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Hermes CMK General Partner Limited

Directors' Report and Financial Statements

for the year ended 30 June 2021



To be filed with Hermes CMK Limited Partnership (LP 011007).

Hermes CMK General Partner Limited
Directors' Report and Financial Statements
For the year ended 30 June 2021
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Hermes CMK General Partner Limited
Directors' Report and Financial Statements
For the year ended 30 June 2021
Company Information

Directors	C Darroch C. Taylor D Price P Clark (appointed 15 December 2020) D Berger (resigned 11 November 2020)
Company Secretary	Hermes Secretariat Limited
Auditor	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL
Registered office	150 Cheapside London EC2V 6ET
Registered number	05540675

Hermes CMK General Partner Limited
Directors' Report and Financial Statements
For the year ended 30 June 2021
Directors' Report

Financial statements

The directors present their report and financial statements for the year ended 30 June 2021. This Directors' Report has been prepared in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and section 1A as applicable to small entities and therefore taking the exemption from preparing a strategic report.

A copy of the latest financial statements for Hermes CMK Limited Partnership, a Qualifying Partnership under The Companies and Partnership (Accounts and Audit) Regulations 2013, is appended to the Company's report and financial statements.

Directors

The directors who served throughout the year are as stated in Company Information on page 1.

Principal activities and review of the business

The principal activity of the Company is that of managing the operations and safeguarding the assets of Hermes CMK Limited Partnership ("the Partnership"). The Company had no employees during the year (2020: Nil).

Going concern

The Company manages the operations and safeguards the assets of Hermes CMK Limited Partnership. The Company is non-trading and any expenses that it incurs are paid by the Limited Partnership.

The Directors have assessed the going concern assumption including the impact of the COVID 19 on the operations of the Company. As the Company is dependent on the Limited Partnership, the Directors have made the necessary inquiries and have prepared the cash flow forecasts incorporating severe plausible downside scenarios of the Limited Partnership for the 12 months ending the date of the report. Based on the assumptions made and the cash flow forecasts prepared, the Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

Principal risks and uncertainties

Unforeseen changes in property value patterns could potentially have a material impact on the business. The business mitigates these risks through balanced investment strategies under the direction of property specialists with significant industry experience.

Results and dividends

The Company has not received income, incurred expenditure or recognised any gains or losses during the year under review, or the prior year.

Hermes CMK General Partner Limited
Directors' Report and Financial Statements
For the year ended 30 June 2021
Directors' Report (continued)

Disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the Board of Directors and signed on its behalf by:

DocuSigned by:

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D Price
Director
19 October 2021

Hermes CMK General Partner Limited
Directors' Report and Financial Statements
For the year ended 30 June 2021
Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland (UK Generally Accepted Accounting Practice applicable to Smaller Entities)*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Hermes CMK General Partner Limited
Directors' Report and Financial Statements
For the year ended 30 June 2021
Independent Auditor's Report to the Members of Hermes CMK General Partner Limited

Opinion

We have audited the financial statements of Hermes CMK General Partner Limited ("the Company") for the year ended 30 June 2021, which comprise the balance sheet and notes to the financial statements and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2021 and of its result for the year then ended;
- have been properly prepared in accordance with UK accounting standards applicable to smaller entities, including Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard, and the provisions available for small entities, in the circumstances set out in note 1 to the financial statements. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes;
- Considering remuneration incentive schemes and performance targets for management.

Hermes CMK General Partner Limited
Directors' Report and Financial Statements
For the year ended 30 June 2021
Independent Auditor's Report to the Members of Hermes CMK General Partner Limited
(continued)

Identifying and responding to risks of material misstatement due to fraud (continued)

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Company has no revenue.

We did not identify any additional fraud risks.

We also performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included all post-closing entries.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors (as required by auditing standards) and other management and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: data protection and certain aspects of company legislation recognising the nature of the Company's activities and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws or regulation.

Hermes CMK General Partner Limited
Directors' Report and Financial Statements
For the year ended 30 June 2021
Independent Auditor's Report to the Members of Hermes CMK General Partner Limited
(continued)

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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 prepare the financial statements in accordance with the small companies regime, take advantage of the small companies exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

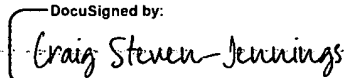
A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Hermes CMK General Partner Limited
Directors' Report and Financial Statements
For the year ended 30 June 2021
Independent Auditor's Report to the Members of Hermes CMK General Partner Limited
(continued)

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Craig Steven-Jennings (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

Canary Wharf

London

E14 5GL

20 October 2021

Hermes CMK General Partner Limited
Directors' Report and Financial Statements
For the year ended 30 June 2021
Balance Sheet

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	Notes	£	As at 30 June 2021 £	£	As at 30 June 2020 £
<i>Fixed assets</i>					
Investments	4		<u>1</u>		<u>1</u>
<i>Current assets</i>					
Debtors	5	<u>98</u>		<u>98</u>	
		98		98	
<i>Current liabilities</i>					
Creditors	6	<u>(1)</u>		<u>(1)</u>	
Net current assets			97		97
Net assets			<u>98</u>		<u>98</u>
<i>Capital and reserves</i>					
Called up share capital	7		100		100
Profit and loss account			(2)		(2)
Shareholders' funds			<u>98</u>		<u>98</u>

Notes 1 to 10 form part of these financial statements. No profit or loss account is presented with these financial statements because the Company has not received income, incurred expenditure or recognised any gains or losses during the year under review.

The financial statements are prepared in accordance with the special provisions relating to small companies within part 15 of the Companies Act 2006. The financial statements were approved by the Board of Directors and authorised for issue on 19 October 2021 and signed on their behalf by:

DocuSigned by:

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D Price
Director

Hermes CMK General Partner Limited
Directors' Report and Financial Statements
For the year ended 30 June 2021
Notes to the Financial Statements

1 Accounting policies

The principal accounting policies have been summarised below. They have all been applied consistently throughout the current and prior year.

The directors are satisfied that at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements. This is discussed in the Directors' Report on page 2, under the heading 'Going concern'.

Basis of accounting

The financial statements have been prepared under the historical cost convention and are in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and section 1A as applicable to small entities.

These financial statements include the Company's interest in the results and financial position of the Hermes CMK Limited Partnership.

The functional and presentational currency of Hermes CMK General Partner Limited is considered to be pounds sterling as this is the currency of the primary economic environment in which the Partnership operates.

The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Directors' Report on pages 2 to 3.

Investments

Investments represent an interest in Hermes CMK Limited Partnership. This investment is accounted for by the Company at cost less provision for impairment. Investments are assessed for impairment when conditions exist that indicate that the carrying value is in excess of fair value.

Going concern

The Company manages the operations and safeguards the assets of Hermes CMK Limited Partnership. The Company is non-trading and any expenses that it incurs are paid by the Limited Partnership.

The Directors have assessed the going concern assumption including the impact of the COVID 19 on the operations of the Company. As the Company is dependent on the Limited Partnership, the Directors have made the necessary inquiries and have prepared the cash flow forecasts incorporating severe plausible downside scenarios of the Limited Partnership for the 12 months ending the date of the report. Based on the assumptions made and the cash flow forecasts prepared, the Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Trade and other payables

Trade and other payables are recognised initially at transaction value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Hermes CMK General Partner Limited
Directors' Report and Financial Statements
For the year ended 30 June 2021
Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Cash flow statement

The Company has taken advantage of exemptions available under FRS 102 not to present a cash flow statement as it meets the definition of a small entity as set out in FRS 102.

Related party transactions

The Company has taken advantage of exemptions available under FRS 102 whereby transactions with and between wholly owned subsidiaries are not required to be disclosed. There are no other related party transactions.

Statement of changes in equity

The company has taken advantage of exemptions available under FRS 102 section 1A not to present a Statement of Changes in Equity.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and 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 current and future periods.

Valuation of investments

Investments are held at cost less provision for impairment. Investments are assessed for impairment when conditions exist that indicate that the carrying value is in excess of fair value.

2 Profit and loss

No profit and loss account is presented with these financial statements because the Company has not received income, incurred expenditure or recognised any gains or losses during the year under review. Auditor's remuneration for audit services of £5,750 (2020: £3,910) was borne by Hermes CMK Limited Partnership during the year on behalf of the Company. As of June 30, 2021, there are no non-audit services provided.

3 Employees & Directors' emoluments

The Company had no employees during they year (2020: Nil).

None of the directors received any emoluments in respect of their services to the Company during the year (2020: £Nil).

Hermes CMK General Partner Limited
Directors' Report and Financial Statements
For the year ended 30 June 2021
Notes to the Financial Statements (continued)

4 Investments

	Investments £
Cost	
At 30 June 2021 and 30 June 2020	<u><u>1</u></u>

The Company's investment at 30 June 2021 was:

Company	Country of registration	Nature of business	% held by the Group
* Hermes CMK Limited Partnership	England and Wales	Property Investment	0.0000001%

5 Debtors

	As at 30 June 2021 £	As at 30 June-2020 £
Amounts due from shareholders	<u>98</u>	<u>98</u>
	<u><u>98</u></u>	<u><u>98</u></u>

Debtors are initially recognised at transaction value and the carrying value is considered to be the same as fair value.

6 Creditors

	As at 30 June 2021 £	As at 30 June-2020 £
Amounts due to Hermes CMK Limited Partnership	<u>1</u>	<u>1</u>
	<u><u>1</u></u>	<u><u>1</u></u>

Creditors are initially recognised at transaction value and the carrying value is considered to be the same as fair value.

Hermes CMK General Partner Limited
Directors' Report and Financial Statements
For the year ended 30 June 2021
Notes to the Financial Statements (continued)

7 Called up share capital	As at 30 June 2021 £	As at 30 June 2020 £
Allotted, called up and fully paid:		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

8 Ultimate parent company and controlling party

The directors regard the BT Pension Scheme and AustralianSuper Pty Ltd as the Company's immediate and ultimate parent undertakings and controlling entities. They are also the parents of the smallest and largest groups of which Hermes CMK General Partner Limited is a member to prepare group financial statements.

The address of the BT Pension Scheme is: One America Square, 17 Crosswall, London, EC3N 2LB, where copies of the BT Pension Scheme's financial statements are available.

The address of AustralianSuper Pty Ltd is Level 33, 50 Lonsdale Street, Melbourne, Victoria, Australia, where copies of AustralianSuper Pty Ltd's financial statements are available.

9 Market consideration - Brexit

The United Kingdom officially left the European Union on 31 January 2020 ("Brexit"). A trade and cooperation agreement was reached on 24 December 2020 surrounding trade interactions between the United Kingdom and European Union. All new relevant rules and regulations apply effective from 1 January 2021.

It is currently not practicable to forecast with certainty how the value of, or the cash flows arising from, assumptions involved in the Company's assets might be affected by Brexit. Consequently, it is currently not possible to accurately quantify the possible effect of Brexit on the Company.

10 Subsequent events

There have been no subsequent events since the Balance Sheet date.

LP 011007

Hermes CMK Limited Partnership
General Partner's Report and Financial Statements
for the year ended 30 June 2021

To be filed with Hermes CMK General Partner Limited (05540675)

Hermes CMK Limited Partnership
General Partner's Report and Financial Statements
For the year ended 30 June 2021
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Hermes CMK Limited Partnership
General Partner's Report and Financial Statements
For the year ended 30 June 2021
Partnership Information

General Partner	Hermes CMK General Partner Limited 150 Cheapside London EC2V 6ET
Registered Office	150 Cheapside London EC2V 6ET
Operator	Hermes Investment Management Limited 150 Cheapside London EC2V 6ET
Auditor	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL
Registered number	LP 011007

Hermes CMK Limited Partnership
General Partner's Report and Financial Statements
For the year ended 30 June 2021
Strategic Report

The General Partner presents its strategic report for the year ended 30 June 2021.

Principal activities and review of the business

The principal activity of the Partnership is to carry on the business of holding a commercial property, a shopping centre, and conducting property investment activities.

The results for the year are set out in the profit and loss account on page 10. The turnover for the year was £35,445,813 (2020: £48,178,190) and the loss for the year was £134,457,558 (2020: £168,282,521).

The Partnership's investment properties were valued as at 30 June 2021 by Chartered Surveyors CBRE Limited as independent external valuers on the basis of market value as defined in the RICS Appraisal and Valuation Manual issued by The Royal Institution of Chartered Surveyors. The property valuation at 30 June 2021 was £315,500,000 (2020: £446,450,000).

Key performance indicators

The principal KPIs used by management are the result for the year and the property valuations as included in the review of the business above.

Principal risks and uncertainties

In common with other property investment companies, unforeseen changes in property value patterns could potentially have a material impact on the Partnership.

The Partnership mitigates these risks through balanced investment strategies under the direction of property specialists with significant industry experience.

The Partnership's activities expose it to a number of financial risks including market risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that market prices of investment properties change.

Credit risk

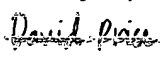
The Partnership's principal financial assets are cash and deposits and debtors.

The Partnership's credit risk is primarily attributable to its debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts. An allowance for impairment is made when there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

The credit risk on cash and deposits is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

The Partnership is financed by Partners' loans and capital. The Partnership maintains sufficient reserves of cash to meet its liquidity requirements at all times.

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D Price
Director

For Hermes CMK General Partner Limited

19 October 2021

Hermes CMK Limited Partnership
General Partner's Report and Financial Statements
For the year ended 30 June 2021
General Partner's Report

The General Partner presents its report and the audited financial statements for the year ended 30 June 2021.

Going concern

The Partnership is in a net current asset position as at 30 June 2021 of £20,315,813 (2020: £23,028,965), which includes distributions payable of £1,700,000 (2020: £Nil).

The General Partner has prepared a cash flow forecasts for the Partnership for at least 12 months from the date of approval of the financial statements. In this forecast, the General Partner has taken account of the implications of COVID-19 which impacted the cash flows from rental income. The General Partner has modelled a severe but plausible downside scenario in respect of the Partnership's cash flows and incorporating mitigating actions. The result of this forecast indicates that, in this scenario, the Partnership's cash needs are still within the available financial resources.

In preparing this forecast, the General Partner has taken into account the following key business risks and uncertainties:

- Market risks on demand and supply;
- Yield shift movements;
- Possible failure of tenants on account of COVID and reductions in net rental income; and
- Increased capital expenditure required to maintain the assets.

The General Partner has determined that the Limited Partner's loan balance as at 30 June 2021 is not repayable on demand or within the next 12 months. In accordance with the Limited Partnership Agreement dated 20 December 2013, Limited Partners' loan advances are only repayable in the event of a sale or other disposal of the property interests of the Partnership.

Having taken into account the risks and uncertainties, including the impact of COVID that exist within the business, the General Partner has concluded that the Partnership has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, the General Partner has concluded that it is appropriate to continue to adopt the going concern basis in preparing these financial statements.

Brexit disclosure

The General Partner has considered the risk of Brexit with respect to the valuation of investment properties and discount rate assumptions. Given the uncertainty in the future considerations, the General Partner has evaluated the risk of Brexit to be minimal as at the date of the report. However, the General Partner will continuously monitor and evaluate any risks which arise out of Brexit.

The Partners

The capital of the Partnership has been provided by the partners in the following amounts:

	Capital		Percentage Interest	
	2021	2020	2021	2020
General Partner				
Hermes CMK General Partner Limited	£1	£1	0.0000001%	0.0000001%
Limited Partner				
CMK Britel Unit Trust	£552,916,000	£552,916,000	99.9999999%	99.9999999%

Under the terms of the Partnership Agreement, the net income or loss and net realised capital gain or loss shall be allocated between the Partners at each quarter end in proportion to their percentage interests.

Hermes CMK Limited Partnership
General Partner's Report and Financial Statements
For the year ended 30 June 2021
General Partner's Report (continued)

Capital and loan advancements

Capital advances of £Nil (2020: £Nil) were made during the year. Loan advancements of £Nil were made during the year (2020: £4,400,000).

Results

The results for the year are set out in the profit and loss account on page 10.

Post balance sheet events

There have been no post balance sheet events which require disclosure.

Future developments

The General Partner expects the level of activity to remain consistent in the forthcoming year as capital projects have now completed.

Duration

According to the Partnership Agreement, the Partnership will continue in force until terminated where it shall be dissolved upon the occurrence of any of the following events: (a) the General Partner and the Limited Partners agree to the termination; (b) the acquisition by one Limited Partner of the entire interest of the other Limited Partner; or (c) following the sale of the last property held by the Partnership.

Distributions

The General Partner recommended a distribution of £17,100,000 for the year (2020: £6,429,167). Of this amount £1,700,000 is outstanding at year end (2020: £Nil). Distributions are paid quarterly, subject to the cash flow requirements of the Partnership.

Auditor

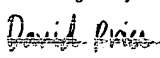
Each of the persons who is a director of the General Partner at the date of approval of this report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the Partnership's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Partnership's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006 as applicable to qualifying partnerships.

Pursuant to Section 487 of the Companies Act, 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the General Partner on 19 October 2021 and signed on its behalf by:

DocuSigned by:

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D Price

Director

For Hermes CMK General Partner Limited

Hermes CMK Limited Partnership
General Partner's Report and Financial Statements
For the year ended 30 June 2021
Statement of the General Partner's Responsibilities in respect of the Strategic Report,
General Partner's Report and Financial Statements

The general partner is responsible for preparing the Strategic Report, the General Partner's Report and the financial statements in accordance with applicable law and regulations.

The Partnerships (Accounts) Regulations 2008 require the general partner to prepare financial statements for each financial year in accordance with Part 15 and Chapter 1 of Part 16 of the Companies Act 2006. Under that law the general partner has elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and applicable law.

Under company law the general partner must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the partnership and of the profit or loss of the partnership for that period. In preparing these financial statements, the general partner is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the qualifying partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the qualifying partnership or to cease operations, or have no realistic alternative but to do so.

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 as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the qualifying partnership and to prevent and detect fraud and other irregularities.

Hermes CMK Limited Partnership
General Partner's Report and Financial Statements
For the year ended 30 June 2021
Independent Auditor's Report to the Partners of Hermes CMK Limited Partnership

Opinion

We have audited the financial statements of Hermes CMK Limited Partnership ("the qualifying partnership"), for the year ended 30 June 2021 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Partnership Funds and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the qualifying partnership's affairs as at 30 June 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the qualifying partnership in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The general partner has prepared the financial statements on the going concern basis as they do not intend to liquidate the qualifying partnership or to cease its operations, and as they have concluded that the qualifying partnership's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the general partner's conclusions, we considered the inherent risks to the qualifying partnership's business model and analysed how those risks might affect the qualifying partnership's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the general partner's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the general partner's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the qualifying partnership's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the qualifying partnership will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

**Hermes CMK Limited Partnership
General Partner's Report and Financial Statements
For the year ended 30 June 2021
Independent Auditor's Report to the Partners of Hermes CMK Limited Partnership
(continued)**

Fraud and breaches of laws and regulations – ability to detect (continued)

Identifying and responding to risks of material misstatement due to fraud (continued)

- Enquiring of the director of the general partner and inspection of policy documentation as to the qualifying partnership's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Considering remuneration incentive schemes and performance targets for management.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the calculation of the revenue is non-judgmental and straightforward, with limited opportunity for manipulation.

We did not identify any additional fraud risks.

We also performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included all post-closing journals.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors of the general partner and other management (as required by auditing standards), and from inspection of the qualifying partnership's regulatory and legal correspondence and discussed with the directors of the general partner and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the qualifying partnership is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related partnership legislation), distributable profits legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the qualifying partnership is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the qualifying partnership's authority to operate. We identified the following areas as those most likely to have such an effect: property laws and building legislation recognising the nature of the qualifying partnership's activities and its legal form.

Hermes CMK Limited Partnership
General Partner's Report and Financial Statements
For the year ended 30 June 2021
Independent Auditor's Report to the Partners of Hermes CMK Limited Partnership
(continued)

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations (continued)

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors of the general partner and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and general partner's report

The general partner is responsible for the strategic report and the general partner's report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the strategic report and the general partner's report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in those reports;
- in our opinion the information given in the strategic report and the general partner's report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 as applied to qualifying partnerships we are required 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 members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

**Hermes CMK Limited Partnership
General Partner's Report and Financial Statements
For the year ended 30 June 2021
Independent Auditor's Report to the Partners of Hermes CMK Limited Partnership
(continued)**

General partner's responsibilities

As explained more fully in their statement set out on page 5, the general partner is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the qualifying partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities


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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the qualifying partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by regulation 4 of the Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the qualifying partnership'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 qualifying partnership and its members, as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:


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Craig Steven-Jennings (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
20 October 2021

Hermes CMK Limited Partnership
General Partner's Report and Financial Statements
For the year ended 30 June 2021
Profit and Loss Account

	Notes	Year ended 30 June 2021 £	Year ended 30 June 2020 £
Property related income	2	35,445,813	48,178,190
Property costs		(16,149,061)	(20,618,332)
Gross profit		<u>19,296,752</u>	<u>27,559,858</u>
Administrative expenses		(2,632,873)	(2,890,886)
Operating profit	3	<u>16,663,879</u>	<u>24,668,972</u>
Unrealised loss on revaluation of investment properties	7	(134,022,340)	(186,540,297)
Interest received	5	903	17,971
Loss before distribution		<u>(117,357,558)</u>	<u>(161,853,354)</u>
Distributions	6	(17,100,000)	(6,429,167)
Loss for the year		<u><u>(134,457,558)</u></u>	<u><u>(168,282,521)</u></u>

There were no recognised gains and losses for the year other than those included in the Profit and Loss Account, and as a result no Statement of Other Comprehensive Income has been prepared.

All activities derive from continuing operations.

Notes 1 to 16 form part of these financial statements.

Hermes CMK Limited Partnership
General Partner's Report and Financial Statements
For the year ended 30 June 2021
Balance Sheet

LP 011007

	Notes	As at 30 June 2021 £	As at 30 June 2020 £
Fixed assets			
Investment properties	7	307,864,537	439,608,943
		<u>307,864,537</u>	<u>439,608,943</u>
Current assets			
Debtors	8	12,396,971	11,010,327
Cash at bank and in hand	9	20,782,227	17,606,984
		<u>33,179,198</u>	<u>28,617,311</u>
Current liabilities			
Creditors	10	(12,863,385)	(5,588,346)
Net current assets		<u>20,315,813</u>	<u>23,028,965</u>
Net assets attributable to Partners		<u>328,180,350</u>	<u>462,637,908</u>
Capital and liabilities due to Partners			
<i>Capital</i>			
Partners' capital accounts	11	552,916,001	552,916,001
<i>Liabilities due to Partners</i>			
Partners' loans accounts	11	240,463,302	240,463,302
Partners' current accounts	11	17,822,558	18,257,776
Revaluation reserve	11	(483,021,511)	(348,999,171)
Funds and liabilities due to Partners		<u>328,180,350</u>	<u>462,637,908</u>

Notes 1 to 16 form part of these financial statements.

The financial statements of Hermes CMK Limited Partnership (registered number LP 011007) were approved by the General Partner and authorised for issue on 19 October 2021. They were signed on its behalf by:

DocuSigned by:

David Price

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D Price**Director****For Hermes CMK General Partner Limited**

Hermes CMK Limited Partnership
General Partner's Report and Financial Statements
For the year ended 30 June 2021
Statement of Cash Flows

	Notes	Year ended 30 June 2021 £	Year ended 30 June 2020 £
Operating profit		16,663,879	24,668,972
(Increase)/decrease in debtors		(1,386,644)	777,600
Increase/(decrease) in creditors		5,575,039	(8,520,432)
Amortisation of lease incentives	7	794,406	2,349,430
Net cash inflow from operating activities		21,646,680	19,275,570
Cash flows from investing activities			
Property additions	7	(3,072,340)	(5,870,297)
Interest receivable	5	903	17,971
Net cash outflow from investing activities		(3,071,437)	(5,852,326)
Cash flows from financing activities			
Distribution paid		(15,400,000)	(13,852,000)
Capital contributed	11	-	4,400,000
Net cash outflow from investing activities		(15,400,000)	(9,452,000)
Net increase in cash and cash equivalents		3,175,243	3,971,244
Cash and cash equivalents at the beginning of the year		17,606,984	13,635,740
Cash and cash equivalents at the end of the year		20,782,227	17,606,984

Notes 1 to 16 form part of these financial statements.

Hermes CMK Limited Partnership
General Partner's Report and Financial Statements
For the year ended 30 June 2021.
Statement of Changes in Partnership Funds

	Notes	Partners' capital accounts £	Partners' loans accounts £	Partners' current accounts £	Revaluation reserve £	Total £
Balance at 1 July 2019		552,916,001	236,063,302	-	(162,458,874)	626,520,429
Additions		-	4,400,000	-	-	4,400,000
Loss before distribution		-	-	(161,853,354)	-	(161,853,354)
Unrealised loss on investment property		-	-	186,540,297	(186,540,297)	-
Distributions		-	-	(6,429,167)	-	(6,429,167)
Balance at 30 June 2020		552,916,001	240,463,302	18,257,776	(348,999,171)	462,637,908
Loss before distribution		-	-	(117,357,558)	-	(117,357,558)
Unrealised loss on investment property	7	-	-	134,022,340	(134,022,340)	-
Distributions	6	-	-	(17,100,000)	-	(17,100,000)
Balance at 30 June 2021		552,916,001	240,463,302	17,822,558	(483,021,511)	328,180,350

Notes 1 to 16 form part of these financial statements.

Hermes CMK Limited Partnership
General Partner's Report and Financial Statements
For the year ended 30 June 2021
Notes to the Financial Statements

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and prior year.

Basis of accounting

Hermes CMK Limited Partnership is a Qualifying Partnership registered in the United Kingdom. The address of the registered office is given on page 1. The nature of the Partnership's operations and its principal activities are set out in the Strategic Report and General Partner's Report on pages 2 to 4.

The financial statements have been prepared under Regulation 4 of the Partnerships (Accounts) Regulations 2008 and Companies Act 2006 as applicable to qualifying partnerships.

The financial statements have been prepared under the historical cost convention, modified by the revaluation of investment properties to fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional and presentational currency of Hermes CMK Limited Partnership is considered to be pounds sterling because that is the currency of the primary economic environment in which the Partnership operates.

Statement of Compliance

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102").

Going concern

The financial statements have been prepared on the basis of going concern, as the General Partner intend Hermes CMK Limited Partnership to continue to develop and hold commercial investment property for the foreseeable future. The assessment as to whether the going concern basis is appropriate considered events after the end of the reporting period.

The General Partner has prepared the cash flow forecasts of the Limited Partnership for at least 12 months from the date of approval of the financial statements. In this forecast, the General Partner has taken account of the implications of COVID-19 which would impact the cash inflows and outflows. The General Partner has modelled a severe but plausible downside scenario in respect of the Limited Partnership's cash flows and the result of this forecast indicate that in this scenario the Company cash needs are still within the available financial resources.

The General Partner has considered the ability and intent of the immediate parent company to provide continuous financial support and concluded that the ultimate parent company has the ability and intention to provide the necessary financial support for a period of at least 12 months from the date of approval of the financial statements should it be required. Based on the above, the General Partner believe that it remains appropriate to prepare the financial statements on a going concern basis.

The General Partner has determined that the Limited Partner's loan balance as at 30 June 2021 is not repayable on demand or within the next 12 months. In accordance with the Limited Partnership Agreement dated 20 December 2013, Limited Partners' loan advances are only repayable in the event of a sale or other disposal of the property interests of the Partnership.

Accordingly, the General Partner has concluded that it is appropriate to continue to adopt the going concern basis in preparing these financial statements.
The General Partners are satisfied that at the time of approving the financial statements it is appropriate to adopt the going concern basis in preparing the financial statements.

Hermes CMK Limited Partnership
General Partner's Report and Financial Statements
For the year ended 30 June 2021
Notes to the Financial Statements

1 Accounting policies (continued)

Investment properties

Investment properties are initially measured at cost and are subsequently measured at fair value. Investment properties are independently valued each quarter end by CBRE Limited, Chartered Surveyors, on an open market basis. Any surplus or deficit arising is taken to the revaluation reserve.

Rental income

Rental income is derived from continuing activities in the United Kingdom and are attributable to investment properties. Rental income is accounted for on an accruals basis and recognised on a straight-line basis over the term of the lease, net of any discounts, VAT and other related taxes.

Service charge income is recognised in the accounting period in which the services and the associated expenses are rendered. Service costs billed to tenants are presented gross in the statement of comprehensive income as the Partnership is considered to act as principal whereby it controls a promised service and bears the rewards and risks of the services.

Taxation

No taxation is provided as the tax liabilities on the Partnership's profits are a liability of the Partners and not of the Partnership.

Distributions

It is the policy of the Partnership to distribute all income net of expenses to the Partners on a quarterly basis, subject to the cash requirements of the Partnership.

Leases

Rent receivable under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances including cash on hand and deposits held at call with banks.

Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost.

Debtors are stated at amortised cost less allowance for credit losses/impairment of bad debts. The Partnership financial assets are disclosed at amortised cost includes trade receivables. These assets are non-derivative financial assets with a fixed or determinable payment and are not quoted in an active market. Unless otherwise indicated, the carrying amounts of the financial assets are reasonable approximation of their fair values.

Impairment of financial assets

The loss allowance is measured at an amount equal to lifetime expected credit losses (ECLs), which are those losses that are expected to occur over the expected life of the receivables. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Financial Liabilities

Liabilities are classified as financial liabilities at fair value through the Statement of Comprehensive Income or liabilities at amortised cost, as appropriate.

Hermes CMK Limited Partnership
General Partner's Report and Financial Statements
For the year ended 30 June 2021
Notes to the Financial Statements

1 Accounting policies (continued)

All loans and borrowings are classified as other liabilities. Initial recognition is at fair value less directly attributable transaction costs incurred. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. The Partnership's financial liabilities consist of liabilities at amortised cost only.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Purchases and sales

Property purchases are accounted for on completion. Sales are accounted for on completion. Costs incurred for purchases and sales of properties are added to the purchase costs of the properties and deducted from the sale proceeds of the properties, respectively.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Partnership's accounting policies, which are described in note 1, the General Partner is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and 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 current and future periods.

The following are the critical judgements that the General Partner has made in the process of applying the Partnership's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Valuation of investment property

Investment property is carried at fair value, determined by market values in accordance with valuations carried out by independent valuers. Valuations are based on a number of key assumptions including an estimate of future rental income and an appropriate discount rate.

Hermes CMK Limited Partnership
General Partner's Report and Financial Statements
For the year ended 30 June 2021
Notes to the Financial Statements

2 Property related income

All property related income is derived from continuing operations in the United Kingdom and are attributable to one activity, the ownership of investment properties.

	Year ended 30 June 2021	Year ended 30 June 2020
	£	£
Rental income	24,874,459	33,586,601
Service charge income	9,529,459	12,777,648
Other income	1,041,895	1,813,941
	<u>35,445,813</u>	<u>48,178,190</u>

3 Operating profit

	Year ended 30 June 2021	Year ended 30 June 2020
	£	£
This is stated after charging:		
Auditor's remuneration for audit services	<u>20,250</u>	<u>18,270</u>

Included within auditor's remuneration for audit services is an amount of £5,750 (2020: £3,910) which will be paid on behalf of Hermes CMK General Partner Limited.

As of June 30, 2021, there are no non-audit services provided by the Partnership's auditors.

4 Staff numbers and key management personnel

The Partnership had no employees during either year. No remuneration is borne by the Partnership, per any key management personnel in either year.

5 Interest received

	Year ended 30 June 2021	Year ended 30 June 2020
	£	£
On cash and other deposits	<u>903</u>	<u>17,971</u>

6 Distributions to Partners

	Year ended 30 June 2021	Year ended 30 June 2020
	£	£
Loss for the financial year	(117,357,558)	(161,853,354)
Retained loss for the financial year	134,457,558	168,282,521
Distributions paid and payable to Partners	<u>17,100,000</u>	<u>6,429,167</u>

7 Investment properties

Valuation	Freehold land and buildings £	Lease incentives £	Total £
At 1 July 2020	446,450,000	(6,841,057)	439,608,943
Additions	3,072,340	-	3,072,340
Revaluation	(134,022,340)	-	(134,022,340)
Amortisation of lease incentives	-	(794,406)	(794,406)
At 30 June 2021	<u>315,500,000</u>	<u>(7,635,463)</u>	<u>307,864,537</u>
Historical cost			
At 30 June 2020	<u>795,449,171</u>		<u>795,449,171</u>
At 30 June 2021	<u>798,521,511</u>		<u>798,521,511</u>

Hermes CMK Limited Partnership
General Partner's Report and Financial Statements
For the year ended 30 June 2021
Notes to the Financial Statements

7 Investment properties (continued)

The Partnership's investment properties as at 30 June 2021 were valued by CBRE Limited, qualified valuers, on a market basis at £315,500,000. The valuations were carried out in accordance with the RICS Valuation Red Book. CBRE Limited has recent experience in the location and class of the investment property being valued. The method of determining fair value was a combination of the comparable method of valuation and the residual method of valuation.

At 30 June 2021 the Partnership had entered into non-cancellable contractual commitments in respect of investment properties of £810,683 (2020: £3,302,225).

All of the investment properties have been categorised as a Level 3 fair value based on the inputs to the valuation technique used. The following table shows the significant observable inputs used in measuring the fair value of investment property:

Significant unobservable inputs	Impact on the valuation
Yields	<i>Fair Value would decrease if the yield was increased and increase if the yield was reduced.</i>
Occupancy	<i>Fair Value would increase if the occupancy was increased and increase if the yield was reduced.</i>
ERVs	<i>Fair Value would increase if the ERVs was increased and increase if the yield was reduced.</i>

As noted in the significant judgements, assumptions and key estimates section on page 16, the valuation of the property is inherently subjective. As a result, the valuations the Partnership places on its property are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market. With the heightened degree of uncertainty resulting from the Covid-19 pandemic, there is increased difficulty in exercising professional judgements to determine asset values when there are few, if any, comparable transactions in the new environment. Consequently, the external valuation contains the following material uncertainty statement, which is in line with RICS guidance.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuations are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this property under frequent review. For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation.

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7 Investment properties (continued)

Effective 9 September 2020, the Material Valuation Uncertainty Clause mentioned above was lifted across all UK Real Estate with the exception of some assets valued purely with reference to trading potential (e.g. Trading Hotels with Management Contracts). This is being replaced with a Market Conditions statement to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. This recognises the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 and to highlight the importance of the valuation date.

8 Debtors	As at 30 June 2021 £	As at 30 June 2020 £
Amounts falling due within one year		
Trade debtors	2,637,552	2,092,322
VAT receivable	-	97,088
Lease incentives	439,925	(342,274)
Other debtors	1,595,357	772,224
Prepayments and accrued income	528,597	1,207,636
	<u>5,201,431</u>	<u>3,826,996</u>
Amounts falling due after one year		
Lease incentives	<u>7,195,540</u>	<u>7,183,331</u>
Total debtors	<u>12,396,971</u>	<u>11,010,327</u>

Debtors are initially recognised at transaction value and the carrying value is considered to be the same as fair value.

9 Cash at bank and in hand	As at 30 June 2021 £	As at 30 June 2020 £
Cash at bank and in hand	<u>20,782,227</u>	<u>17,606,984</u>

Cash at bank and in hand includes restricted funds relating to tenant deposits of £395,489 (2020: £395,489) and £5,802,715 relating to service charge as at 30 June 2021 (2020: £5,802,715).

10 Creditors: amounts falling due within one year	As at 30 June 2021 £	As at 30 June 2020 £
Trade creditors	2,987,756	100,650
VAT payable	371,271	-
Distributions payable	1,700,000	-
Other creditors	1,127,757	872,711
Accruals and deferred income	6,676,601	4,614,985
	<u>12,863,385</u>	<u>5,588,346</u>

Creditors are initially recognised at transaction value and the carrying value is considered to be the same as fair value.

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11 Capital and liabilities due to Partners

	Hermes CMK General Partner Limited	CMK Britel Unit Trust	Total
	£	£	£
Partners' capital accounts			
At 1 July 2020	1	552,916,000	552,916,001
Contributions during the year	-	-	-
At 30 June 2021	<u>1</u>	<u>552,916,000</u>	<u>552,916,001</u>
Partners' loans accounts			
At 1 July 2020	-	240,463,302	240,463,302
Advanced during the year	-	-	-
At 30 June 2021	<u>-</u>	<u>240,463,302</u>	<u>240,463,302</u>
Partners' current accounts			
At 1 July 2020	-	18,257,776	18,257,776
Distributable profit for the year	-	16,664,782	16,664,782
Distribution payable	-	(17,100,000)	(17,100,000)
At 30 June 2021	<u>-</u>	<u>17,822,558</u>	<u>17,822,558</u>
Total Partners' accounts			<u>811,201,861</u>
Revaluation reserve			
At 1 July 2020		(348,999,171)	(348,999,171)
Revaluation loss		(134,022,340)	(134,022,340)
At 30 June 2021		<u>(483,021,511)</u>	<u>(483,021,511)</u>
Funds and liabilities due to Partners			<u>328,180,350</u>

12 Related parties

The General Partner of Hermes CMK Limited Partnership is Hermes CMK General Partner Limited and its sole Limited Partner is Hermes CMK Unit Trust of which 50% of its units in issue are owned by Britel Fund Trustees Limited as Trustee of the BT Pension Scheme and 50% of its units in issue are owned by Australian Super Property No.1 LLC. The ultimate shareholders of Hermes CMK GP are BT Pension Scheme and Australian Super Pty Ltd.

During the year, the Partnership incurred management fees of £643,010 (2020: £989,275) and operator fees of £60,000 (2020: £60,000) to Hermes Real Estate Investment Management Ltd.

During the year, the Partnership incurred development management fees of £nil (2020: £100,000) and other project related fees of £85,000 (2020: £50,000) to MEPC Limited, a company in which the BT Pension Scheme has a significant interest.

As at 30 June 2021 the following amounts were outstanding:

	As at 30 June 2021 £	As at 30 June 2020 £
Amounts due from Hermes CMK General Partner Limited	<u>1</u>	<u>1</u>
Amounts due to Hermes Real Estate Investment Management Ltd	<u>157,750</u>	<u>223,225</u>

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13 Future minimum lease receivables

At the balance sheet date the Partnership had the following future minimum lease rental income receivable under non-cancellable operating leases for each of the following years:

	As at 30 June 2021	As at 30 June 2020
	£	£
Not later than one year	24,840,427	29,685,501
Later than one year and not later than five years	62,441,579	76,927,325
Later than five years	97,240,330	134,508,426
	<u>184,522,336</u>	<u>241,121,252</u>

14 Controlling party

The General Partner of Hermes CMK Limited Partnership is Hermes CMK General Partner Limited and its sole Limited Partner is Hermes CMK Unit Trust.

The General Partner regards the BT Pension Scheme and AustralianSuper Pty Ltd as the ultimate joint controlling entities.

The address of the BT Pension Scheme is: One America Square, 17 Crosswall, London, EC3N 2LS where copies of BT Pension Scheme's accounts are available.

15 Market consideration - Brexit

The United Kingdom officially left the European Union on 31 January 2020 ("Brexit"). A trade and cooperation agreement was reached on 24 December 2020 surrounding trade interactions between the United Kingdom and European Union. All new relevant rules and regulations apply effective from 1 January 2021.

It is currently not practicable to forecast with certainty how the value of, or the cash flows arising from, assumptions involved in the Company's assets might be affected by Brexit. Consequently, it is currently not possible to accurately quantify the possible effect of Brexit on the Company.

16 Subsequent events

There have been no subsequent events since the Balance Sheet date.