Registered Number: 03744383

MARTINEAU GALLERIES (GP) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2020

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MARTINEAU GALLERIES (GP) LIMITED

DIRECTORS' REPORT
Year ended 31 December 2020

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

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

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% (2019: 33.18%) of the Partnership, with the Company owning the remaining 0.46% (2019: 0.46%).

2. REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Performance during the year
The Martineau Galleries Shopping Centre in Birmingham was affected by the Covid-19 pandemic. This unprecedented situation has had a significant impact, with footfall levels significantly below 2019 levels due to the closure of all non-essential retail during continued periods of national and local lockdown.

The asset management team have worked hard to reach fair and reasonable agreements with tenants, offering flexible repayment terms or rent waivers where appropriate. In spite of the proactive measures taken, rent collection was significantly below historic levels.

Net rental income for the Partnership reduced principally as a result of increased provisioning due to the higher level of arrears and increased uncertainty as a consequence of the pandemic. Car park income fell due to the closure of the majority of stores in periods of Covid-19 lockdown during the year.

Future prospects
The impact of Covid-19 has extended into 2021. The roll-out of a vaccination programme together with the lifting of Covid-19 restrictions should lead to a recovery as workers and shoppers return to the city centre. However, any significant re-emergence of Covid-19 or new variants thereof could also result in the imposition of further restrictions.

It is anticipated the Partnership's net rental income levels and property valuations will remain challenged in 2021.

The Directors do not anticipate any significant change in the Company's or the Partnership's principal activity in the foreseeable future.

3. RESULTS AND DIVIDENDS

The loss for the year after tax was £1,000 (2019 profit: £1,000). The Directors do not recommend the payment of a dividend for the year (2019: £nil).

As at 31 December 2020, the Company had net current liabilities of £120,000 (2019: £120,000) and net liabilities of £115,000 (2019: £114,000).

4. DIRECTORS

(a) Mr. W.S. Austin and Mr M.R. Bourgeois were Directors of the Company throughout the year and resigned as Directors of the Company on 11 November 2021.

(b) Mr. A.J. Berger-North resigned as a Director of the Company on 7 August 2020.

(c) Mr. T. Cochrane was appointed as a Director of the Company on 7 August 2020 and resigned as a Director of the Company on 19 May 2021.

(d) Mr. H.A. Badham, Mr. P.J. Denby and Mr. R.G. Shaw were appointed as Directors of the Company on 11 November 2021 and were 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.

5. SECRETARY.

Hammerson Company Secretarial Limited was Secretary of the Company throughout the year.

6. 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 position on the balance sheet as at 31 December 2020 and the current unprecedented levels of uncertainty on the Company's activities, principally caused by the Covid-19 pandemic. Having received a letter of support from Hammerson plc, its ultimate parent company, which states the intent to provide the necessary financial support to the Company for at least twelve months from the date of signing of these financial statements, they concluded that the going concern basis of preparation was appropriate.

However, whilst Hammerson plc's condensed consolidated interim financial report for the half-year reporting period ended 30 June 2021 was prepared on a going concern basis, the Directors note that it referred to a material uncertainty regarding the ability of Hammerson plc to continue as a going concern. Therefore, by extension, the Company's reliance on the letter of support from Hammerson plc has led the Directors to conclude that there is a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern. More information is provided in note 1(b) to the financial statements.

7. 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.

8. INDEPENDENT AUDITORS

BDO LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of section 487(2) of the Companies Act 2006.

BDO LLP have indicated their willingness to continue in office.

9. 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.

10. DISCLOSURE OF INFORMATION TO AUDITORS

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

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

On behalf of the Board

HAB

H.A. Badham
Director
Registered Number: 03744383

Date: 14 December 2021

MARTINEAU GALLERIES (GP) LIMITED

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

Opinion on the 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 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

Other information
The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Other Companies Act 2006 reporting
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year 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.

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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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

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

- We considered the Company's compliance with laws and regulations that have a significant impact on the financial statements including, but not limited to, UK accounting standards, company law and tax legislation, and we considered the extent to which non-compliance might have a material effect on the Company's financial statements.

- We designed audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures and agreeing to underlying supporting documentation where necessary. We made enquiries of management and the Directors as to the risks of non-compliance and any instances thereof.

- We addressed the risks of management override of internal controls, including testing a sample of journal entries based on risk criteria processed during the year and evaluating whether there was evidence of bias by management in accounting estimates or judgements that represented a risk of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

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

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

MARTINEAU GALLERIES (GP) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Revaluation of investments	4(c)	(1)	1
(Loss)/Profit after taxation and total comprehensive (expense)/income for the financial year		**(1)**	1

All amounts relate to continuing activities.

MARTINEAU GALLERIES (GP) LIMITED

BALANCE SHEET
As at 31 December 2020

	Note	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Non-current assets					
Investments	4(a)		**5**		6
Current liabilities					
Payables	5	**(120)**		(120)	
Net current liabilities			**(120)**		(120)
Net liabilities			**(115)**		(115)
Capital and reserves					
Called up share capital	6		**2**		2
Accumulated losses	7		**(117)**		(116)
Total deficit			**(115)**		(114)

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

H.A. Badham
Director
Registered Number: 03744383

MARTINEAU GALLERIES (GP) LIMITED

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

	Called up share capital £'000	**Accumulated losses £'000**	**Total deficit £'000**
At 1 January 2019	2	(117)	(115)
Profit and total comprehensive income for the financial year	-	1	1
At 31 December 2019	2	(116)	(114)
Loss and total comprehensive expense for the financial year	-	(1)	(1)
At 31 December 2020	**2**	**(117)**	**(115)**

MARTINEAU GALLERIES (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2020

1. ACCOUNTING POLICIES

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

(a) Basis of accounting

During 2020, the following relevant new and revised Standards and Interpretations have been adopted:
- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Revised Conceptual Framework for Financial Reporting.

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

The Company also elected to adopt the following amendments early, although there is no material impact as this only applies to lessees:
- Covid-19-Related Rent Concessions – amendments to IFRS 16.

Basis of preparation
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") unless otherwise stated. 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).

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).

1. ACCOUNTING POLICIES (CONTINUED)

(a) Basis of accounting (continued)

- 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 current unprecedented levels of uncertainty, principally caused by the Covid-19 pandemic, on the Company's activities. In addition, the Directors note that the Company has no external borrowings or debt covenants, however as at 31 December 2020 it had net current 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.

The Directors consider that the Company is an integral part of Hammerson plc's structure and strategy and this is evidenced by a letter of support received from Hammerson plc, which states its intent to provide the necessary financial support to ensure that the Company is a going concern for the foreseeable future, being a period of at least twelve months from the date of signing of these financial statements.

In forming an assessment as to whether Hammerson plc has the ability to provide the necessary financial support to the Company, the Directors have had regard to the cash flow forecasts of the Hammerson plc Group which anticipate significant liquidity over the support period. Consequently, the Directors have a reasonable expectation that the Company will have access to adequate resources to continue in operational existence for a period of at least twelve months from the date of signing of these financial statements and they continue to adopt the going concern basis in preparing the financial statements.

1. ACCOUNTING POLICIES (CONTINUED)

(b) Going concern (continued)

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

By extension, the material uncertainty identified in the Group's latest financial report, could impact on Hammerson plc's ability to provide the necessary level of support to the Company. Accordingly the Directors of the Company have identified a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

(c) Fixed asset investments

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 a 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.

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 investments. The Company's investments include 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 valued 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 professionally 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 2020.

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

2. ADMINISTRATIVE EXPENSES

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

The Directors did not receive any remuneration for their services from the Company in the year (2019: £nil), having been paid by other group undertakings. It is deemed impractical to allocate their remuneration between group undertakings for the purpose of disclosure. In addition there were no payments to key management personnel in either the current or preceding financial year.

2. ADMINISTRATIVE EXPENSES (CONTINUED)

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 £1,175 (2019: £1,130).

3. TAXATION

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

In order to satisfy the REIT conditions, it is necessary for Hammerson plc, on an annual basis, to pass certain business tests. In respect of the year ended 31 December 2020, based on preliminary calculations, Hammerson plc has marginally breached the interest cover test and, in these circumstances, HMRC is able to impose a charge. In view of the significant and unexpected impact of Covid-19 during the year, HMRC has agreed that no charge will be assessed on the ultimate parent company.

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.

The Company therefore had no tax charge for the year, and this is expected to continue for the foreseeable future. Profits covered by group relief, relating to the Company's share of the interest income of The Martineau Galleries Limited Partnership, were £nil (2019: £nil).

4. INVESTMENTS

(a) Summary

	2020 £'000	2019 £'000
Investment in The Martineau Galleries Limited Partnership - *note 4 (b)*	**2**	2
Other investments - *note 4 (c)*	**3**	4
	5	6

(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 2019	2	-	2
At 1 January and 31 December 2020	2	-	2

The Company has a 0.46% interest in The Martineau Galleries Limited Partnership (the "Partnership"), 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.

4. INVESTMENTS (CONTINUED)

(c) Other investments

	Cost £'000	Fair value adjustment £'000	Total £'000
At 1 January 2019	7	(4)	3
Increase in fair value	-	1	1
At 31 December 2019	7	(3)	4
Decrease in fair value	-	(1)	(1)
At 31 December 2020	**7**	**(4)**	**3**

Other investments comprise shares held in quoted investments.

The market value of the above quoted investments at 31 December 2020 was £3,350 (2019: £3,880).

5. PAYABLES: CURRENT LIABILITIES

	2020 £'000	2019 £'000
Amounts owed to The Martineau Galleries Limited Partnership	**120**	120

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

	2020 £	2019 £
Authorised:		
180,000 ordinary shares of £0.01 each	**1,800**	1,800
Allotted, called up and fully paid:		
180,000 ordinary shares of £0.01 each	**1,800**	1,800

7. RESERVES

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

Reserve	Description and purpose
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.

9. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

At 31 December 2020, the Company's ultimate parent company was Hammerson plc, which is registered in England and Wales and is the largest and smallest group to consolidate these financial statements. At 31 December 2020, the Company's immediate parent company was Hammerson 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.

Partnership registration: LP006355

THE MARTINEAU GALLERIES LIMITED PARTNERSHIP

ANNUAL REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2020

THE MARTINEAU GALLERIES LIMITED PARTNERSHIP

REPORT OF THE GENERAL PARTNER
Year ended 31 December 2020

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 2020.

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 in Birmingham City Centre, which was affected by the Covid-19 pandemic. This unprecedented situation has had a significant impact, with footfall levels significantly below 2019 levels due to the closure of all non-essential retail during continued periods of national and local lockdown.

The asset management team have worked hard to reach fair and reasonable agreements with tenants, offering flexible repayment terms or rent waivers where appropriate. In spite of the proactive measures taken, rent collection was significantly below historic levels. After negotiation with tenants, approximately 79% of rent demanded in 2020 was collected by the Partnership at the balance sheet date.

Net rental income reduced principally as a result of increased provisioning due to the higher level of arrears and increased uncertainty as a consequence of the pandemic. During the year, the provision against trade receivables increased by £691,000 (2019: £5,000 decrease). Car park income fell due to the closure of the majority of stores in periods of Covid-19 lockdown during the year.

A revaluation gain of £1,324,000 (2019: £10,358,000 loss) arose during the year, primarily reflecting the increase in valuation arising from the granting of planning permission at the site.

The Partnership made an operating profit before other net gains/(losses) of £430,000 (2019: £1,863,000) and a total profit for the financial year of £2,536,000 (2019: £31,907,000 loss).

Future prospects
The impact of Covid-19 has extended into 2021. The roll-out of a vaccination programme together with the lifting of Covid-19 restrictions should lead to a recovery as workers and shoppers return to the city centre. However, any significant re-emergence of Covid-19 or new variants thereof could also result in the imposition of further restrictions.

It is anticipated the Partnership's net rental income levels and property valuations will remain challenged in 2021. A sensitivity analysis of property valuation movements is included in note 1(l).

The Directors of the General Partner do not anticipate any significant change in the Partnership's principal activity in the foreseeable future.

3. RESULTS AND DISTRIBUTIONS

The Partnership made a profit for the financial year of £2,536,000 before partners' interests (2019: £31,907,000 loss). No distributions have been made during the year (2019: £nil).

Net assets for the Partnership as at 31 December 2020 were £63,817,000 (2019: £61,281,000).

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 and were in office at the date of approval of this report.

(b) Mr. A.J. Berger-North resigned as a Director of the General Partner on 7 August 2020.

(c) Mr. T. Cochrane was appointed as a Director of the General Partner on 7 August 2020 and resigned as a Director of the General Partner on 19 May 2021.

(d) In accordance with the Articles of Association of the General Partner, the Directors of the General Partner are not required to retire by rotation.

(e) No Director has any interests in contracts entered into by the General Partner.

5. GOING CONCERN

The Directors of the General Partners (the "Directors") have considered the use of the going concern basis in the preparation of the financial statements as at 31 December 2020 and the current unprecedented levels of uncertainty on the Partnership's activities, principally caused by the Covid-19 pandemic. Having received a letter of support from Hammerson plc, its ultimate parent company, which states the intent to provide the necessary financial support to the Partnership for at least twelve months from the date of signing of these financial statements, they concluded that the going concern basis of preparation was appropriate.

However, whilst the latest unaudited consolidated financial statements of Hammerson plc for the six months ended 30 June 2021 were prepared on a going concern basis, the Directors note that they referred to a material uncertainty regarding the ability of Hammerson plc to continue as a going concern. Therefore, by extension, the Partnership's reliance on the letter of support from Hammerson plc has led the Directors to conclude that there is a material uncertainty which may cast significant doubt over the Partnership's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Partnership were unable to continue as a going concern. More information is provided in note 1(b) to the financial statements.

6. 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.

7. INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of section 487(2) of the Companies Act 2006.

PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

8. STATEMENT OF 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, as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 (the "Regulations"), 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, as applied to qualifying partnerships, a 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 Partnership will continue in business.

The General Partner is 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 also 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 it to ensure that the financial statements comply with the Companies Act 2006.

9. DISCLOSURE OF INFORMATION TO THE AUDITORS

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

- 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
- the Director of the General Partner 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 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: 21 September 2021

Independent auditors' report to the partners of The Martineau Galleries Limited Partnership

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 Partnership's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006 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 2020; the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the 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.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1(b) to the financial statements concerning the Partnership's ability to continue as a going concern. The Partnership is reliant on a letter of support received from its ultimate parent company, Hammerson plc, which states its intent to provide the necessary financial support to ensure that the Partnership is a going concern for at least twelve months from the date of these financial statements. The Hammerson plc unaudited consolidated financial statements for the six months ended 30 June 2021 disclosed circumstances which may cast significant doubt about Hammerson plc's ability to continue as a going concern. Accordingly this could impact on Hammerson plc's ability to provide the necessary financial support to the Partnership for at least twelve months from the date of these financial statements. These conditions, along with the other matters explained in note 1(b) to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Partnership's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Partnership were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the general partner's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The 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 our work undertaken in the course of the audit, the Companies Act 2006 as applied to qualifying partnerships requires us also to report certain opinions and matters as described below.

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 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the 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 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Partnership and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates and manipulation of revenue via manual journals. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance, including consideration of any known or suspected instances of non-compliance with laws and regulations and fraud.
- Reviewing minutes of meetings of those charged with governance.
- Performing procedures over any unusual journal entries.
- Designing audit procedures to incorporate unpredictability into our testing.
- Challenging assumptions made by management in determining their judgements and accounting estimates
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the 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 these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 as applied to qualifying partnerships we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the 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.

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 was 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

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

THE MARTINEAU GALLERIES LIMITED PARTNERSHIP

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Revenue	3	3,636	3,826
Rents payable and other property outgoings	3	(2,343)	(1,374)
Change in the provision for amounts not yet recognised in the statement of comprehensive income	3	(182)	-
Net rental income	3	1,111	2,452
Administrative expenses	4	(681)	(589)
Operating profit before other net gains/(losses)		430	1,863
Other net gains/(losses)	5	2,275	(33,603)
Operating profit/(loss)		2,705	(31,740)
Net finance costs	6	(169)	(167)
Profit/(Loss) and total comprehensive income/(expense) for the financial year before partners' interests		2,536	(31,907)

All amounts relate to continuing activities.

THE MARTINEAU GALLERIES LIMITED PARTNERSHIP

BALANCE SHEET
As at 31 December 2020

	Note	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Non-current assets					
Investment properties	7(a)		**45,725**		43,950
Interest in leasehold properties	8		**1,146**		1,164
Total non-current assets			**46,871**		45,114
Current assets					
Receivables	9	**20,973**		20,034	
Restricted monetary assets	10	**319**		355	
Cash and deposits	11	**1,666**		110	
		22,958		20,499	
Current liabilities					
Payables	12	**(4,535)**		(2,574)	
Net current assets			**18,423**		17,925
Total assets less current liabilities			**65,294**		63,039
Non-current liabilities					
Payables	13		**(232)**		(511)
Obligations under head leases	14		**(1,245)**		(1,247)
Net assets			**63,817**		61,281
Represented by:					
Partners' equity					
Partners' capital accounts	15		**109,352**		109,352
Partners' current accounts	15		**(45,535)**		(48,071)
Total Partners' equity			**63,817**		61,281

The financial statements were authorised for issue by the Directors of the General Partner on 21 September 2021 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 2020

	Partners' capital accounts £'000	Partners' current accounts £'000	Total Partners' equity £'000
At 1 January 2019	109,352	(16,164)	93,188
Loss and total comprehensive expense for the financial year	-	(31,907)	(31,907)
At 31 December 2019	109,352	(48,071)	61,281
Profit and total comprehensive income for the financial year	-	2,536	2,536
At 31 December 2020	**109,352**	**(45,535)**	**63,817**

1. ACCOUNTING POLICIES

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

(a) Basis of accounting

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

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

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

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

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

Basis of preparation

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 as applied to qualifying partnerships by the Partnerships (Accounts) regulations 2008 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 Partnership's accounting policies have been applied consistently in the current and prior year except that the current year's results include an additional source of impairment loss within note 3 as detailed below:

Impairment provisioning

The Partnership is operating in an environment of heightened uncertainty caused by Covid-19 and consequently additional scrutiny and judgement is required in assessing revenue recognition and the potential impairment of financial assets.

For the year ended 31 December 2020, the Partnership has applied the simplified approach under IFRS 9 and adopted a loss allowance provisioning matrix to trade receivables to determine the Expected Credit Loss (ECL), incorporating historic default information, latest credit metrics and expectations for future losses.

Up to and including 31 December 2019, the Partnership's collection rates were high, and therefore specific provision was made against trade receivables based on risk characteristics and ageing, with the effectiveness of this approach being measured retrospectively by comparing the actual loss experienced against provision estimates in prior periods.

1. ACCOUNTING POLICIES (continued)

(a) Basis of accounting (continued)

Historically, this approach provided an outcome which was consistent with the ECL model and was IFRS 9 compliant. However, the current uncertain operating environment and increased risk profile has meant that this approach is no longer considered appropriate. This does not constitute a change in accounting policy nor a change in estimate, but is a revision to methodology to incorporate recent market developments.

As a result, two additional sources of impairment loss have been recognised within the statement of comprehensive income for the year ended 31 December 2020:

- Provision for impairment of unamortised tenant incentives: The movement in the loss allowance provision in the period against unamortised tenant incentives held within investment properties, including cash incentives and rent free periods, included within other property outgoings. Tenant incentive amortisation will continue to be recognised within revenue.
- Provision for amounts not yet recognised in the statement of comprehensive income: The movement in the loss allowance provision in the period against trade receivables at the balance sheet date which relate to a future reporting period and where the corresponding liability is classified within payables, including rent and service charge arrears. This principally relates to quarterly demands in advance which were due on 25 December 2020. This cost is not deemed to be a direct property operating expense, as it is not attributable to income recognised in the financial period and has therefore been excluded from other property outgoings, but included as a separate line item within net rental income in note 3. Bad debt expense relating to amounts recognised in the statement of comprehensive income in the period will continue to be recorded within other property outgoings.

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(l).

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);

1. ACCOUNTING POLICIES (continued)

(a) Basis of accounting (continued)

Disclosure exemptions adopted (continued)

- 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 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 current unprecedented levels of uncertainty, principally caused by the Covid-19 pandemic, on the Partnership's activities. In addition, the Directors note that the Partnership has net current assets, which relate primarily to amounts due from the Limited Partners and Hammerson UK Properties plc, which are all fellow subsidiary undertakings of Hammerson plc, the Partnership's ultimate parent company. The Partnership also has 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 the foreseeable future, being a period of at least twelve months from the date of signing of these financial statements.

In forming an assessment as to whether Hammerson plc has the ability to provide the necessary financial support to the Partnership, the Directors have had regard to the cash flow forecasts of the Hammerson plc Group which anticipate significant liquidity over the support period. Consequently, the Directors have a reasonable expectation that the Partnership will have access to adequate resources to continue in operational existence for a period of at least twelve months from the date of signing of these financial statements and they continue to adopt the going concern basis in preparing the financial statements.

However, in making this assessment the Directors are mindful of the disclosures made by Hammerson plc in their own latest unaudited consolidated financial statements for the six months ended 30 June 2021. The Directors of Hammerson plc highlighted that whilst the Group has significant liquidity projected over the going concern period to 31 December 2022, its associate investment, Value Retail, has three secured debt facilities maturing over the going concern period totalling £1,099 million (Group's share £452 million). The Group has the ability to manage its liquidity and gearing levels to remain in compliance with its unsecured borrowing covenants by either funding Value Retail to fully repay the two loans maturing in December 2021 and June 2022 or by allowing the lenders to enforce their security over the properties. However if the loan maturing in December 2022 totalling £750 million (Group's share £361 million) were not refinanced ahead of maturity, the lenders could enforce their security over the property and the Group may lose the value of its net investment in the property. In these circumstances, the Group would breach its unsecured borrowing gearing covenant in the Severe but plausible adverse scenario at 31 December 2022. Hence this refinancing risk represents a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern.

1. ACCOUNTING POLICIES (continued)

(b) Going concern (continued)

By extension, the material uncertainty identified in the Group's latest financial statements, could impact on Hammerson plc's ability to provide the necessary level of support to the Partnership. Accordingly the Directors of the General Partner have identified a material uncertainty which may cast significant doubt over the Partnership's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Partnership were unable to continue as a going concern.

(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. Rent waivers granted during the Covid-19 period have been recognised as lease modifications and amortised from the date of agreement to the end of the lease term. Rent reviews are recognised when such reviews have been agreed with tenants.

Movements in the impairment provisions against trade receivables are included within net rental income, as shown in note 3, either within 'other property outgoings' or 'change in the provision for amounts not yet recognised in the statement of comprehensive income'. Further details of the criteria used to assess the level of impairment provisions required are set out in note 1(l).

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 and interest payable to related party undertakings, net of interest 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 profit or loss. All costs directly associated with the purchase and construction of a property are capitalised.

1. ACCOUNTING POLICIES (continued)

(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.

(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) Trade and other receivables and payables

Trade and other receivables and payables are initially measured at fair value, subsequently measured at amortised cost and, where the effect is material, discounted to reflect the time value of money. Trade receivables are shown net of any expected credit loss provision.

(i) 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.

(j) 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.

1. ACCOUNTING POLICIES (continued)

(k) 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.

(l) Critical accounting policies and estimation uncertainties

In the application of the Partnership's accounting policies, the Directors of the General Partner (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 Partnership's critical judgements and areas of estimation uncertainty are in respect of property valuations and impairment provisions.

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 must ensure that they are satisfied that the valuation of the Partnership's property is appropriate for the financial statements.

Valuation backdrop
The valuation of the Partnership's properties, which are carried in the balance sheet at fair value, is the most material area of estimation due to its inherent subjectivity, reliance on assumptions and sensitivity to market fluctuations. The outbreak of Covid-19 has impacted many aspects of the global economy, with some real estate markets, particularly the retail sector, having experienced lower levels of transaction activity and liquidity. Travel restrictions have been implemented by most countries and "lockdowns" applied to varying degrees resulting in restrictions to trading hours or closures. Local and national lockdowns may continue to be deployed as necessary across the country and the emergence of significant further outbreaks is possible.

The pandemic and measures taken to tackle Covid-19 continue to affect economies and real estate markets globally, impacting both the investment and occupier markets. Furthermore, the longer-term impacts of Britain's exit from the EU on 31 January 2020 and the subsequent conclusion of the trade deal in December 2020 are as yet unknown.

Property valuations are further complicated by both a lack of transactional evidence to support yields, and a lack of rental evidence to support estimated rental values (ERVs), compared to prior years. Consequently, valuers are faced with an unprecedented set of circumstances on which to base their assumptions and significantly greater estimation uncertainty. Key areas of judgement highlighted in the valuation report included estimation of ERVs based on limited data points, the consideration of appropriate levels of void costs and rent-free periods, the impact of non-payment of rent as a consequence of Covid-19 and the basis of yield assumptions given the lack of relevant transactions of scale.

1. ACCOUNTING POLICIES (continued)

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

Valuation methodology
Investment properties, excluding properties held for development, are valued by adopting the 'investment method' of valuation. This approach involves applying capitalisation yields to estimated future rental income streams reflecting contracted income reverting to ERV with appropriate adjustments for income voids arising from vacancies, lease expiries 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 to the valuations. Where comparable evidence of yield movement is lacking, valuers are reliant on sentiment or the movement of less comparable assets. At 31 December 2020, the valuers have also incorporated a number of changes to reflect the impact of Covid-19, including deductions to rent of up to six months for non-essential retailers, reduced income due to vacancy and a widening of yields to reflect the greater risk of tenant failure. Other factors that are taken into account include, but are not limited to, the location and physical attributes of the property, tenure, tenancy details, local taxes and environmental 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 and developers' profit. Properties held for future development are valued using the highest and best use method, by adopting the higher of the residual method of valuation allowing for all associated risks, and the investment method of valuation for the existing asset.

The Directors have satisfied themselves that the valuation process is sufficiently rigorous and supports the carrying value of the Partnership's properties in the financial statements.

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	Impact on valuation of 100bp change in nominal equivalent yield		Impact on valuation of 10% change in estimated rental value (ERV)	
2020	Decrease	Increase	Increase	Decrease
£'000	£'000	£'000	£'000	£'000
45,725	5,249	(4,269)	4,573	(4,573)

Impairment provisions
The Partnership is operating in an environment of heightened uncertainty caused by Covid-19 and consequently additional scrutiny and judgement is required in assessing revenue recognition and the potential impairment of financial assets.

Up to and including 31 December 2019, the Partnership's collection rates were high, and therefore specific provision was made against trade and other receivables based on risk characteristics and ageing. Given the current uncertain operating environment, in 2020, the Directors adopted a provisioning matrix, grouping receivables dependent on the risk level, taking into account historic default rates, future expectation, credit rating, ageing, and the anticipated impact of Covid-19, and applying an appropriate provision percentage after taking into account VAT, rent deposits and personal or corporate guarantees held. Where information is available to suggest that a higher level of provisioning is required due to tenant failure or restructuring, a loss allowance provision is made against 100% of the tenant receivable or tenant incentive.

1. ACCOUNTING POLICIES (continued)

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

The table below presents the trade receivables due at the balance sheet date, and the total loss allowance analysed between amounts recognised before 31 December 2020 and those for which the corresponding credit to the statement of comprehensive income has yet to be recognised.

	2020 £'000	2019 £'000
Trade receivables	**2,363**	862
Loss allowance provision for amounts:		
- recognised in the statement of comprehensive income	**(543)**	(34)
- not yet recognised in the statement of comprehensive income	**(182)**	-
	(725)	(34)
Net receivable (see note 9)	**1,638**	828

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% (2019: 0.46%) in the profits and assets of the Partnership.

(c) At 31 December 2020, 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% (2019: 33.18%) each in the profits and assets of the Partnership.

3. NET RENTAL INCOME

	2020 £'000	2019 £'000
Base rent	**2,037**	2,007
Car park income	**947**	1,174
Lease incentive recognition	**(6)**	36
Other rental income	**146**	89
Gross rental income	**3,124**	3,306
Service charge income	**512**	520
Revenue	**3,636**	3,826
Ground and equity rents payable	**(181)**	(128)
Service charge expenses	**(1,024)**	(877)
Inclusive lease costs recovered through rent	**(387)**	(240)
Other property outgoings*	**(751)**	(129)
Rents payable and other property outgoings	**(2,343)**	(1,374)
Change in the provision for amounts not yet recognised in the statement of comprehensive income	**(182)**	-
Net rental income	**1,111**	2,452

* Includes increase in provision against trade receivables, for amounts recognised in the statement of comprehensive income, of £509,000 (2019: £5,000 decrease).

4. ADMINISTRATIVE EXPENSES

	2020 £'000	2019 £'000
Management fee payable to Hammerson UK Properties plc	**677**	579
Other administrative fees	**4**	10
	681	589

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 (2019: £nil), having been paid by other group undertakings. It is deemed impractical to allocate their remuneration between group undertakings for the purpose of disclosure. 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 £3,850 (2019: £3,690).

5. OTHER NET GAINS/(LOSSES)

	2020 £'000	2019 £'000
Revaluation gains/(losses) on properties (note 7(a))	**1,324**	(10,358)
Decrease/(Increase) in impairment provision against amounts due from Limited Partners (note 9)	**951**	(23,245)
	2,275	(33,603)

6. NET FINANCE COSTS

	2020 £'000	2019 £'000
Interest on obligations under head leases	**(170)**	(171)
Bank and other interest receivable	**1**	4
	(169)	(167)

7. INVESTMENT PROPERTIES

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

Long Leasehold	2020 £'000	2019 £'000
At 1 January	**43,950**	52,460
Additions at cost	**530**	1,830
Amortisation of lease incentives*	**(79)**	18
Revaluation gain/(loss) (note 5)	**1,324**	(10,358)
At 31 December	**45,725**	43,950

* Includes increase in provision against unamortised tenant incentives of £23,000 (2019: £nil). See note 1(l) for further details.

7. INVESTMENT PROPERTIES (continued)

(b) The properties are stated at fair value at 31 December 2020, valued by professionally qualified external valuers, CBRE Limited, 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(l).

(c) The historical cost of investment properties at 31 December 2020 was £67,392,000 (2019: £66,941,000).

8. INTEREST IN LEASEHOLD PROPERTIES

	2020 £'000	2019 £'000
At 1 January	**1,164**	1,181
Amortisation	**(18)**	(17)
At 31 December	**1,146**	1,164

9. RECEIVABLES: CURRENT ASSETS

	2020 £'000	2019 £'000
Trade receivables	**1,638**	828
Amounts owed by Martineau Galleries (GP) Limited	**115**	120
Amounts owed by the Limited Partners	**13,682**	12,727
Amounts owed by Hammerson UK Properties plc	**5,440**	6,314
Other receivables and prepayments	**98**	45
	20,973	20,034

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 £725,000 (2019: £34,000).

Amounts owed by the Limited Partners are shown after deducting an impairment provision of £22,294,000 (2019: £23,245,000) (see note 5).

10. RESTRICTED MONETARY ASSETS

	2020 £'000	2019 £'000
Cash held on behalf of third parties	**319**	355

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

	2020 £'000	2019 £'000
Cash at bank	**1,666**	110

At 31 December 2020, the Partnership's managing agent held cash of £1,666,000 (2019: £110,000) 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

	2020 £'000	2019 £'000
Trade payables	**790**	29
Amounts due to Hammerson Group Management Limited	**2,471**	1,794
Other payables and accruals	**809**	151
Deferred income	**465**	600
	4,535	2,574

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

13. PAYABLES: NON-CURRENT LIABILITIES

	2020 £'000	2019 £'000
Other payables		
- Over 5 years	**232**	511

14. OBLIGATIONS UNDER HEAD LEASES

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

	2020			2019		
	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	**10,534**	**(9,289)**	**1,245**	10,705	(9,459)	1,246
2-5 years	**513**	**(513)**	**-**	513	(512)	1
1-2 years	**171**	**(171)**	**-**	171	(171)	-
Within 1 year	**171**	**(171)**	**-**	171	(171)	-
	11,389	**(10,144)**	**1,245**	11,560	(10,313)	1,247

15. PARTNERS' EQUITY

	2020 £'000	2019 £'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	**36,450**	36,450
	109,352	109,352
Partners' current accounts	**(45,535)**	(48,071)
	63,817	61,281

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.

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.

	2020 £'000	2019 £'000
Within one year	**1,216**	1,582
From one to two years	**986**	1,212
From two to five years	**1,841**	2,338
Over five years	**247**	632
	4,290	5,764

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 PARTY

The Limited Partners listed in note 2 are the immediate controlling parties of the Partnership which are all registered in England and Wales. 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.