

Company Number: 04278233

THE JUNCTION (GENERAL PARTNER) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
Year ended 31 December 2018

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THE JUNCTION (GENERAL PARTNER) LIMITED

DIRECTORS' REPORT

Year ended 31 December 2018

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

1. PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The principal activity of the Junction (General Partner) Limited (the "Company") is to act as the General Partner to The Junction Limited Partnership. The Junction Unit Trust is the Limited Partner, owning 99.95% of The Junction Limited Partnership, with the Company owning the remaining 0.05%. The Directors do not anticipate any significant change in the principal activity in the foreseeable future.

2. RESULTS AND DIVIDENDS

The loss for the year after tax was £14,000 (2017: profit £6,000). The Directors do not recommend the payment of a dividend for the year (2017: £nil).

Net assets for the Company as at 31 December 2018 were £43,000 (2017: £57,000).

3. DIRECTORS

- (a) Mr W.S. Austin, Mr A.J. Berger-North and Mr. R.G. Shaw were Directors of the Company throughout the year.
- (b) In accordance with the Articles of Association of the Company, the Directors are not required to retire by rotation.
- (c) No Director has any interests in contracts entered into by the Company.

4. SECRETARY

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

5. GOING CONCERN

The Directors have considered the use of the going concern basis in the preparation of the financial statements in light of the net current liability position on the balance sheet as at 31 December 2018 and concluded that it was appropriate. More information is provided in note 1(b) to the financial statements. .

6. INDEMNITY

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

7. INDEPENDENT AUDITORS

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

PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

THE JUNCTION (GENERAL PARTNER) LIMITED

DIRECTORS' REPORT (CONTINUED)

Year ended 31 December 2018

8. STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are 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.

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.

Directors' confirmations

In the case of each Director in office at the date the Directors' Report is approved:

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

By order of the Board



J. Crane
For and on behalf of
Hammerson Company Secretarial Limited
acting as Secretary
Date: 22 May 2019

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

Independent auditors' report to the members of The Junction (General Partner) Limited

Report on the audit of the financial statements

Opinion

In our opinion, The Junction (General Partner) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 2018; the Statement of Comprehensive Income, 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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 Directors are 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 Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

THE JUNCTION (GENERAL PARTNER) LIMITED

Independent auditors' report to the members of The Junction (General Partner) Limited (continued)

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

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2018 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 company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the Directors are 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 Directors are 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 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.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

THE JUNCTION (GENERAL PARTNER) LIMITED

Independent auditors' report to the members of The Junction (General Partner) Limited (continued)

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the Directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Paul Cragg (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

22 May 2019

THE JUNCTION (GENERAL PARTNER) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
(Increase)/decrease in impairment in investments	3	<u>(14)</u>	<u>6</u>
(Loss)/Profit after taxation and total comprehensive (expense)/income for the financial year		<u>(14)</u>	<u>6</u>

All amounts relate to continuing activities.

THE JUNCTION (GENERAL PARTNER) LIMITED

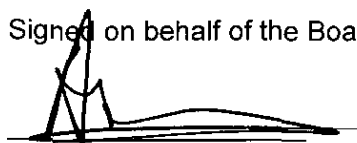
BALANCE SHEET

As at 31 December 2018

	Note	2018 £'000	2017 £'000
Non-current fixed assets			
Investments	5(a)	82	96
Current liabilities			
Payables	6	(39)	(39)
Net current liabilities		(39)	(39)
Net assets		43	57
Capital and reserves			
Called up share capital	7	2	2
Share premium	8	169	169
Accumulated deficit	8	(128)	(114)
Shareholder's equity		43	57

The financial statements were authorised for issue by the Board of Directors on 22 May 2019 and were signed on its behalf.

Signed on behalf of the Board of Directors



A.J. Berger-North

Director

Company Number: 04278233

THE JUNCTION (GENERAL PARTNER) LIMITED**STATEMENT OF CHANGES IN EQUITY****For the year ended 31 December 2018**

	Called up share capital £'000	Share premium £'000	Accumulated deficit £'000	Shareholder equity £'000
Balance at 1 January 2017	2	169	(120)	51
Profit and total comprehensive income for the financial year	-	-	6	6
Balance at 31 December 2017	2	169	(114)	57
Loss and total comprehensive expense for the financial year	-	-	(14)	(14)
Balance at 31 December 2018	2	169	(128)	43

THE JUNCTION (GENERAL PARTNER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

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 2018, the following relevant new and revised Standards and Interpretations have been adopted:

- IFRS 9 Financial Instruments, effective for accounting periods beginning on or after 1 January 2018
- IFRS 15 Revenue from Contracts with Customers, effective for accounting periods beginning on or after 1 January 2018.

Impact of new and revised Standards

IFRS 9 Financial Instruments

This standard deals with the classification, measurement and recognition of financial assets and liabilities and replaces the guidance in IAS3 9 Financial Instruments: Recognition and Measurement.

The standard also introduces an expected credit losses model, which replaces the incurred loss impairment model. Under IFRS 9, entities are required to calculate expected credit losses on all financial assets, including intercompany loans within the scope of IFRS 9. The financial impact of the new standard is immaterial.

IFRS 15 Revenue from Contracts with Customers

The standard is based on the principle that revenue is recognised when control passes to a customer. The company has no income and therefore there is no impact of the new standard of the new standard.

Basis of preparation

The Junction (General Partner) 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 and have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

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 other investments which are held at fair value. 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(g).

THE JUNCTION (GENERAL PARTNER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2018

1. ACCOUNTING POLICIES (continued)

(a) Basis of accounting (continued)

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. No additional exemptions have arisen from the updates to IFRS 9 and IFRS 15:

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

The above disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Hammerson plc into which the Company is consolidated. The financial statements of Hammerson plc can be obtained as described in note 10. Group financial statements have not been prepared on the basis that the Company is included in the consolidated financial statements of Hammerson plc.

(b) Going concern

The financial position of the Company is as set out in the balance sheet. The Company has net current liabilities as at 31 December 2018 and is reliant on the 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 from Hammerson plc, which states its intent to provide the necessary financial support to ensure that the Company is a going concern for at least twelve months from the date of signing of these financial statements.

THE JUNCTION (GENERAL PARTNER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2018

1. ACCOUNTING POLICIES (continued)

(b) Going concern (continued)

After making enquiries and taking account of the factors noted above, the Directors have a reasonable expectation that the Company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

(c) Fixed asset investments

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

(d) 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.

(e) 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.

(f) 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 and 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.

THE JUNCTION (GENERAL PARTNER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2018

1. ACCOUNTING POLICIES (continued)

(g) Critical accounting policies

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 includes its investment in The Junction 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.

2. ADMINISTRATION EXPENSES

The average number of employees during the year, excluding Directors, was nil (2017: nil).

The Directors did not receive any remuneration for their services from the Company in the year (2017: £nil), having been paid by other group undertakings. It is deemed impractical to allocate their remuneration between group undertakings for the purpose of disclosure.

Another group company has paid the auditors' fees for the audit of the Company's annual financial statements in both the current and preceding financial year. Fees for the audit of the Company were £1,530 (2017: £1,500).

3. (INCREASE)/DECREASE IN IMPAIRMENT IN INVESTMENTS

	2018 £'000	2017 £'000
(Increase)/decrease in impairment of investment in The Junction Limited Partnership - note 5 (b)	<u>(14)</u>	<u>6</u>

4. 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 profits and gains from activities conducted via a limited partnership).

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

THE JUNCTION (GENERAL PARTNER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2018

4. TAXATION (continued)

Taxable profits covered by the group relief for the year ended 31 December 2018 (relating to the Company's share of interest income of the Junction Limited Partnership) are £2,000 (2017: £1,000). The Company therefore had no tax charge for the year, and this is expected to continue for the foreseeable future.

5. INVESTMENTS

(a) Summary

	2018 £'000	2017 £'000
Investment in the The Junction Limited Partnership	82	96

(b) Investment in the The Junction Limited Partnership

	Cost £'000	Impairment provision £'000	Carrying value £'000
At 1 January 2017	140	(50)	90
Decrease in impairment provision - note 3	-	6	6
At 31 December 2017	140	(44)	96
Increase in impairment provision - note 3	-	(14)	(14)
At 31 December 2018	140	(58)	82

The Company has a 0.05% interest in The Junction Limited Partnership. The Partnership is registered in England and Wales and holds for investment Abbotsinch Retail Park and previously held for investment Imperial Retail Park which was sold on 4 October 2019. The registered office of the above entities is Kings Place, 90 York Way, London, N1 9GE.

The Company also has a 100% interest in the ordinary share capital of the following companies, which are all registered in England and Wales:

The Junction (Thurrock Shareholder GP) Ltd
The Junction Nominee 1 Limited
The Junction Nominee 2 Limited

6. PAYABLES: CURRENT LIABILITIES

	2018 £'000	2017 £'000
Amounts owed to ultimate parent company	39	39

Interest is charged on amounts owed to the ultimate parent company at variable rates based on LIBOR and are repayable on demand. Interest is only charged if it is above a de minimis level. All amounts owed are unsecured.

THE JUNCTION (GENERAL PARTNER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2018

7. CALLED-UP SHARE CAPITAL

	2018 £	2017 £
Authorised:		
1,000 A ordinary shares of £1 each	1,000	1,000
1,000 B ordinary shares of £1 each	1,000	1,000
1,000 C ordinary shares of £1 each	1,000	1,000
1,000 D ordinary shares of £1 each	1,000	1,000
	<u>4,000</u>	<u>4,000</u>
Allotted & called up :		
500 A ordinary shares of £1 each	500	500
500 B ordinary shares of £1 each	500	500
500 C ordinary shares of £1 each	500	500
500 D ordinary shares of £1 each	500	500
	<u>2,000</u>	<u>2,000</u>

The A, B, C and D ordinary shares rank pari passu in all respects.

8. RESERVES

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

<u>Reserve</u>	<u>Description and purpose</u>
Share capital	Nominal value of share capital subscribed for
Share premium	Amount subscribed for share capital in excess of nominal value
Accumulated deficit	Cumulative profits and losses less any dividends paid

9. 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.

10. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

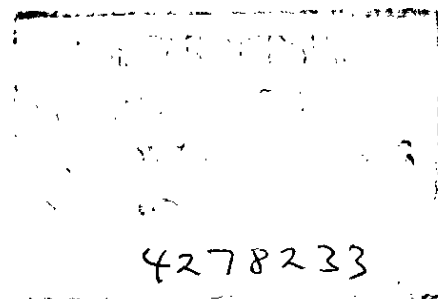
At 31 December 2018, the Company's ultimate parent company was Hammerson plc, which is registered in England and Wales and is the largest and smallest group to consolidate these financial statements. At 31 December 2018, the Company's immediate parent company was Hammerson UK Properties plc.

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.

THE JUNCTION LIMITED PARTNERSHIP

ANNUAL REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2018



THE JUNCTION LIMITED PARTNERSHIP

REPORT OF THE GENERAL PARTNER Year ended 31 December 2018

The Junction (General Partner) Limited (the "General Partner") submits its report and the audited financial statements for The Junction Limited Partnership (the "Partnership") for the year ended 31 December 2018.

1. PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The principal activity of The Junction Limited Partnership (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.

In the prior year the Partnership held for investment Imperial and Abbotsinch Retail Parks. On 4 October 2018 the Partnership disposed of Imperial Retail Park in Bristol for £77,600,000.

2. RESULTS AND DISTRIBUTIONS

The Partnership made a loss for the financial year of £28,157,000 before partners' interests (2017: profit £12,598,000).

Net assets for the Partnership as at 31 December 2018 were £164,473,000 (2017: assets £192,630,000).

3. DIRECTORS OF THE GENERAL PARTNER

- (a) Mr. W.S. Austin, Mr. A.J. Berger-North and Mr. R.G. Shaw were Directors of the General Partner throughout the year.
- (b) In accordance with the Articles of Association of the General Partner, the Directors are not required to retire by rotation.
- (c) No Director has any interests in contracts entered into by the General Partner.

4. INDEMNITY

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

5. GOING CONCERN

The Directors of the General Partner 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 2018 and concluded that it was appropriate. More information is provided in note 1(b) to the financial statements.

6. INDEPENDENT AUDITORS

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

PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

THE JUNCTION LIMITED PARTNERSHIP

REPORT OF THE GENERAL PARTNER (CONTINUED) Year ended 31 December 2018

7. STATEMENT OF GENERAL PARTNER RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the General Partner to prepare financial statements for each financial year. Under that law the General Partner has prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the General Partner must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the qualifying partnership and of the profit or loss of the qualifying partnership for that period. In preparing the financial statements, the General Partner 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 qualifying partnership will continue in business.

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

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

General Partner's confirmations

In the case of each Director of the General Partner in office at the date the General Partner's Report is approved:

- so far as the Director of the General Partner is aware, there is no relevant audit information of which the qualifying partnership's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director of the General Partner in order to make themselves aware of any relevant audit information and to establish that the qualifying partnership's auditors are aware of that information.

Approved by The Junction (General Partner) Limited, General Partner, and signed on its behalf



A.J. Berger-North
Director
Date: 22 May 2019

THE JUNCTION LIMITED PARTNERSHIP

STRATEGIC REPORT

Year ended 31 December 2018

BUSINESS REVIEW AND FUTURE PROSPECTS

The Partnership's principal business is to hold for investment the Abbotsinch Retail Park, Paisley. The Directors of the General Partner expect the net rental income to reduce as a result of the disposal of Imperial Retail Park however they do not expect any further significant changes to the business in the foreseeable future.

The Directors of the General Partner 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 2018 and concluded that it was appropriate. More information is provided in note 1(b) to the financial statements.

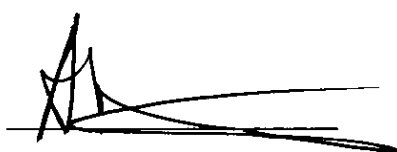
The Directors of the General Partner consider the following measures to be key performance indicators for the Partnership: net rental income, property valuation and total return.

The Partnership's properties produced net rental income of £8,240,000 in 2018 compared with £9,845,000 in 2017. As shown in note 9(a) to the financial statements, the total capital expenditure incurred and amortisation of lease incentives was a net benefit of £305,000 (2017: cost £5,337,000), there was a revaluation loss of £9,468,000 during the year (2017: gain £4,489,000) The IPD total return for Abbotsinch Retail Park -6.1% in 2018 (2017: 13%).

The key risks facing the Partnership relate to tenant exposure and the strength of the UK property market. Tenants' covenants are monitored at the start of leasing agreements and on an ongoing basis to minimise the risk of default. The General Partner monitors the UK property market through the analysis of market forecasts and the performance of the property assets are compared against target returns. The Partnership has a risk forum for managing the key development risks.

On 4 October 2018 the Company sold Imperial Retail Park, Bristol for £77,600,000.

Approved by The Junction (General Partner) Limited, General Partner, and signed on its behalf



A.J. Berger-North

Director

Date: 22 May 2019

Independent auditors' report to the partners of The Junction Limited Partnership

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the qualifying partnership's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2018; the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the qualifying partnership's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the qualifying partnership's trade, customers, suppliers and the wider economy.

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.

THE JUNCTION LIMITED PARTNERSHIP

Independent auditors' report to the partners of The Junction Limited Partnership

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

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

Strategic Report and Report of the General Partner

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the General Partner for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the qualifying partnership and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report to 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 General Partner Responsibilities Statement set out on page [3], the general partner is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The general partner is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the general partner is responsible for assessing the qualifying partnership's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the general partner either intends to liquidate the qualifying partnership or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of this report

This report, including the opinion, has been prepared for and only for the partners of the qualifying partnership as a body in accordance with the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

THE JUNCTION LIMITED PARTNERSHIP

Independent auditors' report to the partners of The Junction Limited Partnership

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Paul Cragg (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

22 May 2019

THE JUNCTION LIMITED PARTNERSHIP

STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Revenue*	3	9,536	10,881
Rents payable and other property outgoings	3	<u>(1,296)</u>	<u>(1,036)</u>
Net rental income	3	8,240	9,845
Administration expenses	4	(1,197)	(1,239)
Increase in impairment of investments	5	<u>(11,162)</u>	<u>(1,617)</u>
Operating (loss)/profit before (loss)/profit on sale of properties and property revaluation (losses)/gains		(4,119)	6,989
(Loss)/profit on sale of properties	6	(13,629)	451
Revaluation (losses)/gains on properties	8(a)	<u>(9,468)</u>	<u>4,489</u>
Operating (loss)/profit		(27,216)	11,929
Investment income	7	2,700	4,354
Net finance costs	8	<u>(3,641)</u>	<u>(3,685)</u>
(Loss)/profit and total comprehensive (expense)/income for the financial year before partners' interests		<u>(28,157)</u>	<u>12,598</u>

All amounts relate to continuing activities.

*Following the adoption of IFRS 15 Revenue from Contracts with Customers, a new financial statement line "Revenue" replaces the previously reported "Gross rental income". Comparative figures have been amended accordingly. See note 1(a) for further details.

THE JUNCTION LIMITED PARTNERSHIP

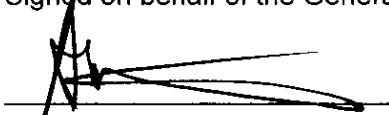
BALANCE SHEET

As at 31 December 2018

	Note	2018		2017	
		£'000	£'000	£'000	£'000
Non-current assets					
Investment properties	9(a)		78,730		176,750
Investments	10		153,987		<u>165,149</u>
			232,717		341,899
Current assets					
Receivables	11	78,659		1,618	
Restricted monetary assets	12	448		561	
Cash and deposits	13	206		<u>633</u>	
		79,313		2,812	
Current liabilities					
Payables	14	(147,557)		<u>(152,030)</u>	
Net current liabilities			(68,244)		<u>(149,218)</u>
Total assets less current liabilities			164,473		192,681
Non-current liabilities					
Payables	15		<u>-</u>		<u>(51)</u>
Net assets			164,473		<u>192,630</u>
Represented by:					
Partners' equity					
Partners' capital accounts	16		242,294		242,294
Partners' current accounts	16		(77,821)		<u>(49,664)</u>
			164,473		<u>192,630</u>

The financial statements were authorised for issue by the Directors of the General Partner on 22 May 2019 and were signed on its behalf.

Signed on behalf of the General Partner.



A.J. Berger-North
Director

Partnership registration number: LP007884

THE JUNCTION LIMITED PARTNERSHIP

STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2018

	Partners' capital accounts £'000	Partners' current accounts £'000	Partners' equity £'000
Balance at 1 January 2017	242,294	(62,262)	180,032
Profit and total comprehensive income for the financial year	-	12,598	12,598
Balance at 31 December 2017	242,294	(49,664)	192,630
Loss and total comprehensive expense for the financial year	-	(28,157)	(28,157)
Balance at 31 December 2018	242,294	(77,821)	164,473

THE JUNCTION LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2018

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 2018, the following relevant new and revised Standards and Interpretations have been adopted:

- IFRS 9 Financial Instruments, effective for accounting periods beginning on or after 1 January 2018.
- IFRS 15 Revenue from Contracts with Customers, effective for accounting periods beginning on or after 1 January 2018.

Impact of new and revised Standards

IFRS 9 Financial Instruments

This standard deals with the classification, measurement and recognition of financial assets and liabilities and replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement.

The adoption of IFRS 9 has led to no changes in the carrying amounts of financial instruments or the classification and presentation of financial instruments.

The standard also introduces an expected credit losses model, which replaces the incurred loss impairment model. Under IFRS 9, entities are required to calculate expected credit losses on all financial assets, including intercompany loans within the scope of IFRS 9. The financial impact of the new standard is immaterial. Trade receivables are shown after deducting a loss allowance provision as set out in note 11. The Partnership applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. For intercompany loans IFRS 9's full expected credit loss model is applied in calculating the relevant expected credit loss.

IFRS 15 Revenue from Contracts with Customers

The standard is based on the principle that revenue is recognised when control passes to a customer. The majority of the Partnership's income is from tenant leases and is outside the scope of the new standard. However, certain non-rental income streams, such as car park and service charge income are within the scope of the standard.

A new 'Revenue' line has been included within the statement of comprehensive income which replaces the previously presented 'Gross rental income'. An analysis of 'Revenue' is provided in note 3 to the financial statements. For management reporting purposes, Gross rental income and Net rental income remain the primary income measures.

THE JUNCTION LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2018

1. ACCOUNTING POLICIES (continued)

(a) Basis of accounting (continued)

Basis of preparation

The Junction 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 2. The address of the registered office of the General Partner is the same as that of Hammerson plc, the ultimate controlling party, which is Kings Place, 90 York Way, London N1 9GE.

These financial statements were prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101") as issued by the Financial Reporting Council and have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

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 and other investments, which are held at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

The preparation of financial instruments 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(n).

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. No additional exemptions have arisen from the updates to IFRS 9 and IFRS 15:

- 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 asses' (reconciliations between the carrying amount at the beginning and end of the period);
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirements for minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information)
 - 111 (cash flow statement information); and
 - 134 – 136 (capital management disclosures);
- IAS 7, 'Statement of cash flows';

THE JUNCTION LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2018

1. ACCOUNTING POLICIES (continued)

(a) Basis of accounting (continued)

- Paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS what has been issued but is not yet effective);
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation); and
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

The above disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Hammerson plc into which the Partnership is consolidated. The financial statements of Hammerson plc can be obtained as described in note 19.

(b) Going concern

The financial position of the Partnership is as set out in the balance sheet. The Partnership has net current liabilities as at 31 December 2018 and is reliant on the support of its ultimate parent company, Hammerson plc, to be able to meet its liabilities as they fall due. The Directors of the General Partner consider that the Partnership is an integral part of Hammerson plc's structure and strategy and this is evidenced by a letter of support from Hammerson plc, which states its intent to provide the necessary financial support to ensure that the Partnership is a going concern for at least twelve months from the date of signing of these financial statements.

After making enquiries and taking account of the factors noted above, the Directors of the General Partner have a reasonable expectation that the Partnership will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

(c) Net rental income

Rental income from investment property leased out under an operating lease is recognised in the statement of comprehensive income on a straight-line basis over the lease term. Non-rental income such as car park or commercialisation income or contingent rents, such as turnover rents, rent reviews and indexation, are recorded as income in the period in which they are earned. Rent reviews are recognised when such reviews have been agreed with tenants.

Lease incentives and costs associated with entering into tenant leases are amortised over the lease term or, if the probability that the break option will be exercised is considered high, over the period to the first break option.

Property operating expenses, including any operating expenditure not recovered from tenants through service charges, are charged to the income statement as incurred.

(d) Investment income

Investment income represents the Company's share of the profit distributions receivable from Telford Forge Unit Trust and is included within the statement of comprehensive income.

THE JUNCTION LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2018

1. ACCOUNTING POLICIES (continued)

(e) Net finance costs

Net finance costs include interest payable on borrowings, net of interest receivable on funds invested.

(f) Profit/(Loss) on sale of properties

Profits/(Losses) on sale of properties are taken into account on completion of contract, and are calculated by reference to the carrying value at the end of the previous year, adjusted for subsequent capital expenditure.

(g) 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.

(h) Fixed asset investments

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

(i) 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.

(j) 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.

(k) 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 and 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.

THE JUNCTION LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2018

1. ACCOUNTING POLICIES (continued)

(l) Cash and cash equivalents 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.

(m) Distributions

Distributions are paid to the partners out of realised profits which are available for distribution. Distributions are recognised on a cash basis upon payment and shown in the statement of changes in equity.

(n) Critical accounting policies and estimation uncertainties

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

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

The Partnership also has a critical judgement and area of estimation uncertainty in respect of the valuation of investments. The Partnership's investments include its investment in The Telford Forge Retail Park Unit Trust and The Junction Thurrock Unit Trust which are carried in the balance sheet at historical cost less provision for impairment, which is valued by the Directors of the General Partner based upon the net assets of the Unit Trusts in which the Partnership invests. The Directors of the General Partner must ensure they are satisfied that the Partnership's investment in the Unit Trust is appropriate for the financial statements.

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

THE JUNCTION LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2018

2. LIMITED PARTNERSHIP AGREEMENT ('The Agreement')

- (a) The Agreement dated 2 November 2001 states that the purpose of the Partnership is to carry out property investment and development.
- (b) During the year The Junction (General Partner) Limited, acting as the General Partner, had an interest of 0.05% in the profits and assets of the Partnership.
- (c) At 31 December 2018, The Junction Unit Trust acting as the Limited Partner had an interest of 99.95% in the profits and assets of the Partnership.

3. NET RENTAL INCOME

	2018 £'000	2017 £'000
Base rent	9,191	10,223
Turnover rent	30	31
Lease incentive recognition	(646)	(202)
Other rental income	9	15
Gross rental income	8,584	10,067
Service charge income*	952	814
Revenue	9,536	10,881
Service charge expenses	(1,026)	(832)
Other property outgoings	(270)	(204)
Rents payable and other property outgoings	(1,296)	(1,036)
Net rental income	8,240	9,845

*The income streams indicated above reflect revenue recognised under IFRS15 "Revenue from Contracts with Customers".

4. ADMINISTRATION EXPENSES

	2018 £'000	2017 £'000
Management fees payable to fellow group undertaking	1,208	1,224
Other expenses	(11)	15
	1,197	1,239

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 (2017: £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.

THE JUNCTION LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2018

4. ADMINISTRATION EXPENSES (CONTINUED)

Another group company has paid the auditors' fees for the audit of the Partnership's annual accounts in the current year. Fees for the audit of the Partnership were £6,120 (2017: £2,200).

5. INCREASE IN IMPAIRMENT OF INVESTMENTS

	2018 £'000	2017 £'000
Increase in impairment of investment (note 10)	<u>11,162</u>	<u>1,617</u>

6. (LOSS)/PROFIT ON SALE OF PROPERTIES

	2018 £'000	2017 £'000
Gross proceeds on sale	77,600	2,056
Carrying value of properties sold	<u>(88,248)</u>	<u>(1,576)</u>
(Deficit)/surplus over carrying value	(10,648)	480
Selling expenses	<u>(2,981)</u>	<u>(29)</u>
	<u>(13,629)</u>	<u>451</u>

The Partnership disposed of Plot 4 Imperial Retail Park on 2 March 2017 and Imperial Retail Park, Bristol on 4 October 2018.

7. INVESTMENT INCOME

	2018 £'000	2017 £'000
Distributions receivable from Telford Forge Unit Trust		
Investment income	<u>2,700</u>	<u>4,354</u>

8. NET FINANCE COSTS

	2018 £'000	2017 £'000
Interest payable to ultimate parent company	3,643	3,685
Bank and other interest receivable	<u>(2)</u>	<u>-</u>
	<u>3,641</u>	<u>3,685</u>

THE JUNCTION LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2018

9. INVESTMENT PROPERTIES

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

	2018 £'000	2017 £'000
Long Leasehold		
At 1 January	176,750	168,500
Additions at cost	513	5,574
Disposals	(88,248)	(1,576)
Amortisation of lease incentives	(817)	(237)
(Loss)/Gain on revaluation	(9,468)	4,489
At 31 December	78,730	176,750

- (b) The properties are stated at fair value at 31 December 2018, valued by professionally qualified external valuers, Cushman & Wakefield Debenham Tie Leung, Chartered Surveyors. The valuations have been prepared in accordance with the RICS Valuation – Professional Standards 2014 based on certain assumptions as set out in note 1(n).
- (c) The historical cost of investment properties at 31 December 2018 was £81,210,000 (2017: £169,763,000).
- (d) At 31 December 2018 the Company had capital commitments of £nil (2017:£200,000).

10. INVESTMENTS

	Cost £'000	Impairment provision £'000	Carrying value £'000
At 1 January 2017	194,197	(27,431)	166,766
Increase in impairment provision (note 5)	-	(1,617)	(1,617)
At 31 December 2017	194,197	(29,048)	165,149
Increase in impairment provision (note 5)	-	(11,162)	(11,162)
At 31 December 2018	194,197	(40,210)	153,987

The Partnership had direct investments of 99.99% in The Telford Forge Retail Park Unit Trust and The Junction Thurrock Unit Trust at 31 December 2018. Both of these unit trusts are registered in Jersey at 47 Esplanade, St Helier, Jersey, JE1 0BD.

The Partnership also has an indirect investment of 99.89% in The Junction Thurrock Limited Partnership, a partnership registered in England and Wales. The direct investment is held by The Junction Thurrock Unit Trust. The registered address for the Partnership is Kings Place, 90 York Way, London N1 9GE.

THE JUNCTION LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2018

11. RECEIVABLES: CURRENT ASSETS

	2018 £'000	2017 £'000
Trade receivables	158	188
Amounts owed by fellow subsidiary undertakings	75,477	1,233
Other receivables	3,023	197
Prepayments	1	-
	<u>78,659</u>	<u>1,618</u>

All amounts shown under receivables fall due for payment within one year and are repayable on demand. The amounts owed are unsecured. Amounts owed by the fellow subsidiary undertakings are non-interest bearing.

Trade receivables are shown after deducting a loss allowance provision of £nil (2017: £32,000).

12. RESTRICTED MONETARY ASSETS

	2018 £'000	2017 £'000
Cash held on behalf of third parties	<u>448</u>	<u>561</u>

The Partnership's managing agent holds cash on behalf of its tenants to meet future service charge costs and related expenditure. The cash has restricted use and as such, does not meet the definition of cash and cash equivalents.

13. CASH AND DEPOSITS

	2018 £'000	2017 £'000
Cash at bank	<u>206</u>	<u>633</u>

At 31 December 2018, the Partnership's managing agent held cash of £206,000 (2017: £633,000) 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.

14. PAYABLES: CURRENT LIABILITIES

	2018 £'000	2017 £'000
Trade payables	437	588
Amounts due to ultimate parent company	145,455	149,349
Amounts due to fellow subsidiary undertakings	122	367
Other payables and accruals	1,067	471
Deferred income	476	1,255
	<u>147,557</u>	<u>152,030</u>

Amounts owed to the ultimate parent company are interest bearing at variable rates based on LIBOR and payable on demand. Amounts owed to fellow subsidiary undertakings are repayable on demand and are non-interest bearing. All amounts are unsecured.

THE JUNCTION LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2018

15. PAYABLES: NON-CURRENT LIABILITIES

	2018 £'000	2017 £'000
Other payables – From 5 to 25 years	-	51

16. PARTNERS' EQUITY

	2018 £'000	2017 £'000
Partners' capital accounts		
- Partners' capital	126,372	126,372
- Partners' advances	115,922	115,922
	242,294	242,294
Partners' current accounts	(77,821)	(49,664)
	164,473	192,630

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.

17. 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.

	2018 £'000	2017 £'000
Within one year	4,980	9,980
From one to two years	4,991	9,930
From two to five years	13,835	27,499
Over five years	11,434	35,755
	35,240	83,164

18. 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.

THE JUNCTION LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2018

19. ULTIMATE CONTROLLING PARTIES

The General Partner listed in note 2 is the immediate controlling party of the Partnership. The ultimate controlling party is Hammerson plc, which are registered in England and Wales.

The consolidated financial statements of the ultimate controlling parties are available from their registered offices:

Hammerson plc
The Company Secretarial Department
Kings Place
90 York Way
London N1 9GE