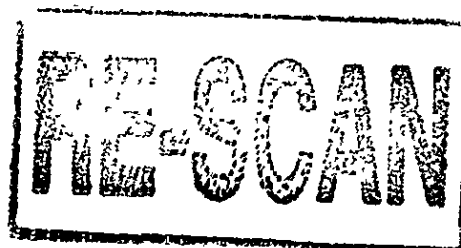
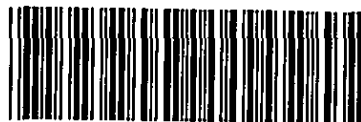


Registered Number 3744383

MARTINEAU GALLERIES (GP) LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011



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Directors' Report for the year ended 31 December 2011

The directors submit their report with the audited financial statements of the Company for the year ended 31 December 2011

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 2011 (2010 £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	(resigned 26 October 2011)
A P Blake	
S P Clay	
N A S Hardie	(resigned 14 October 2011)
D L F Holt	
G F Hutcheson	
L F Hutchings	
M Plocica	(appointed 26 October 2011)
R G Shaw	(appointed 26 October 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
R S Booth, for and on behalf of Hammerson Company Secretarial Limited
Secretary
13 September 2012

Registered in England and Wales
Registered number 3744383

Directors' Responsibilities for the year ended 31 December 2011

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.

Independent Auditors' Report to the Members of Martineau Galleries (GP) Limited for the year ended 31 December 2011

We have audited the financial statements of Martineau Galleries (GP) Limited for the year ended 31 December 2011 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 set out on page 2 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. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 and of its profit 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

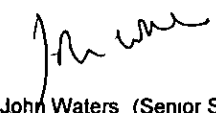
Opinion on other matter prescribed by the Companies Act 2006

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
18 September 2012

Profit and Loss Account for the year ended 31 December 2011
--

	Notes	2011 £	2010 £
Turnover		4,848	7,596
Income from a joint venture			
Administrative expenses	2	(4,546)	(9,947)
Operating profit / (loss)		302	(2,351)
Income from a fixed asset investment		101	116
Profit / (loss) before interest and taxation		403	(2,235)
Interest receivable and similar income	3	1	-
Profit / (loss) on ordinary activities before taxation		404	(2,235)
Taxation	4	52	(2,745)
Profit / (loss) for the financial year		456	(4,980)

Reconciliation of Movements in Total Shareholders' Funds for the year ended 31 December 2011

	Notes	2011 £	2010 £
Profit / (loss) for the financial year		456	(4,980)
Addition to / (reduction from) shareholder's funds		456	(4,980)
Opening shareholders' funds		126,321	131,301
Closing shareholders' funds		126,777	126,321

All amounts arise from continuing operations

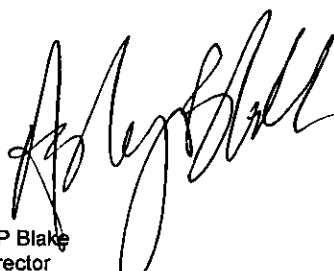
There is no difference between reported profit / (loss) and historical cost profit / (loss) on ordinary activities before taxation

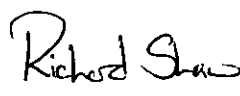
There are no recognised gains or losses other than those shown in the Profit and Loss Account above

Balance Sheet as at 31 December 2011

	Notes	2011 £	2010 £
Fixed assets			
Investments			
Investment in subsidiary undertakings	5	2	2
Investment in a participating interest	6	1,800	1,800
Fixed asset investment	7	2,584	3,053
		<u>4,386</u>	<u>4,855</u>
Current assets			
Debtors	8	203,177	193,706
Cash at bank and in hand		22,982	18,237
		<u>226,159</u>	<u>211,943</u>
Creditors amounts falling due within one year	9	(101,682)	(88,391)
Net current assets		<u>124,477</u>	<u>123,552</u>
Total assets less current liabilities		128,863	128,407
Provision for liabilities and charges	10	(2,086)	(2,086)
Net assets		<u>126,777</u>	<u>126,321</u>
Capital and reserves			
Called up share capital	11	1,800	1,800
Profit and loss account	12	124,977	124,521
Total shareholders' funds		<u>126,777</u>	<u>126,321</u>

The financial statements on pages 4 to 9 were approved and authorised for issue by the board directors on 13 September 2012 and were signed on its behalf by


A P Blake
Director


R G Shaw
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 profit / (loss) 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 26.5%

(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

2. Administrative expenses

(a) Management services

The Company had no employees during the year (2010 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 (2010 £Nil)

(c) Auditors' remuneration

The auditors' remuneration amounts to £1,776 (2010 £1,733) The auditors received no remuneration for non-audit services provided to the Company during the year (2010 £Nil)

(d) Provision for impairment in value

An impairment of £469 (2010 £2,277) 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

	2011 £	2010 £
Sundry	1	-

4. Taxation

	2011 £	2010 £
Analysis of tax (credit) / charge for the year		
Corporation tax on profit / (loss) for the year	12	17
Adjustments to current tax in respect of prior years	(64)	2,728
Tax (credit) / charge on profit / (loss) on ordinary activities	(52)	2,745
Factors affecting the tax (credit) / charge for the year		
The tax assessed for the year is higher / lower than the standard rate of corporation tax in the UK of 26.5% (2010 28%)		
The differences are explained below		
Profit / (loss) on ordinary activities before taxation	404	(2,235)
Profit / (loss) on ordinary activities multiplied by the standard rate in the UK at 26.5% (2010 28%)	107	(626)
Effect of		
Expenses not deductible for tax purposes	124	638
Non-taxable income	(1,296)	(2,135)
Share of corporation tax arising from a joint venture	1,171	2,067
Adjustments in respect of prior years	(64)	2,728
Brought forward losses utilised in the year	(106)	-
Unutilised tax losses carried forward	-	56
Irrecoverable withholding tax on property income distribution	12	17
Current tax (credit) / charge for the year	(52)	2,745

5. Investment in subsidiary undertakings

	£
At 1 January 2011 and 31 December 2011	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 2011 and 31 December 2011	<u>1,800</u>

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 2011	3,053
Provision following impairment review	(469)
At 31 December 2011	<u>2,584</u>

The fixed asset investments balance relates to quoted share investments, which have a market value at 31 December 2011 of £2,817 (2010 £3,359).

8. Debtors

	2011 £	2010 £
Taxation and social security	97	-
Amounts owed from a joint venture	198,554	193,706
Prepayments and accrued income	<u>4,526</u>	<u>-</u>
	<u>203,177</u>	<u>193,706</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

	2011 £	2010 £
Amount owed to related parties	98,382	84,277
Accruals and deferred income	<u>3,300</u>	<u>4,114</u>
	<u>101,682</u>	<u>88,391</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 2011 and 31 December 2011	<u>2,086</u> <u>2,086</u>

11. Called up share capital

	Allotted and fully paid 2011 £	2010 £
Ordinary shares of 1.00p each	1,800	1,800

12. Reserves

	Called up Share Capital £	Profit and Loss Account £	Total £
At 1 January 2011	1,800	124,521	126,321
Profit for the financial year	-	456	456
At 31 December 2011	<u>1,800</u>	<u>124,977</u>	<u>126,777</u>

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

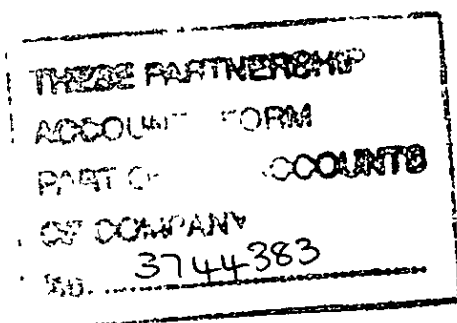
The Company is jointly owned by LS Birmingham Limited, Hammerson Birmingham Properties Limited and Pearl (Martineau Phase 2) Limited whose ultimate parent companies are Land Securities Group PLC, Hammerson plc and Phoenix Group Holdings, respectively

Consolidated financial statements for the year ended 31 March 2012 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 2011 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 2011 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

THE MARTINEAU GALLERIES LIMITED PARTNERSHIP
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011



SATURDAY

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COMPANIES HOUSE

General Partners' Report for the year ended 31 December 2011

The General Partners submit their report with the audited financial statements of the Limited Partnership for the year to 31 December 2011

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.

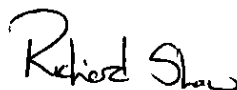
The General Partner is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Limited Partnership as at the end of the financial year and of the profit or loss of the Limited Partnership for that year. In preparing those financial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



Ashley Blake, Director
For and on behalf of the General Partner,
Martineau Galleries (GP) Limited
13 September 2012



Richard Shaw, Director
For and on behalf of the General Partner,
Martineau Galleries (GP) Limited
13 September 2012

Independent Auditors' Report to the Partners of The Martineau Galleries Limited Partnership for the year ended 31 December 2011

We have audited the financial statements of The Martineau Galleries Limited Partnership for the year ended 31 December 2011 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

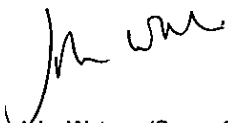
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies 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 2011 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
18 September 2012

Profit and Loss Account for the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Turnover Gross property income	2	3,442	3,641
Net rental income	2	1,258	1,853
Property management and administrative expenses	3	(211)	(206)
Operating profit		1,047	1,647
Provision following impairment review	5	(84)	(278)
Profit before interest		963	1,369
Interest receivable and similar income	4	8	4
Profit transferred to Partners' current accounts		971	1,373

Reconciliation of Movements in Net Funds Attributable to Partners for the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Profit transferred to Partners' current accounts	10	971	1,373
Distributions	10	(1,500)	(2,700)
Net change in net funds attributable to Partners		(529)	(1,327)
Opening net funds		73,443	74,770
Closing net funds attributable to Partners		72,914	73,443

All amounts arise from continuing operations

There is no difference between reported profit and historical cost profit on ordinary activities before taxation

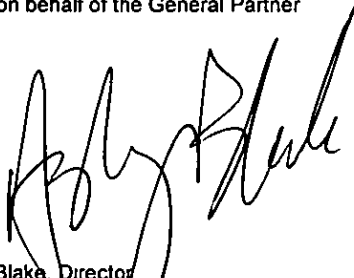
There are no recognised gains or losses other than those shown in the Profit and Loss Account above

Balance Sheet as at 31 December 2011

	Notes	2011 £'000	2010 £'000
Fixed assets			
Tangible assets			
Investment properties	5	<u>36,025</u>	<u>36,025</u>
Current assets			
Debtors falling due after more than one year	6	35,972	35,972
Debtors falling due within one year	7	1,705	1,889
Cash at bank and in hand		<u>655</u>	<u>1,025</u>
		<u>38,332</u>	<u>38,886</u>
Creditors amounts falling due within one year	8	<u>(1,443)</u>	<u>(1,468)</u>
Net current assets		<u>36,889</u>	<u>37,418</u>
Net assets attributable to Partners		<u>72,914</u>	<u>73,443</u>
Capital and reserves			
Partners' capital accounts	9	109,352	109,352
Partners' current accounts	10	<u>(36,438)</u>	<u>(35,909)</u>
Partners' funds		<u>72,914</u>	<u>73,443</u>

The financial statements on pages 3 to 9 were approved by the General Partner on 13 September 2012

Signed on behalf of the General Partner



Ashley Blake, Director
For and on behalf of the General Partner,
Martineau Galleries (GP) Limited



Richard Shaw, Director
For and on behalf of the General Partner,
Martineau Galleries (GP) Limited

Cash Flow Statement for the year ended 31 December 2011
--

	2011 £'000	2010 £'000
Net cash inflow from operating activities	1,206	1,587
Returns on investment and servicing of finance		
Interest received	8	4
Net cash inflow from returns on investment and servicing of finance	8	4
Net cash inflow from operating activities and investments after finance charges	1,214	1,591
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(84)	(273)
Net cash outflow for capital expenditure	(84)	(273)
Distributions paid to Partners	(1,500)	(2,700)
Decrease in cash in the year	(370)	(1,382)

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

	2011 £'000	2010 £'000
Operating profit	1,047	1,647
Decrease / (increase) in debtors	184	(251)
(Decrease) / increase in creditors	(25)	191
Net cash inflow from operating activities	1,206	1,587

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 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

	2011 £'000	2010 £'000
Rental income	2,889	2,962
Service charges and other recoveries	553	679
Gross property income	3,442	3,641
Other direct property or contract expenditure	(2,184)	(1,788)
Net rental income	1,258	1,853

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 (2010: 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 (2010: £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 (2010: £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 (2010: £32,500) and £150,000 (2010: £150,000) respectively. Additionally, Hammerson (MGLP) Limited provided secretarial services to the value of £11,666 for the year (2010: £11,668).

(c) Auditors' remuneration

The auditors' remuneration amounts to £12,915 (2010: £12,600). The auditors received no remuneration for non-audit services provided to the Limited Partnership during the year (2010: £Nil).

(d) Provision for impairment in value

An impairment of £83,833 (2010: £278,016) 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 £513,920 (2010: £252,095).

4. Interest receivable and similar income

	2011 £'000	2010 £'000
Sundry	8	4

5. Investment properties

	Leasehold Over 50 years to run £'000
At 1 January 2011	36,025
Additions	84
Impairment	(84)
Net book value at 31 December 2011	36,025
Net book value at 31 December 2010	36,025

The historical cost of the investment properties is £62,900,248, (2010: £62,816,415). 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.

6. Debtors falling due after more than one year

	2011 £'000	2010 £'000
Loans to Partners	35,972	35,972

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

7. Debtors falling due within one year

	2011 £'000	2010 £'000
Trade debtors	1,446	1,711
Amounts due from related parties	77	75
Prepayments and accrued income	182	103
	<u>1,705</u>	<u>1,889</u>

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

8. Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Trade creditors	74	22
Taxation and social security	83	111
Accruals and deferred income	1,286	1,335
	<u>1,443</u>	<u>1,468</u>

9. 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 2011 and 31 December 2011	2	36,450	36,450	36,450	109,352

10. Partners' current accounts

	Martineau Galleries (GP) Limited £'000	LS Martineau Galleries Limited £'000	Hammerson MGLP Limited £'000	Pearl Assurance Limited £'000	Total £'000
At 1 January 2011	70	(11,993)	(11,993)	(11,993)	(35,909)
Profit for the financial year	-	323	324	324	971
Distributions to Partners	-	(500)	(500)	(500)	(1,500)
At 31 December 2011	70	(12,170)	(12,169)	(12,169)	(36,438)

11. Related party transactions

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

12. 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 2012 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 2011 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 2011 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.