

Registered Number 3744383

MARTINEAU GALLERIES (GP) LIMITED  
REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010

WEDNESDAY



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COMPANIES HOUSE

## Directors' Report for the year ended 31 December 2010

The directors submit their report with the audited financial statements of the Company for the year ended 31 December 2010

### RESULTS FOR THE YEAR AND DIVIDEND

The results are set out in the Profit and Loss Account on page 4

The directors do not recommend the payment of a dividend for the year ended 31 December 2010 (2009 £Nil)

### PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Company acts as General Partner to the Martineau Galleries Limited Partnership, a property investment partnership to redevelop Martineau Galleries, Birmingham. The Limited Partners are LS Martineau Galleries Limited, Hammerson MGLP Limited and Pearl Assurance Limited. No changes to the Company's principal activity are anticipated in the foreseeable future.

### DIRECTORS

The directors who held office during the year and up to the date of this report unless otherwise stated were

D J Atkins	
A P Blake	
S P Clay	(appointed 27 July 2011)
N A S Hardie	
D L F Holt	
G Hutcheson	
L F Hutchings	
H W Martin	(resigned 27 July 2011)
P Wylie	

### INDEMNITY

The Company has made qualifying third party indemnity provisions for the benefit of the respective directors which were in place throughout the year and which remain in place at the date of this report.

### STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each director in office at the date the Directors' Report is approved, the following applies

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Registered Office  
10 Grosvenor Street  
London  
W1K 4BJ



By order of the Board  
S J Haydon  
Company Secretary  
27 July 2011

Registered in England and Wales  
Registered number. 3744383

**Directors' Responsibilities for the year ended 31 December 2010****Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

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 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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. They 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.

<b>Independent Auditors' Report to the Members of Martineau Galleries (GP) Limited for the year ended 31 December 2010</b>
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We have audited the financial statements of Martineau Galleries (GP) Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Reconciliation of Movements in Total Shareholders' funds, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

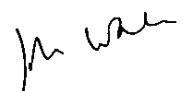
#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where 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.

  
 John Waters (Senior Statutory Auditor)  
 For and on behalf of PricewaterhouseCoopers LLP  
 Chartered Accountants and Statutory Auditors  
 London  
 27 July 2011

<b>Profit and Loss Account for the year ended 31 December 2010</b>
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	Notes	2010 £	2009 £
Turnover		7,596	9,918
Income from a joint venture		-	776
Sundry income		(9,947)	(7,934)
Administrative expenses	2		
Operating (loss) / profit		(2,351)	2,760
Income from a fixed asset investment		116	123
(Loss) / profit before interest and taxation		(2,235)	2,883
Interest receivable and similar income	3	-	207
(Loss) / profit on ordinary activities before taxation		(2,235)	3,090
Taxation	4	(2,745)	(256)
(Loss) / profit for the financial year		(4,980)	2,834

<b>Reconciliation of Movements in Total Shareholders' Funds for the year ended 31 December 2010</b>
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	Notes	2010 £	2009 £
(Loss) / profit for the financial year		(4,980)	2,834
(Reduction from) / addition to shareholders funds		(4,980)	2,834
Opening shareholders' funds		131,301	128,467
Closing shareholders' funds		126,321	131,301

All amounts arise from continuing operations

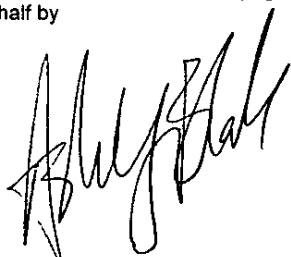
There is no difference between reported (loss) / profit and historical cost (loss) / profit on ordinary activities before taxation

There are no recognised gains or losses other than those shown in the Profit and Loss Account above

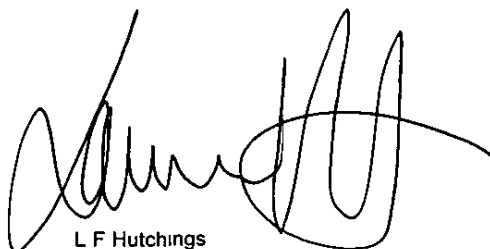
## Balance Sheet as at 31 December 2010

	Notes	2010 £	2009 £
<b>Fixed assets</b>			
Investments			
Investment in subsidiary undertakings	5	2	2
Investment in a participating interest	6	1,800	1,800
Fixed asset investment	7	3,053	5,330
		<u>4,855</u>	<u>7,132</u>
<b>Current assets</b>			
Debtors	8	193,706	192,084
Cash at bank and in hand		18,237	18,145
		<u>211,943</u>	<u>210,229</u>
<b>Creditors amounts falling due within one year</b>	9	(88,391)	(83,974)
<b>Net current assets</b>		<u>123,552</u>	<u>126,255</u>
<b>Total assets less current liabilities</b>		<b>128,407</b>	<b>133,387</b>
<b>Provision for liabilities and charges</b>	10	(2,086)	(2,086)
<b>Net assets</b>		<u>126,321</u>	<u>131,301</u>
<b>Capital and reserves</b>			
Called up share capital	11	1,800	1,800
Profit and loss account	12	124,521	129,501
<b>Total shareholders' funds</b>		<u>126,321</u>	<u>131,301</u>

The financial statements on pages 4 to 9 were approved and authorised for issue by the board directors on 27 July 2011 and were signed on its behalf by



A P Blake  
Director



L F Hutchings  
Director

## 1. Accounting Policies

The financial statements have been prepared on the going concern basis, under the historical cost convention, in accordance with Companies Act 2006 and applicable United Kingdom accounting standards

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

### (a) Income from fixed asset investments

Income from quoted investments is accounted for on a cash received basis

### (b) Income from a participating interest

The Company receives income on an annual basis from the Martineau Galleries Limited Partnership for acting in the capacity of General Partner to the joint venture

### (c) Interest

Interest is accounted for on an accruals basis

### (d) Taxation

Taxation on the (loss) / profit for the year comprises current and deferred tax. Current tax is the tax payable on the taxable income for the year and any adjustment in respect of previous years. Deferred tax is provided in full using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the asset is realised or the liability is settled.

Taxation is charged at the corporation tax rate of 28%

### (e) Fixed asset investment

The Company's quoted investments are stated at cost less provision for impairment in value

### (f) Investment in subsidiary undertakings

The Company's investments in the shares of subsidiary undertakings are carried at cost less provision for impairment in value

### (g) Investment in a participating interest

The Company's investment in a joint venture is carried at cost, less any repayment of joint venture capital and provision for impairment in value

### (h) Impairment of assets

Assets are reviewed annually for impairment. Where impairment exists the asset is written down to its net realisable value

### (i) Cash

Cash comprises cash in hand and bank deposits that can be withdrawn immediately or within twenty four hours without penalty

### (j) Segmental reporting

The Company's activities consist solely of investments in the United Kingdom

### (k) Group accounts

The financial statements present information about the Company as an individual undertaking and not about its group. The Company has not prepared group accounts as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a subsidiary of Land Securities Group PLC, a Company incorporated in England and Wales whose consolidated financial statements are publicly available

**2. Administrative expenses****(a) Management services**

The Company had no employees during the year (2009: None). Management services were provided to the Company throughout the year by Land Securities Properties Limited, which is a group undertaking.

**(b) Directors' emoluments**

The directors of the Company received no emoluments from Land Securities Properties Limited for their services to the Company. The amounts allocated to services for this Company were of negligible value (2009: £Nil).

**(c) Auditors' remuneration**

The Group's auditors' remuneration is borne by Land Securities Properties Limited. The proportion of the remuneration which relates to the Company amounts to £1,650 (2009: £1,650). The auditors received no remuneration for non-audit services provided to the Company during the year (2009: £Nil).

**(d) Provision for impairment in value**

An impairment of £2,277 (2009: £273) in respect of an investment in a fixed asset investment has been recognised in the Profit and Loss Account for the year. See note 7 for further details.

**3 Interest receivable and similar income**

	2010 £	2009 £
Sundry	-	207

**4. Taxation**

	2010 £	2009 £
<b>Analysis of tax charge for the year</b>		
Corporation tax on (loss) / profit for the year	17	581
Adjustments to current tax in respect of prior years	2,728	(325)
<b>Tax charge on (loss) / profit on ordinary activities</b>	<b>2,745</b>	<b>256</b>
<b>Factors affecting the tax charge for the year</b>		
The tax assessed for the year is higher / lower than the standard rate of corporation tax in the UK of 28% (2009: 28%)		
The differences are explained below		
(Loss) / profit on ordinary activities before taxation	(2,235)	3,090
(Loss) / profit on ordinary activities multiplied by the standard rate in the UK at 28% (2009: 28%)	(626)	865
Effect of		
Expenses not deductible for tax purposes	638	-
Non-taxable income	(2,135)	(2,778)
Share of corporation tax arising from a joint venture	2,067	2,711
Adjustments in respect of prior years	2,728	(325)
Reduced rate of tax on profits on disposal of assets	-	(217)
Unutilised tax losses carried forward	56	-
Irrecoverable withholding tax on property income distribution	17	-
<b>Current tax charge for the year</b>	<b>2,745</b>	<b>256</b>

**5. Investment in subsidiary undertakings**

£

At 1 January 2010 and 31 December 2010

2

The directors believe that the carrying value of the investments is supported by their underlying net assets

The subsidiary undertakings of the Company are

Name	Class of shares owned	Percentage of share capital owned	Principal country of incorporation	Nature of business
Martineau Galleries (No 1) Limited	£1 Ordinary shares	100%	England	Dormant
Martineau Galleries (No 2) Limited	£1 Ordinary shares	100%	England	Dormant

**6. Investment in a participating interest**

£

At 1 January 2010 and 31 December 2010

1,800

The directors believe that the carrying value of the investment is supported by its underlying net assets

The Company owns 0.46% of the Martineau Galleries Limited Partnership which is a joint venture and draws up accounts to 31 December. The Martineau Galleries Limited Partnership is a joint venture between LS Martineau Galleries Limited, Hammerson MGLP Limited and Pearl Assurance Limited, which owns and manages a portfolio of properties in Birmingham.

**7. Fixed asset investments**

£

At 1 January 2010

5,330

Provision following impairment review

(2,277)

At 31 December 2010

3,053

The fixed asset investments balance relates to quoted share investments, which have a market value at 31 December 2010 of £3,359 (2009 £5,395).

**8 Debtors**

	2010 £	2009 £
Taxation and social security	-	248
Amounts owed from a joint venture	193,706	185,552
Corporation tax	-	2,171
Prepayments and accrued income	-	4,113
	<u>193,706</u>	<u>192,084</u>

The unsecured loan to the group undertaking is interest free and repayable on demand with no fixed repayment date.

**9 Creditors: amounts falling due within one year**

	2010 £	2009 £
Amount owed to related parties	84,277	82,324
Accruals and deferred income	4,114	1,650
	<u>88,391</u>	<u>83,974</u>

The unsecured loan from related parties is interest free and repayable on demand with no fixed repayment date.

**10. Provision for liabilities and charges**

Deferred taxation  
£

At 1 January 2010 and 31 December 2010

2,086 2,086

**11. Called up share capital**

	Allotted and fully paid	
	2010	2009
	£	£
Ordinary shares of 1 00p each	1,800	1,800

**12. Reserves**

	Called up Share Capital £	Profit and Loss Account £	Total £
At 1 January 2010	1,800	129,501	131,301
Loss for the financial year	-	(4,980)	(4,980)
At 31 December 2010	<b>1,800</b>	<b>124,521</b>	<b>126,321</b>

**13. Cash flow statement exemption**

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds of its size

**14. Related party transactions**

There are no material undisclosed related party transactions

**15. Parent company**

The Company is jointly owned by LS Birmingham Limited, Hammerson Birmingham Properties Limited and Pearl (Martineau Phase 2) Limited whose ultimate parent companies are Land Securities Group PLC, Hammerson plc and Phoenix Group Holdings, respectively

Consolidated financial statements for the year ended 31 March 2011 for Land Securities Group PLC can be obtained from the Company Secretary, 5 Strand, London WC2N 5AF. This is the largest and smallest Group to include these accounts in its consolidated financial statements

Consolidated financial statements for the year ended 31 December 2010 for Hammerson plc can be obtained from the Company Secretary, 10 Grosvenor Street, London W1K 4BJ. This is the largest and smallest Group to include these accounts in its consolidated financial statements

Consolidated financial statements for the year ended 31 December 2010 for Phoenix Group Holdings can be obtained from the Company Secretary, 1st Floor, 32 Commercial Street, St Helier, Jersey JE2 3RU. This is the largest and smallest Group to include these accounts in its consolidated financial statements

Registered Number LP6355

THE MARTINEAU GALLERIES LIMITED PARTNERSHIP  
REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010



COMPANIES HOUSE

<b>General Partners' Report for the year ended 31 December 2010</b>
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The General Partners submit their report with the audited financial statements of the Limited Partnership for the year to 31 December 2010

## RESULTS FOR THE YEAR

The results are set out in the Profit and Loss Account on page 3

## PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Limited Partnership acts as an investment partnership to hold the economic interests of its partners as developers of Martineau Galleries, Birmingham. No changes in the Limited Partnership's principal activity are anticipated in the foreseeable future.

## PARTNERS

Martineau Galleries (GP) Limited, with a 0.46% interest, acts as the General Partner to the Limited Partnership. The Limited Partners and their respective percentage holdings are shown below:

LS Martineau Galleries Limited	33.18%
Hammerson MGLP Limited	33.18%
Pearl Assurance Limited	33.18%

## INDEMNITY

The General Partner's ultimate holding companies, Land Securities Group PLC, Hammerson plc and Phoenix Group Holdings, have made qualifying third party indemnity provisions for the benefit of their respective Directors of the General Partner which were in place throughout the year and which remain in place at the date of this report.

## GENERAL PARTNER'S RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF THE FINANCIAL STATEMENTS

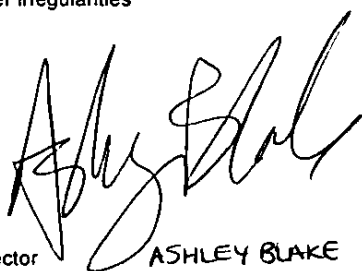
The Martineau Galleries Limited Partnership ("the Limited Partnership") is registered pursuant to the provisions of The Limited Partnerships Act 1907. The Partnerships and Unlimited Companies (Accounts) Regulations 1993 (SI 1993/1820) require certain qualifying partnerships to prepare and have audited annual accounts and reports as required for a company by the Companies Act 2006. The Limited Partnership is a qualifying partnership as all its members are limited companies.

Martineau Galleries (GP) Limited acting as the General Partner is responsible under Article 23 of the Limited Partnership Deed dated 1907 for the preparation of the Limited Partnership accounts in accordance with English law and generally accepted accounting principles and practices in the UK except where the Limited Partnership Deed states that investment properties should not be revalued.

The General Partner is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Limited Partnership as at the end of the financial year and of the profit or loss of the Limited Partnership for that year. In preparing those financial statements, the General Partner is required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Limited Partnership will continue in business.

The General Partner is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Limited Partnership and to enable it to ensure that the financial statements comply with SI 1993/1820 (Regulation 4). It is also responsible for safeguarding the assets of the Limited Partnership and for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Director **ASHLEY BLAKE**  
For and on behalf of the General Partner,  
Martineau Galleries (GP) Limited  
27 July 2011



Director **LAWRENCE HUTCHINGS**  
For and on behalf of the General Partner,  
Martineau Galleries (GP) Limited  
27 July 2011

**Independent Auditors' Report to the Partners of The Martineau Galleries Limited Partnership for the year ended 31 December 2010**

We have audited the financial statements of The Martineau Galleries Limited Partnership for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Reconciliation of Movements in Net Funds Attributable to Partners, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared in accordance with the basis of preparation and accounting policies in note 1 to the financial statements.

**Respective responsibilities of the General Partner and auditors**

As explained more fully in the General Partner's Responsibilities Statement above, the General Partner is responsible for the preparation of the financial statements in accordance with the basis of preparation and accounting policies in note 1 and for determining that the basis of preparation and accounting policies are acceptable in the circumstances. Our responsibility is to audit and express an opinion on the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Partners as a body in accordance with the Limited Partnership Deed, 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.

**Scope of the audit of the financial statements**

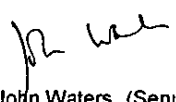
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Limited Partnership's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the General Partner, and the overall presentation of the financial statements.

**Opinion on financial statements**

In our opinion the financial statements for the year ended 31 December 2010 have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies in note 1 to the financial statements.

**Basis of preparation**

Without modifying our opinion, we draw attention to note 1 to the financial statements which discloses the basis of preparation. The financial statements have been prepared for the purposes of the Limited Partnership Agreement and may not be suitable for another purpose.

  
John Waters (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
27 July 2011

**Profit and Loss Account for the year ended 31 December 2010**

	Notes	2010 £'000	2009 £'000
Turnover Gross property income	2	3,641	4,238
Net rental income	2	1,853	2,353
Property management and administrative expenses	3	(206)	(210)
Operating profit		1,647	2,143
Provision following impairment review		(278)	(12,039)
Profit / (loss) before interest		1,369	(9,896)
Interest receivable and similar income	4	4	16
Interest payable and similar charges	5	-	(3)
Profit / (loss) transferred to Partners' current accounts		1,373	(9,883)

**Reconciliation of Movements in Net Funds Attributable to Partners for the year ended 31 December 2010**

	Notes	2010 £'000	2009 £'000
Profit / (loss) transferred to Partners' current accounts	11	1,373	(9,883)
Distributions	11	(2,700)	(4,200)
Net change in net funds attributable to Partners		(1,327)	(14,083)
Opening net funds		74,770	88,853
Closing net funds attributable to Partners		73,443	74,770

All amounts arise from continuing operations

There is no difference between reported profit / (loss) and historical cost profit / (loss) on ordinary activities before taxation

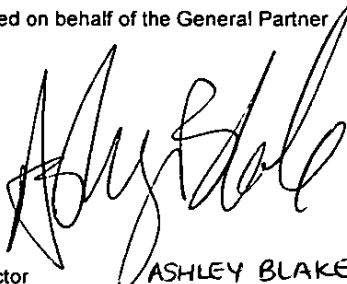
There are no recognised gains or losses other than those shown in the Profit and Loss Account above

**Balance Sheet as at 31 December 2010**

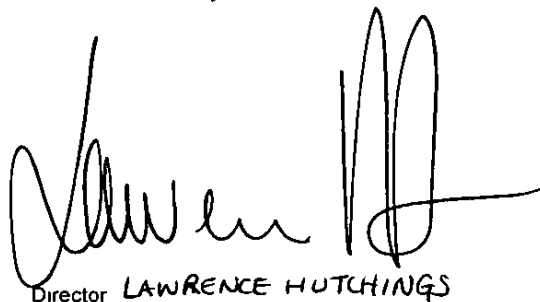
	Notes	2010 £'000	2009 £'000
<b>Fixed assets</b>			
<b>Tangible assets</b>			
Investment properties	6	36,025	36,030
<b>Current assets</b>			
Debtors falling due after more than one year		35,972	35,972
Debtors falling due within one year	8	1,889	1,638
Cash at bank and in hand		1,025	2,407
		<u>38,886</u>	<u>40,017</u>
<b>Creditors amounts falling due within one year</b>	9	(1,468)	(1,277)
<b>Net current assets</b>		<u>37,418</u>	<u>38,740</u>
<b>Net assets attributable to Partners</b>		<u>73,443</u>	<u>74,770</u>
<b>Capital and reserves</b>			
Partners' capital accounts	10	109,352	109,352
Partners' current accounts	11	(35,909)	(34,582)
<b>Partners' funds</b>		<u>73,443</u>	<u>74,770</u>

The financial statements on pages 3 to 9 were approved by the General Partner on 27 July 2011

Signed on behalf of the General Partner



Director **ASHLEY BLAKE**  
For and on behalf of the General Partner,  
Martineau Galleries (GP) Limited  
27 July 2011



Director **LAWRENCE HUTCHINGS**  
For and on behalf of the General Partner,  
Martineau Galleries (GP) Limited  
27 July 2011

## Cash Flow Statement for the year ended 31 December 2010

	2010 £'000	2009 £'000
Net cash inflow from operating activities	1,587	1,432
Returns on investment and servicing of finance		
Interest received	4	23
Interest paid	-	(3)
Net cash inflow from returns on investment and servicing of finance	4	20
Net cash inflow from operating activities and investments after finance charges	1,591	1,452
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(273)	(32)
Net cash outflow for capital expenditure	(273)	(32)
Distributions paid to Partners	(2,700)	(4,200)
Decrease in cash in the year	(1,382)	(2,780)

## Reconciliation of operating profit to net cash inflow from operating activities

	2010 £'000	2009 £'000
Operating profit	1,647	2,143
Increase in debtors	(251)	(523)
Increase / (decrease) in creditors	191	(188)
Net cash inflow from operating activities	1,587	1,432

## 1. Accounting Policies

The financial statements have been prepared on the going concern basis, under the historical cost convention, in accordance with the Limited Partnership Agreement

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Limited Partnership's financial statements

### (a) Profit and Loss Account and other primary statements

The profit / (loss) on ordinary activities before taxation is arrived at after taking into account income and outgoings on all properties, including those under development. In accordance with FRS3 'Reporting Financial Performance', profits and losses on properties sold during the year are calculated by comparing net sales proceeds with book values

### (b) Gross property income

The gross property income comprises rental income, service charges and other recoveries from tenants of its investment properties

Income is credited to the Profit and Loss Account as space and other services are provided to customers. Gross property income includes costs recovered from tenants. Rental income includes the net income from managed operations such as car parks, food courts, serviced offices and flats

Service charges and other recoveries include income in relation to service charges and directly recoverable expenditure together with any chargeable management fee. In accordance with the Accounting Standards Board's (ASB) Urgent Issues Task Force Abstract 28 'Operating Lease Incentives' (UITF28) the Limited Partnership treats any incentive for lessees to enter into lease agreements as a revenue cost and accounts for rental income from the commencement date of any rent-free period. The cost of all lease incentives (such as rent-free periods or contributions to tenants' fitting out costs) is, therefore, offset against the total rent due. The net rental income is then spread evenly over the shorter of the period from the rent commencement date to the date of the next rent review or the lease end date

### (c) Interest

Interest is accounted for on an accruals basis

### (d) Investment properties

#### i Valuation

Investment properties are those properties, either owned by the Limited Partnership or where the Limited Partnership is a lessee under a finance lease, that are held either to earn rental income or for capital appreciation or both

Investment properties are carried at the lower of cost and net realisable value

Properties are treated as acquired at the point when the Limited Partnership assumes the significant risks and returns of ownership and as disposed when these are transferred to the buyer. Additions to investment properties consist of costs of a capital nature. Certain internal staff and associated costs directly attributable to the management of major schemes during the construction phase are also capitalised

#### ii Depreciation and amortisation

In accordance with SSAP19 'Accounting for Investment Properties', depreciation is not provided on investment properties that are held as freeholds or on leases having more than 20 years unexpired. This is a departure from the Companies Act 2006 which requires all tangible assets to be depreciated. In the opinion of the directors, this departure is necessary for the financial statements to give a true and fair view and comply with applicable accounting standards which require properties to be included in the financial statements at market value. The effect of depreciation is implicitly reflected in the valuation of investment properties, and the amount attributable to this factor cannot reasonably be separately identified or quantified by the valuers. Had the provisions of the Act been followed, net assets would not have been affected but revenue profits would have been reduced for this and earlier years and revaluation surpluses/deficits would have been correspondingly increased / decreased

### (e) Impairment of assets

Assets are reviewed annually for impairment. Where impairment exists the asset is written down to its net realisable value

### (f) Debtors

All trade debtors are recognised at the amounts receivable less any provision for doubtful debts. Recoverability of trade debtors is reviewed on an ongoing basis

### (g) Cash

Cash comprises cash in hand and bank deposits that can be withdrawn immediately or within twenty four hours without penalty

### (h) Segmental reporting

The Limited Partnership's activities consist solely of property investment in the United Kingdom

**2. Net rental income**

	2010 £'000	2009 £'000
Rental income	2,962	3,667
Service charges and other recoveries	679	571
<b>Gross property income</b>	<b>3,641</b>	<b>4,238</b>
Other direct property or contract expenditure	(1,788)	(1,885)
<b>Net rental income</b>	<b>1,853</b>	<b>2,353</b>

Other property outgoings are costs incurred in the direct maintenance and upkeep of investment properties. Void costs, which include those relating to empty properties pending redevelopment and refurbishment, costs of investigating potential development schemes which are not proceeded with, and costs in respect of housekeepers and outside staff directly responsible for property services, are also included.

**3. Property management and administrative expenses**

Property management and administrative expenses consist of all costs of managing the property, together with the costs of rent reviews and renewals, re-lettings of the property and management services as explained in note (a) below. No staff costs or overheads are capitalised.

**(a) Management services**

The Limited Partnership had no employees during the year (2009: None). Management services were provided to the Limited Partnership throughout the year by Martineau Galleries (GP) Limited, a related party of the Limited Partnership, for which it receives no fees (2009: £Nil).

**(b) Directors' emoluments / Corporate Services**

The directors of the General Partner received no emoluments for their services to the Limited Partnership. The amounts allocated to services for this Limited Partnership were of negligible value (2009: £Nil). Land Securities Properties Limited, a related party of the Limited Partnership, provided both corporate services and property and development management services to the Limited Partnership throughout the year, for which it received fees of £32,500 (2009: £32,500) and £150,000 (2009: £150,000) respectively. Additionally, Hammerson (MGLP) Limited provided secretarial services to the value of £11,668 for the year (2009: £11,665).

**(c) Auditors' remuneration**

The auditors' remuneration amounts to £12,000 (2009: £12,000). The auditors received no remuneration for non-audit services provided to the Limited Partnership during the year (2009: £Nil).

**(d) Provision for impairment in value**

An impairment of £278,016 (2009: £12,039,018) in respect of an investment property has been recognised in the Profit and Loss Account for the year following a valuation by DTZ Debenham Tie Leung Limited where the net realisable value was considered to be lower than cost.

**(e) Operating lease rentals**

The operating lease rentals for land and buildings for the year amounts to £252,095 (2009: £268,231).

**4. Interest receivable and similar income**

	2010 £'000	2009 £'000
Interest on bank deposits	-	15
Sundry	4	1
	<b>4</b>	<b>16</b>

**5. Interest payable and similar charges**

	2010 £'000	2009 £'000
Sundry	-	3

**6. Investment properties**

	Leasehold Over 50 years to run £'000
At 1 January 2010	36,030
Additions	273
Impairment	(278)
<b>Net book value at 31 December 2010</b>	<b>36,025</b>
Net book value at 31 December 2009	36,030

The historical cost of the investment properties is £62,816,415 (2009 £62,543,399). The valuations are prepared by DTZ Debenham Tie Leung Limited, independent valuers in accordance with the valuation principles of the Appraisal and Valuation manual of the Royal Institute of Chartered Surveyors.

**7. Debtors falling due after more than one year**

	2010 £'000	2009 £'000
Loans to Partners	35,972	35,972
	<b>35,972</b>	<b>35,972</b>

In accordance with Article 17 of the Limited Partnership Deed, the Limited Partnership has provided unsecured interest free loans to each of the partners repayable at such times and in such as the General Partner shall determine from time to time.

**8. Debtors falling due within one year**

	2010 £'000	2009 £'000
Trade debtors	1,711	1,464
Amounts due from related parties	75	-
Prepayments and accrued income	103	174
	<b>1,889</b>	<b>1,638</b>

**9. Creditors' amounts falling due within one year**

	2010 £'000	2009 £'000
Trade creditors	22	-
Amount owed to a related party	-	75
Taxation and social security	111	89
Accruals and deferred income	1,335	1,113
	<b>1,468</b>	<b>1,277</b>

The unsecured loan from a related party is interest free and repayable on demand with no fixed repayment date.

**10. Partners' capital accounts**

	Martineau Galleries (GP) Limited £'000	LS Martineau Galleries Limited £'000	Hammerson MGLP Limited £'000	Pearl Assurance Limited £'000	Total £'000
At 1 January 2010 and 31 December 2010	2	36,450	36,450	36,450	109,352

**11. Partners' current accounts**

	<b>Martineau Galleries (GP) Limited</b>	<b>LS Martineau Galleries Limited £'000</b>	<b>Hammerson MGLP Limited £'000</b>	<b>Pearl Assurance Limited £'000</b>	<b>Total £'000</b>
At 1 January 2010	65	(11,549)	(11,549)	(11,549)	(34,582)
profit for the financial year	5	456	456	456	1,373
Distributions to Partners	-	(900)	(900)	(900)	(2,700)
<b>At 31 December 2010</b>	<b>70</b>	<b>(11,993)</b>	<b>(11,993)</b>	<b>(11,993)</b>	<b>(35,909)</b>

**12. Related party transactions**

Other than disclosed in the notes, there were no material related party transactions during the year

**13. Ultimate controlling parties**

The ultimate controlling party of the Limited Partnership is considered to be the General Partner, Martineau Galleries (GP) Limited. The Limited Partnership and the General Partner are jointly owned by LS Martineau Galleries Limited, Hammerson MGLP Limited and Pearl Assurance Limited whose ultimate parent companies are Land Securities Group PLC, Hammerson plc and Phoenix Group Holdings, respectively.

Consolidated financial statements for the year ended 31 March 2011 for Land Securities Group PLC can be obtained from the Company Secretary, 5 Strand, London WC2N 5AF. This is the largest and smallest Group to include these accounts in its consolidated financial statements.

Consolidated financial statements for the year ended 31 December 2010 for Hammerson plc can be obtained from the Company Secretary, 10 Grosvenor Street, London W1K 4BJ. This is the largest and smallest Group to include these accounts in its consolidated financial statements.

Consolidated financial statements for the year ended 31 December 2010 for Phoenix Group Holdings can be obtained from the Company Secretary, 1st Floor, 32 Commercial Street, St Helier, Jersey JE2 3RU. This is the largest and smallest Group to include these accounts in its consolidated financial statements.