The historical cost of investment properties at 31 December 2019 was £66,941,000 (2018: £65,093,000).

8. INTEREST IN LEASEHOLD PROPERTIES

	2019 £'000	2018 £'000
At 1 January	1,181	1,198
Amortisation	<u>(17)</u>	<u>(17)</u>
At 31 December	<u>1,164</u>	<u>1,181</u>

THE MARTINEAU GALLERIES LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

9. RECEIVABLES: CURRENT ASSETS

	2019 £'000	2018 £'000
Trade receivables	828	773
Amounts owed by Martineau Galleries (GP) Limited	120	120
Amounts owed by the Limited Partners	12,727	35,952
Amounts owed by Hammerson UK Properties plc	6,314	5,603
Other receivables and prepayments	45	78
	<u>20,034</u>	<u>42,526</u>

All amounts shown under receivables fall due for payment within one year and are repayable on demand. The amounts owed are unsecured. Amounts owed by Martineau Galleries (GP) Limited, the Limited Partners and Hammerson UK Properties plc are non-interest bearing.

Trade receivables are shown after deducting a loss allowance provision of £34,000 (2018: £39,000).

Amounts owed by the Limited Partners are shown after deducting an impairment provision of £23,245,000 (2018: £nil) (see note 5).

10. RESTRICTED MONETARY ASSETS

	2019 £'000	2018 £'000
Cash held on behalf of third parties	<u>355</u>	<u>-</u>

The Partnership's managing agent holds 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.

11. CASH AND DEPOSITS

	2019 £'000	2018 £'000
Cash at bank	<u>110</u>	<u>739</u>

At 31 December 2019, the Partnership's managing agent held cash of £110,000 (2018: £739,000) on behalf of the Partnership which is not restricted and is available to the Partnership and as such has been included in cash and deposits.

12. PAYABLES: CURRENT LIABILITIES

	2019 £'000	2018 £'000
Trade payables	29	221
Amounts due to Hammerson Group Management Limited	1,794	1,183
Other payables and accruals	151	229
Deferred income	600	653
	<u>2,574</u>	<u>2,286</u>

The amounts due to Hammerson Group Management Limited are repayable on demand and are non-interest bearing. All amounts owed are unsecured.

THE MARTINEAU GALLERIES LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

13. PAYABLES: NON-CURRENT LIABILITIES

	2019 £'000	2018 £'000
Other payables		
- Over 5 years	<u>511</u>	<u>186</u>

14. OBLIGATIONS UNDER HEAD LEASES

Head lease obligations in respect of rents payable on the leasehold properties are payable as follows:

	2019			2018		
	Minimum lease payments £'000	Interest £'000	Present value of minimum lease payments £'000	Minimum lease payments £'000	Interest £'000	Present value of minimum lease payments £'000
After 5 years	10,705	(9,459)	1,246	10,876	(9,631)	1,245
2-5 years	513	(512)	1	513	(512)	1
1-2 years	171	(171)	-	171	(171)	-
Within 1 year	171	(171)	-	171	(171)	-
	<u>11,560</u>	<u>(10,313)</u>	<u>1,247</u>	<u>11,731</u>	<u>(10,485)</u>	<u>1,246</u>

15. PARTNERS' EQUITY

	2019 £'000	2018 £'000
Partners' capital accounts		
- Martineau Galleries (GP) Limited	2	2
- Hammerson MGLP Limited	36,450	36,450
- Hammerson MGLP 2 Limited	36,450	36,450
- Hammerson Martineau Galleries Limited	<u>36,450</u>	<u>36,450</u>
	109,352	109,352
Partners' current accounts	<u>(48,071)</u>	<u>(16,164)</u>
	<u>61,281</u>	<u>93,188</u>

The Partners' capital contribution is in proportion to each Partner's interest. Under the Limited Partnership Agreement no further capital is required to be injected and no interest is payable on the capital.

The Partners' current accounts represent the cumulative profits and losses of the Partnership after deduction of distributions to the Partners.

THE MARTINEAU GALLERIES LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

16. THE PARTNERSHIP AS LESSOR – OPERATING LEASE RECEIPTS

At the balance sheet date, the Partnership 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.

	2019 £'000	2018 £'000
Within one year	1,582	1,633
From one to two years	1,212	1,393
From two to five years	2,338	2,798
Over five years	632	1,233
	<u>5,764</u>	<u>7,057</u>

17. ADVANCES, CREDIT AND GUARANTEES

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

18. ULTIMATE CONTROLLING PARTIES

The Limited Partners listed in note 2 are the immediate controlling parties of the Partnership. The ultimate controlling party is Hammerson 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.

19. POST BALANCE SHEET EVENTS

The effects of the Covid-19 pandemic are the result of events that arose after the reporting date and therefore this is a non-adjusting post balance sheet event. No changes have been made, or are required, to the Partnership's statement of comprehensive income or balance sheet. The going concern implications for the business are discussed in note 1(b) to the financial statements and further details on the potential impact on the business in the year ending 31 December 2020 are set out below.

As a result of the Covid-19 pandemic, on 23 March 2020, the Partnership's investment property, Martineau Galleries Shopping Centre in Birmingham, was closed and subsequently reopened on 15 June 2020, having complied with Government safeguarding restrictions. A further national lockdown period was also introduced from 3 November to 2 December 2020. Only retailers providing essential services and supplies continued to trade during the lockdown period.

This unprecedented situation has had a significant impact on the business. As at the date of signing these financial statements, approximately 77% of the Q1 rent and service charges had been collected, together with 72% of the Q2 demands and 63% of the Q3 demands.

The Directors of the General Partner (the "Directors"), together with the asset management team are in dialogue with tenants to provide support to ensure continuity of tenants' businesses and collect arrears where possible. Where appropriate, flexible repayment terms or rent waivers have been offered.

THE MARTINEAU GALLERIES LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2019

19. POST BALANCE SHEET EVENTS (continued)

Footfall is currently lower than comparable periods pre-lockdown, due in part to: requirements to maintain social distancing; the mandatory wearing of face-coverings; additional sanitisation requirements; and a reduction in consumers' use of public transport. Footfall has steadily increased and in October 2020 was averaging 38% below 2019 levels, with cumulative footfall from 15 June to 31 October 2020 approximately 48% below 2019 levels, however it is difficult to predict how customer behaviour will evolve with regards to spending.

During 2019 the Directors were particularly focused on the impact of the administrations and CVAs of certain retailers and brands. This focus will be heightened in the coming months as the full impact of the Covid-19 pandemic unfolds. It is anticipated that net rental income levels for 2020 will be materially lower than the prior year, and property valuations will reduce. It is not currently possible to quantify the financial effects of these changes.

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 2019 £'000	Impact on valuation of 100bp change in nominal equivalent yield		Impact on valuation of 10% change in estimated rental value (ERV)	
	Decrease £'000	Increase £'000	Increase £'000	Decrease £'000
43,950	4,487	(3,726)	4,395	(4,395)