



The Stellar Martineau Place LP (“the Fund”)

Six-Monthly Performance Update

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1. Trading Performance

Trading performance has been adversely impacted by ongoing challenges. The hotel and its local market has experienced structural changes in demand, most notably a shift in booking behaviour resulting in reduced levels of corporate long-stay business, which has historically played a key role in underpinning base occupancy and revenues. In addition, new hotel supply entering the local market has increased competitive pressure, further weighing on pricing and volume across the year.

In the context of these challenges, the hotel's management team has delivered resilient operating performance throughout the full year. However, results are below both budget expectations and prior year performance.

	Actual	Budget	Variance	Prior Year	Variance
Revenue	4,177,813	4,627,116	(449,302)	4,354,322	(176,509)
Gross Operating Profit	1,335,858	1,661,956	(326,098)	1,448,891	(113,033)
Other Costs	368,179	328,394	39,785	332,429	35,750
EBITDA	967,679	1,333,562	(365,883)	1,116,462	(148,783)

The operating cost base increased year on year and versus budget. This reflects a combination of ongoing inflationary pressures and changes in government policy, which drove elevated labour costs as well as higher property expenses, including business rates. Whilst management actions and operational efficiencies helped partially mitigate these pressures, they were insufficient to fully offset the impact on profitability.

As a result, EBITDA for the year was approximately £365,000 below budget and around £150,000 lower than the prior year.

In addition, the Fund's profitability was further reduced by interest costs, taxation, capital expenditure and exceptional costs relating to the ongoing dispute with Balfour Beatty ('BB') incurred during the period. Whilst these items sit below the EBITDA line, they have an impact on the hotel's cashflow. Further detail on this is set out in section 2 of this report.

Birmingham Hotel Market

The Birmingham and wider regional visitor economy (including the Black Country, Solihull and Coventry) continues to show growth in headline terms, with total visits increasing to 101.5 million in 2025, a rise of 2.9% year-on-year. However, this growth has been driven predominantly by day visitors, with 89.8 million trips not requiring overnight accommodation. As a result, underlying demand growth for hotel bedrooms has been more muted. As Staybridge Suites Birmingham performs best when it has a balanced proportion of long stay guests, the hotel has felt the impact of this trend.

Event-driven demand across Birmingham City Centre and the NEC remained broadly flat year-on-year, with no material uplift in volumes despite a full calendar of events and concerts. Isolated peak trading periods, such as the Black Sabbath weekend in July, demonstrated the market's ability to drive premium pricing. The hotel performed exceptionally well during this weekend, capturing significantly more than its fair market share, with RGI of 173.2 over the three-day period and an ADR premium of £109.10 versus its competitive set, but these spikes were not sufficient to offset broader softness in base demand throughout the year.



At the same time, the market has absorbed a meaningful increase in supply, with approximately 365 new rooms opening during the year, including The Forge (120 rooms), Canal House (45 rooms), and Grand Central Suites (circa 200 rooms). In 2024, Aparthotel Birmingham was opened (with 2025 being its first full trading year), providing direct competition to Staybridge Suites Birmingham as a long-stay offering with 161 rooms/apartments. This additional capacity has coincided with the return to full inventory and completion of major refurbishments at established competitors, including Crowne Plaza and Clayton, intensifying competitive pressures. STR data indicates occupancy declined across the wider Birmingham market by 1.4% over 2025, with average daily rate broadly flat, signalling a demand constrained environment rather than rate led growth.

UK Hotel Market Commentary

The UK hotel market through to the end of Q1 2026 continued the trend of gradual stabilisation observed in the latter half of 2025, with improving macroeconomic sentiment supporting a modest uplift in trading conditions, despite geopolitical events in recent months. However, performance remains uneven, with London and other gateway cities continuing to outperform, while regional and secondary markets face more subdued demand patterns.

Occupancy levels have remained broadly stable in the mid-70% range. Average Daily Rates have shown continued resilience, supported by pricing discipline and strong demand in peak periods, although growth has softened compared to prior years. As a result, revenue per available room growth has remained positive but modest, with gains concentrated in prime urban locations and more limited progression in regional markets where domestic demand remains constrained.

Cost pressures persist across the sector, albeit with some signs of moderation. Labour costs remain elevated due to ongoing wage inflation and staffing shortages, while business rates and insurance continue to weigh on operating expenses. Energy costs have stabilised but remain above historical norms. Consequently, margin recovery has been limited, with operators maintaining a strong focus on cost control, operational efficiencies and ancillary revenue streams to protect profitability.

Investment activity has carried momentum into early 2026. Investor appetite remains focused on prime assets in London and high-performing regional cities, with selective interest in value-add opportunities where operational upside can be unlocked. Overseas capital continues to play a significant role, attracted by relative value and currency considerations.

Looking ahead, the outlook for the UK hotel market remains cautiously positive. Continued recovery in international travel and corporate demand is expected to support performance in key urban centres, while regional markets may see a more gradual improvement as domestic confidence strengthens. Against this backdrop, operators and investors are expected to remain focused on revenue optimisation, cost discipline and targeted capital investment to navigate an environment that, while improving, remains operationally and competitively challenging.



2. Cashflow

Cashflow during the period has been adversely impacted by the factors alluded to above. Reduced trading revenues have constrained operating cash generation. This has been compounded by a number of exceptional capital expenditure items and the incurrence of legal and professional costs associated with the ongoing Balfour Beatty dispute. Whilst we anticipate these costs ultimately being recoverable, this has placed further pressure on cashflow.

Capital expenditure has therefore been closely managed, with spend prioritised carefully to ensure that essential works are undertaken while preserving liquidity wherever possible. During the period, this has included substantive investment in critical plant and infrastructure, most notably significant works to the air-conditioning systems and the boiler, both of which were necessary to protect the ongoing operability and integrity of the asset. There remains a list of capex items that need to be dealt with and we will continue to work through this list when trading supports.

As a result of the above pressures, the hotel has breached its debt service coverage covenant with NatWest. The Fund is in close and constructive dialogue with NatWest, with a clear focus on ensuring that the position is managed proactively and effectively. Cashflow management remains a key priority, with continued focus on expenditure discipline, capex prioritisation and maintaining open engagement with all stakeholders.

3. Debt

As a result of the debt service covenant breaches we have been moved into the Customer Lending Support team at NatWest to try to ease the cashflow pressures the hotel is facing and work with the bank to generate a successful outcome for all stakeholders.

As at 31/03/2026, third party debt is as follows:

Debt Provider	£	Rank	Note
NatWest (RBS)	6,303,271	1st charge	Includes £250k CBILS
Cannock Loan	14,714,412	2nd charge	
Total	21,017,684		

4. Dispute with Balfour Beatty ('BB')

Fire Safety Defects Remediation

During our last report, we outlined the different categories of defects and noted an intrusive survey had been undertaken by our fire engineer, M10 Fire. This survey was carried out to clarify the position regarding Passive Fire Protection ('PFP') in certain areas of the hotel for which an agreed position could not be reached between parties based solely on drawings and visual inspections.

As reported, the outcome of this survey highlighted new, previously unidentified, defects which have the capacity to significantly alter the remedial solution required. These findings also resulted in a selection of rooms being taken out of action. We alluded to receipt of a quote from a contractor to return the rooms to



operation and that we were working through a scope and timeline with them. This work has now been formally instructed and is expected to complete by the end of May.

M10 Fire's written report took longer than anticipated to produce and issue. The delay in production was because of a personal family matter impacting M10's Chief Engineer availability. Whilst various meetings were held with BB to discuss the survey's findings, the provision of a full specification of remedial work by BB has been delayed as a consequence of the final report not being issued. The report has now been issued and is currently being reviewed by BB and their fire engineer (OFR Consultants). We are scheduled to meet with BB and OFR Consultants at the end of May. This provides them with ample time to review the report, and we have requested any comments a week prior to our meeting so that we can ensure the meeting is productive and conclusive.

Legal Position

We entered into a Standstill Agreement with BB in advance of the expiration of limitations date which sufficiently protects our legal position under the build contract.

In March 2026, we, alongside our lawyers CMS LLP ('CMS'), met with BB and their lawyers, Pinsent Masons ('PM'). The meeting was held on a Without Prejudice basis. Prior to that meeting, CMS furnished BB and PM with a draft Resolution Framework document. Whilst not a legally binding document, it sets out the key steps to resolution, timelines and core principles. The intention is for this document to act as a Heads of Terms document which will ultimately underpin a settlement agreement.

Since our meeting in March, we are yet to have the Resolution Framework document in agreed form. Whilst the points are separate, BB used the delay to the M10 Fire survey report as a reason for delayed responses to the Resolution Framework. Now that that obstacle has been overcome, we are confident of agreeing the Resolution Framework in May so that we can continue to progress to an ultimate settlement position.

We will update investors as to any material progress as soon as it is available.

5. Exit

As previously reported, we took the decision not to extend exclusivity for the buyer beyond October 2024 as we seek a resolution to the works detailed in our December 2023 investor update.

We remain in contact with the initial purchaser and met again with them in Q1 2026. During that meeting, there was clear reaffirmation of their desire to acquire the property. The prospective buyer has wider development plans for Martineau Place and securing the hotel is a key component of that. These plans have become public knowledge more recently.

A key requirement for them is to secure exclusivity for the property. We discussed this at length with them and set out a proposal for granting exclusivity following the meeting which they are currently reviewing.

We will update investors as to any material progress as soon as it is available.

LP Return Expectations

Investors are reminded that a key component of the expected return set out in the original Investment Memorandum ('IM') was the availability of tax relief. BPR was introduced by the UK Government to



encourage the conversion and renovation of qualifying business properties in various designated regeneration areas by providing 100% tax relief (as a capital allowance) to property owners for qualifying capital expenditure incurred during the redevelopment of a property.

The Partnership's Interest was expected to be a qualifying interest for BPR purposes and hence the Partnership would be the beneficiary of 100% capital allowances on the renovation costs of converting the Partnership's Interest to a hotel. The property loss that will arise within the Partnership due to BPR availability would be allocated to the Limited Partners pro rata to their Capital Contributions to the Partnership. The Limited Partners would then utilise the loss for tax purposes by setting it off against their other income in the year in which the loss arises and/or the following tax year. The loss could also be carried forward for set off against future income from the Partnership.

At the time of the IM, the expectation was that approximately 93.3% of the Development Costs of the Partnership's Interest should be qualifying expenditure for BPR purposes. As you are aware, HMRC has pursued legal action to challenge these amounts and subsequently this has since reduced with allowable costs limited to 63% of those incurred.

Returns for LP investors will be dependent on a number of factors, including the outcome of the Balfour Beatty dispute, any financial compensation arising therefrom and an agreed sale price.

We do not presently have sufficient clarity on outcome or agreed terms in respect of either matter to be able to provide an expected return to investors.



Frequently Asked Questions (FAQs)

To assist investors and their advisers, we have collated the most frequently asked questions that our Client Services team receive and have included our answers below.

Should you have any queries relating to the Fund or your investment, our client services team are readily available to assist and can be contacted on 020 3195 3500 or via email at enquiries@stellar-am.com.

How often are performance updates provided to investors?

Performance updates are issued on a half yearly basis by email. Once published, they can also be accessed at any point via our online portal: <https://www.stellar-am.com/portal/>.

What is the latest market valuation of my investment?

For an update on the current value of your investment, please contact our client services team on 020 3195 3500 or via email enquiries@stellar-am.com.

What is the taxation treatment of the Fund?

Income of the Partnership

Income arising to the Partnership will be treated for UK tax purposes as income arising directly to each Limited Partner in the proportion in which income is shared by the Limited Partners in accordance with the provisions of the Partnership Agreement. It is anticipated that rental income received by the Partnership will be fully used to pay the interest on the Loan Facilities and the balance of the rental income to amortise the Loan Facility balance. This will mean that there will be no distribution of profits to the Limited Partners. Interest payable on the Loan Facilities by the Partnership can be offset against the rental income of the Partnership for income tax purposes. Limited Partners should be aware that even though they will receive no distribution of net profits that they will still be liable to pay their share of the income tax due on those net profits at their marginal rate of tax direct to HMRC.

Capital Gains Tax

Each Limited Partner will be treated for the purpose of UK tax on chargeable gains as having a direct share in the Partnership Assets. The share of each Limited Partner will be equivalent to their interest in the Partnership Assets determined in accordance with the provisions of the Partnership Agreement. Upon the Partnership disposing of an asset to a third party, each Limited Partner will be treated as disposing of their share in the underlying asset. To the extent that any gain or loss arising on a disposal is treated for UK tax purposes as a capital gain or loss, each Limited Partner's share of any proceeds realised on disposal will be determined in accordance with the provisions of the Partnership Agreement. Any such capital gain will be based on the difference between the sale proceeds allocated to a Limited Partner's share in the Partnership Assets and the cost of the Limited Partner's Capital Contribution made to the Partnership before BPRA is taken into account.



What is the process for surrender and how long should it take to receive the proceeds?

At the time of investment, it was stated that the transferability of an interest in the Partnership would be restricted. We are currently unaware of any potential buyers for interests in Martineau Place so unfortunately would not be able to facilitate a sale at this time.

When will my tax certificate be available for tax year end April 2026?

Your tax certificate will be available in December 2026. These will be made available via our portal and can be emailed to you on request. Please contact enquiries@stellar-am.com.

Please can you offer an update in relation to HMRC and the Upper Tier tax tribunal?

As reported in our communication on 8 September 2023, Downing LLP ('Downing') has been advised that the Supreme Court has unfortunately decided to refuse permission to appeal.

By way of a reminder, Downing sought to appeal the Court of Appeal's decision on three grounds:

1. Ground 1: the Court of Appeal erred in deciding the appeal by reference to the developer's expenditure and not the expenditure incurred by the LLP;
2. Ground 2: the Court of Appeal erred in deciding that the words "in connection with" should be construed narrowly and, in particular, required a strong and close nexus the physical works;
3. Ground 3: the Court of Appeal erred in remitting the treatment of the residual amount to First Tier Tribunal (predicated on the success of Grounds 1 and/or 2).

The Supreme Court has decided that:

1. Ground 1 is not arguable. No mention is made of Grounds 2 and 3 although permission on these is refused because point 2 below.
2. None of the grounds raise a point of law of general public importance.

There is no further route of appeal or option to ask the Supreme Court to reconsider its decision.

This means that the allowable costs are limited to 63% of those incurred, which is marginally better than the original closure notice.

We await direct correspondence from HMRC as to the next steps and will write again once the position has been determined. However please note we are not tax advisers, and you should take independent advice as to the potential impact on your tax affairs.

Is there any news on the CBILS (Coronavirus Business Interruption Loan) loan from NatWest for £1,000,000?

This was drawn down in May 2021 and is repayable over 6 years after this date. There is currently £250,000 left to pay back.

Appendix A

Combined Balance Sheet of Total Limited Partners' Interest as at 31 March 2026.

Fixed assets

Tangible assets 27,471,790

Current assets

Trade debtors	35,815
Other debtors	2,441,201
Cash at bank and in hand	132,199
	<u>2,609,215</u>

Creditors: amounts falling due within one year

Bank loans and overdrafts	(489,603)
Trade creditors	(801,288)
Social security and other taxes	(96,343)
Other creditors	(531,426)
	<u>(1,918,660)</u>

Net current assets/(liabilities)

690,555

Creditors: amounts falling due after more than one year

(20,528,080)

Net assets attributable to Limited Partners

7,634,264

Amounts due to Limited Partners

Members' capital classified as equity	17,500,000
Revaluation reserve	(7,200,000)
Other reserves	(2,665,736)

Total limited partners interest

7,634,264