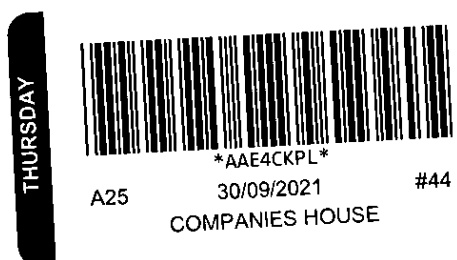


Registration number: 04131332

CG Cutlers Gardens (UK) No.1 Limited

Report and Unaudited Financial Statements

31 December 2020



CG Cutlers Gardens (UK) No.1 Limited

Directors C M Warnes
C S Bidel
I S Venter

Company secretary Sanne Group Secretaries (UK) Limited

Registered number 04131332

Registered office 6th Floor
125 London Wall
London
EC2Y 5AS

CG Cutlers Gardens (UK) No.1 Limited

Directors' Report

for the Year Ended 31 December 2020

The directors present their report and the unaudited financial statements for the year ended 31 December 2020.

This report has been prepared in accordance with the provisions applicable to companies entitled to small companies exemption. The Company has also taken exemption from preparing a strategic report under Companies Act 2006 paragraph 414A(2).

Directors of the Company

The directors, who held office during the year were as follows:

C M Warnes

C S Bidel

I S Venter

Principal activity

The principal activity of the Company is to act as one of the General Partners to the CG Cutlers Gardens Limited Partnership. The Company's results for the year are set out in the statement of comprehensive income.

Going concern

These financial statements have been prepared on the going concern basis. Please refer to note 2 of the financial statements for more details regarding this.

Results and dividends

The loss for the year amounted to £25,537 (2019: £33,428). The directors do not recommend a dividend for the year (2019: £Nil).

Small companies provision statement

This report has been prepared in accordance with the small companies regime under the Companies Act 2006.

Approved by the Board on 20/09/21 and signed by order of the Board by:



I S Venter
Director

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CG Cutlers Gardens (UK) No.1 Limited

Statement of Comprehensive Income for the Year Ended 31 December 2020

	Note	2020 £	2019 £
Administrative expenses		<u>(25,427)</u>	<u>(33,343)</u>
Operating loss		(25,427)	(33,343)
Interest receivable and similar income		70	134
Interest payable and similar charges		<u>(180)</u>	<u>(219)</u>
Loss before tax		(25,537)	(33,428)
Tax on loss	5	<u>-</u>	<u>-</u>
Total comprehensive loss for the year		<u><u>(25,537)</u></u>	<u><u>(33,428)</u></u>

The above results were derived from continuing operations.

The notes on pages 7 to 11 form an integral part of these financial statements.

CG Cutlers Gardens (UK) No.1 Limited

Statement of Financial Position

as at 31 December 2020

	Note	2020 £	2019 £
Fixed assets			
Investments	6	1	1
Current assets			
Debtors	7	20,291	8,862
Cash at bank and in hand		<u>538,977</u>	<u>31,404</u>
		559,268	40,266
Creditors: Amounts falling due within one year	8	<u>(672,541)</u>	<u>(128,002)</u>
Net current liabilities		<u>(113,273)</u>	<u>(87,736)</u>
Net liabilities		<u>(113,272)</u>	<u>(87,735)</u>
Capital and reserves			
Called up share capital	9	1	1
Retained earnings		<u>(113,273)</u>	<u>(87,736)</u>
Shareholders' deficit		<u>(113,272)</u>	<u>(87,735)</u>


For the financial year ending 31 December 2020 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

Approved by the Board on 20/01/21 and signed on its behalf by:



I S Venter
Director

The notes on pages 7 to 11 form an integral part of these financial statements.

CG Cutlers Gardens (UK) No.1 Limited

Statement of Changes in Equity for the Year Ended 31 December 2020

	<i>Called up share capital</i> £	<i>Retained earnings</i> £	<i>Total</i> £
At 1 January 2019	1	(54,308)	(54,307)
Loss for the year	-	(33,428)	(33,428)
Total comprehensive loss	-	(33,428)	(33,428)
At 31 December 2019	1	(87,736)	(87,735)
Loss for the year	-	(25,537)	(25,537)
Total comprehensive loss	-	(25,537)	(25,537)
At 31 December 2020	1	(113,273)	(113,272)

The notes on pages 7 to 11 form an integral part of these financial statements.

CG Cutlers Gardens (UK) No.1 Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2020

1 General information

The Company is a private company limited by shares, incorporated and domiciled in England and Wales.

The address of its registered office is:

6th Floor
125 London Wall
London
EC2Y 5AS

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

Summary of disclosure exemptions

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of i. paragraph 79(a)(iv) of IAS 1;
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows);
 - 10(f) (statement of financial position as at the beginning period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 111 (cash flow statement information); and
 - 134-136 (capital management disclosures);
- IAS 7, 'Statement of cash flows';

CG Cutlers Gardens (UK) No.1 Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2020

2 Accounting policies (continued)

- Paragraph 30 and 31 of IAS 8, 'Changes in accounting estimates and errors';
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation); and
- The requirements in IAS 24, 'Related party disclosures' (inter group transactions).

Going concern

CG Cutlers Gardens (UK) No.1 Limited has net current liabilities at 31 December 2020 and is reliant on the support of its parent company, Rhino 1 S.a.r.l to be able to meet its liabilities as they fall due. The directors consider the Company to be an integral part of the structure and intend to provide the necessary financial support to the Company for at least 12 months from the date of signing these financial statements.

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

Exemption from preparing group accounts

The Company has taken advantage of the exemption under S401 of the Companies Act 2006 not to prepare group financial statements as the Company itself is wholly owned by DSQ JV S.a.r.l, a company incorporated in Luxembourg, which prepares consolidated financial statements which include CG Cutlers Gardens (UK) No.1 Limited and its subsidiaries. These financial statements therefore present information for CG Cutlers Gardens (UK) No.1 Limited as a company, and not its group.

The Company is classified as a 'qualifying entity' - a member of a group where the parent of that group prepares publicly available consolidated financial statements.

In applying FRS 101, the Company has taken advantage of the disclosure exemptions in the standard due to the fact it is a 'qualifying entity'.

Investments

Investments are held at cost less provision for impairment.

The Company has a 0.001% share in the CG Cutlers Gardens Limited Partnership. The CG Cutlers Gardens Limited Partnership is domiciled in the UK. The principal activity of the Limited Partnership is to hold investment property. Investment income from the Limited Partnership is accounted for as and when received.

Cash and cash equivalents

Cash and cash equivalents comprise of cash at banks with an original maturity of three months or less.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Notes to the Unaudited Financial Statements

for the Year Ended 31 December 2020

2 Accounting policies (continued)

Financial instruments

Classification and measurement

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at Fair Value Through the Profit and Loss (FVTPL):-

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset meets the amortised cost criteria, the Company may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

Financial liabilities at amortised cost

All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

3 Critical accounting judgements and key sources of estimation uncertainty

There are no critical accounting judgements for the year.

The estimates and underlying assumptions are reviewed on an ongoing basis. There were no material estimates or assumptions made at the end of the year.

4 Staff costs

The Company has no employees (2019: Nil) and the directors received no remuneration in connection with their services to this Company in the current or previous year.

CG Cutlers Gardens (UK) No.1 Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2020

5 Income tax

The tax on loss for the year is different to the standard rate of corporation tax in the UK (2019 - different to the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £	2019 £
Loss before tax	(25,537)	(33,428)
Corporation tax at standard rate	(4,852)	(6,351)
Deferred tax asset not recognised	4,852	6,351
Total tax charge	-	-

6 Investments

£

Cost

At 1 January & 31 December 2020	1
---------------------------------	---

The Company has a 0.001% share in the CG Cutlers Gardens Limited Partnership.

7 Debtors

	2020 £	2019 £
Amounts due from group undertakings	8,767	3,426
Other debtors	11,524	5,436
	20,291	8,862

Amounts due from group undertakings are interest free and repayable on demand.

CG Cutlers Gardens (UK) No.1 Limited

Notes to the Unaudited Financial Statements

for the Year Ended 31 December 2020

8 Creditors: Amounts falling due within one year

	2020	2019
	£	£
Trade creditors	-	27,156
Accrued expenses	8,768	14,626
Amounts due to group undertakings	663,773	86,220
	<u>672,541</u>	<u>128,002</u>

Amounts due to group undertakings are interest free and repayable on demand.

9 Share capital

Allotted, called up and fully paid shares

	No.	2020	No.	2019
		£		£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

10 Related party transactions

CG Cutlers Gardens (UK) No.1 Limited and CG Cutlers Gardens (UK) No.2 Limited are both General Partners of the CG Cutlers Gardens Limited Partnership (the 'Partnership'). CG Cutlers Gardens (UK) No.1 Limited and CG Cutlers Gardens (UK) No.2 Limited have provided the Partnership's lenders with a fixed and floating charge on all of its assets by way of a debenture document.

11 Parent and ultimate parent undertaking

The Company's immediate parent company is Rhino 1 S.a.r.l.

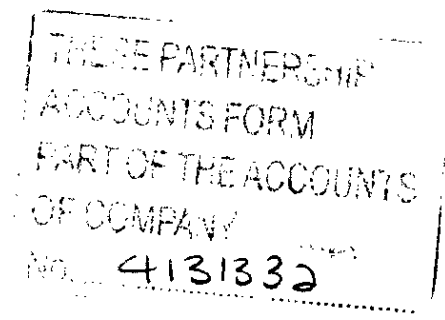
The ultimate parent is European Cities Partnership (GP) S.a.r.l.

The smallest group into which these accounts are consolidated is DSQ JV S.a.r.l. and the largest group into which these accounts are consolidated are European Cities Partnership (GP) S.a.r.l. Both of these consolidated financial statements are available upon request from 4a Rue Henri Schnadt, L-2530 Gasperich, Luxembourg.

CG Cutlers Gardens Limited Partnership

Report and Unaudited Financial Statements

31 December 2020



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16/12/2021
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CG Cutlers Gardens Limited Partnership

Registered number LP007458

Registered office 6th Floor
125 London Wall
London
EC2Y 5AS

Partners	% Share	% Share
General Partners	2020	2019
CG Cutlers Gardens (UK) No.1 Limited	0.0010	0.0010
CG Cutlers Gardens (UK) No.2 Limited	0.0010	0.0010
Limited Partners		
Rhino 1 S.a.r.l	47.1515	47.1515
Rhino 2 S.a.r.l	52.8465	52.8465
	<u>100.0000</u>	<u>100.0000</u>

CG Cutlers Gardens Limited Partnership

Strategic Report

for the Year Ended 31 December 2020

The Partners present their strategic report for the year ended 31 December 2020.

Principal activity

The Partnership's principal activity during the year continued to be property investment. The Partners do not foresee any material changes in the scope or nature of the Partnership's activity for the forthcoming year.

Fair review of the business

The Partnership strategy is to maximise Limited Partner return through effective management of the investment properties. This involves the operation and management of investment properties, control of overheads and asset management initiatives.

A key strategy is to redevelop the recently vacated buildings on the estate to increase the long-term value of the investment.

Key performance indicators

The Board of the General Partners meets on a regular basis and at each meeting reviews performance against a number of key measures:

Property voids

Property voids are unlet units. The Board reviews the level of property voids within the Partnership's portfolio on a regular basis and compares the level to the market average. The Board seeks to ensure that proper priority is being given by the asset managers to replacing the Partnership's income.

Net asset value

The Board regards this as the best overall measure of value delivered to its partners. The board assesses the net asset value of the Partnership over various periods and compares this with other investment properties of similar nature.

Principal risks and uncertainties

The General Partners consider that the Partnership's principal risks are a downturn in the property market and levels of occupancy. The investment remains a landmark asset in a desirable area in the city and it is forecast that there will be sufficient funding to enable an extensive refurbishment program to increase the rents and occupancy levels in the coming years. The Partnership's credit risk is primarily attributable to its tenant debtors, which it manages through maintaining a diversified tenant base and regular monitoring.

Results

The results of the year are set out in the Statement of Comprehensive Income. The total comprehensive loss for the year was £32,458,284 (2019 profit: £12,142,524). This was driven by the £27.7m loss in fair value of the investment property and a reduction in income due to the impact on Covid-19 on occupancy in Buildings 8 and 10.

Approved by the Board on ...14/12/2021... and signed on its behalf by:

On behalf of CG Cutlers Gardens Limited Partnership



Ian Venter

CG Cutlers Gardens Limited Partnership

Partners' Report

for the Year Ended 31 December 2020

The Partners present their annual report of CG Cutlers Gardens Limited Partnership (the 'Partnership') and the unaudited financial statements for the year ended 31 December 2020.

Management

Under the terms of the Partnership Agreement, the General Partners are responsible for the control, management and conduct of the business of the Partnership.

Going concern

The Members have a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis. Further details can be found in note 2.

The current net liability position arose due to the initial termination date of the debt facility being in May 2021, meaning the debt was classed as a current liability. The facility has now been extended to May 2022.

With restrictions now being eased the main impact of Covid-19 was the enforced closures of the Food & Beverage (F&B) tenants, and lack of occupancy at Buildings 8 & 10. Discussions are still ongoing with the F&B tenants, which currently makes up around 10% of annual income so concessions will not have a material long term impact. In early 2021 the leases for Buildings 8 & 10 were converted to standard leases, giving the assurance of steady quarterly income of around £2.6m.

Future developments

The nature of the business is not expected to change going forward, and there are no future developments to disclose.

Approved by the Board on 14/12/2021 and signed by order of the Board by:

On behalf of CG Cutlers Gardens Limited Partnership



Ian Venter

CG Cutlers Gardens Limited Partnership

Statement of Partners' Responsibilities

The Partners acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law as applied to Limited Partnerships by The Partnerships (Accounts) Regulations 2008 requires the Partners to prepare financial statements for each financial year. Under that law the Partners have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law, as applied to Limited Partnerships, the Partners 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 Partners are required to:

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

The Partners are responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CG Cutlers Gardens Limited Partnership

Statement of Comprehensive Income

for the Year Ended 31 December 2020

	Note	2020 £	2019 £
Rental income	4	19,495,494	28,199,170
Unrealised (loss)/gain in fair value of investment property	6	(27,712,191)	8,701,975
Property expenses		(2,839,130)	(2,845,250)
Other operating expenses		<u>(643,241)</u>	<u>(1,157,252)</u>
Net operating (loss)/profit		<u>(11,699,068)</u>	<u>32,898,643</u>
Finance income	7	221,494	433,041
Finance costs	8	(21,219,326)	(20,056,539)
Unrealised gain/(loss) in fair value of derivative financial instruments		<u>238,616</u>	<u>(1,132,621)</u>
Net financing costs		<u>(20,759,216)</u>	<u>(20,756,119)</u>
(Loss)/profit for the financial year before members remuneration and profit share		<u>(32,458,284)</u>	<u>12,142,524</u>
Total comprehensive (loss)/income for the year		<u><u>(32,458,284)</u></u>	<u><u>12,142,524</u></u>

The above results were derived from continuing operations.

The notes on pages 9 to 21 form an integral part of these financial statements.

CG Cutlers Gardens Limited Partnership

Statement of Financial Position

as at 31 December 2020

	Note	2020 £	2019 £
Fixed assets			
Investment properties	9	610,534,444	629,478,669
Investments	10	110	110
Other financial assets	11	1,484,291	6,374,043
		<u>612,018,845</u>	<u>635,852,822</u>
Current assets			
Debtors	12	13,951,192	15,505,664
Cash at bank		6,960,986	21,315,799
		<u>20,912,178</u>	<u>36,821,463</u>
Creditors: Amounts falling due within one year	13	<u>(218,683,836)</u>	<u>(15,373,517)</u>
Net current (liabilities)/assets		<u>(197,771,658)</u>	<u>21,447,946</u>
Total assets less current liabilities		414,247,187	657,300,768
Creditors: Amounts falling due after more than one year	14	<u>(228,041,282)</u>	<u>(438,636,579)</u>
Net assets		<u>186,205,905</u>	<u>218,664,189</u>
Total members' interests			
Members' capital account		1,003	1,003
Members' equity loans		73,264,491	73,264,491
	18	<u>73,265,494</u>	<u>73,265,494</u>
Members' profit and loss account	18	<u>112,940,411</u>	<u>145,398,695</u>
Total members' interests		<u>186,205,905</u>	<u>218,664,189</u>

The notes on pages 9 to 21 form an integral part of these financial statements.

CG Cutlers Gardens Limited Partnership

Statement of Financial Position

as at 31 December 2020

For the financial year ending 31 December 2020 the Partnership was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- The Partners have not required the Partnership to obtain an audit of its accounts for the year in question in accordance with section 476; and
- The Partners acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These financial statements were approved and signed on 14/12/2021 on behalf of the members by:



Ian Venter

On behalf of CG Cutlers Gardens Limited Partnership
Registration Number - LP007458

The notes on pages 9 to 21 form an integral part of these financial statements.

CG Cutlers Gardens Limited Partnership

Statement of Changes in Members' Interests

for the Year Ended 31 December 2020

	<i>Members' capital account</i> £	<i>Members' equity loans</i> £	<i>Members' profit and loss account</i> £	<i>Total members' interests</i> £
At 1 January 2019	1,003	73,264,491	133,256,171	206,521,665
Profit for the year	-	-	12,142,524	12,142,524
Total comprehensive income	-	-	12,142,524	12,142,524
At 31 December 2019	1,003	73,264,491	145,398,695	218,664,189
Loss for the year	-	-	(32,458,284)	(32,458,284)
Total comprehensive loss	-	-	(32,458,284)	(32,458,284)
At 31 December 2020	1,003	73,264,491	112,940,411	186,205,905

The notes on pages 9 to 21 form an integral part of these financial statements.

CG Cutlers Gardens Limited Partnership

Notes to the Unaudited Financial Statements

for the Year Ended 31 December 2020

1 General information

The Partnership was established on 6 March 2001 in the United Kingdom under the 1907 Limited Partnership Act. The principal activity of the Partnership is property investment, and the Partnership is incorporated and domiciled in England and Wales with its registered office at:

6th Floor
125 London Wall
London
EC2Y 5AS

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework, in compliance with The Partnerships (Accounts) Regulations 2008 (The Regulations) and the Companies Act 2006 by virtue of being a qualifying partnership as defined in The Regulations.

The financial statements have been prepared on the historical cost convention modified to include certain items at fair value. The financial statements are presented in sterling (£) and all values are rounded to the nearest pound, unless otherwise stated.

Summary of disclosure exemptions

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial instruments: Disclosures'
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of i. paragraph 79(a)(iv) of IAS 1;
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows);
 - 10(f) (statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements; or when it reclassifies items in its financial statements);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 111 (cash flow statement information); and
 - 134-136 (capital management disclosures)

CG Cutlers Gardens Limited Partnership

Notes to the Unaudited Financial Statements

for the Year Ended 31 December 2020

2 Accounting policies (continued)

- IAS 7, 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8, 'Changes in accounting estimates and errors';
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation);
- The requirements in IAS 24, 'Related party disclosures' (inter group transactions);
- Paragraphs 91 to 99 of IFRS 13, 'Fair value instruments' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).

Going concern

The Partnership has net assets as at 31 December 2020.

At 31 December 2020 occupancy levels at the property were at 66.73% (2019: 89.51%). Following the conversion of the leases for Buildings 8 & 10, these levels will continue to provide adequate rental income into the Partnership.

The Partners have concluded that the Partnership has adequate financial resources to continue for the foreseeable future, therefore it is appropriate to continue preparing these financial statements on the going concern basis.

Exemption from preparing group accounts

The financial statements contain information about CG Cutlers Gardens Limited Partnership as an individual partnership and do not contain consolidated financial information as the parent of a group.

The Partnership is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, DSQ JV S.a.r.l, a company incorporated in Luxembourg.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Partnership and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income. Tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the managers are reasonably certain that the tenant will exercise that option. Amounts received from tenants to terminate leases are recognised in the statement of comprehensive income when the right to receive them arises.

CG Cutlers Gardens Limited Partnership

Notes to the Unaudited Financial Statements

for the Year Ended 31 December 2020

2 Accounting policies (continued)

Dilapidations

No dilapidations provision is recognised when a lease contract is signed by a tenant. At the expiry or termination of a lease, the partnership can, in certain circumstances, receive payments in relation to dilapidation costs to be incurred on the relevant property from its tenant. This receipt is recorded on the statement of financial position and costs incurred matched with this income. Any excess is recognised in the statement of comprehensive income upon the completion of the dilapidation works.

Tax

The Partnership is not a taxable entity. Any liabilities arising from the results of the Partnership are dealt with in the financial statements of the Partners.

Investment property

Investment properties comprises of completed properties that are held to earn rentals or for capital appreciation or both. Properties held under a lease are classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions. Investment properties are measured initially at cost including transaction costs.

Investment property that is obtained through a lease is measured initially at the lease liability amount adjusted for any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred by the Partnership, and when applicable, an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

After initial recognition, investment properties are carried at fair value.

Fair value is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the Partnership uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed on a quarterly basis and with a full annual valuation report as of the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements.

The fair value of investment properties reflects amongst other things, rental income from current leases and assumptions about rental income from future leases in the light of the current market conditions. The fair value also reflects on a similar basis, any cash outflows that could be expected in respect of the property.

The fair value of investment properties do not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the fair value of the property.

Changes in fair value are recorded in the statement of comprehensive income.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment properties to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Partnership accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

CG Cutlers Gardens Limited Partnership

Notes to the Unaudited Financial Statements

for the Year Ended 31 December 2020

2 Accounting policies (continued)

Investment properties are derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal.

Where the Partnership disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the statement of comprehensive income within net gain from fair value adjustment on investment property.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Partnership and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the cost of the replacement is included in the carrying amount of the property, and the fair value is reassessed.

Leases

The Partnership acting as lessee recognizes a right-of-use asset and a lease liability for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The right-of-use asset is measured at its cost which includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred by the Partnership. All leases that meet the definition of investment property are classified as investment property and measured at fair value.

At initial recognition, the lease liability is measured at the present value of the lease payments that are not paid at the date of the statement of financial position. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured at the applicable index or rate at the lease commencement date;
- the exercise price of a purchase option if the Partnership is reasonably certain to exercise that option, or the penalty payable on the exercise of a termination option unless the Partnership is reasonably certain not to exercise the option; and
- any amounts expected to be payable under residual value guarantees.

Subsequently, the lease liability is measured as follows:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Where the Partnership is exposed to potential future increases in variable lease payments based on an index or rate, these are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Investments

Investments are held at cost less provision for impairment.

CG Cutlers Gardens Limited Partnership

Notes to the Unaudited Financial Statements

for the Year Ended 31 December 2020

2 Accounting policies (continued)

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the "effective interest method" and is included in finance costs.

Borrowings are classified as current liabilities unless the Partnership has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Derivative financial instruments

The Partnership uses derivative financial instruments to reduce the exposure to interest rate movements. The Partnership does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the statement of comprehensive income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the statement of comprehensive income depends on the nature of the hedge relationship.

Trade receivables and other debtors

Trade receivables and other debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

For trade receivables, the Partnership applies the simplified approach permitted by IFRS 9, which requires lifetime expected losses to be recognised from initial recognition of the receivables.

A provision for impairment is recognised when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Partnership will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognised when they are assessed as uncollectible.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Partnership prior to the end of the financial year which are unpaid. The amounts are unsecured and trade and other payables are presented as current liabilities unless payment is not due until twelve months after the reporting year. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Other financial liabilities not included in trade and other payables are recognised initially at fair value and subsequently at amortised cost.

CG Cutlers Gardens Limited Partnership

Notes to the Unaudited Financial Statements

for the Year Ended 31 December 2020

3 Critical accounting judgements and key sources of estimation uncertainty

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 and in any future periods affected. There were no other material estimates or assumptions made at the end of the year aside from the valuation of investment.

The value of the investment property is assessed by external independent valuers. By necessity a valuation requires the valuer to make subjective judgements that, even if logical and appropriate may differ from those made by a purchaser, or another valuer. Property values can change substantially over short periods of time, therefore the value of the property at the date of signing these financial statements may differ materially to the valuation provided at 31 December 2020.

4 Rental income

The Partnership's rental income is solely generated in the United Kingdom and is net of value added tax.

5 Staff costs

The Partnership had no employees in either the current or preceding year.

6 Unrealised (loss)/gain in fair value of investment property

	2020 £	2019 £
Fair value movement on investment property	(28,437,247)	9,769,727
Value change on right-of-use asset	(790)	(769)
Straight-lining of tenant inducements	725,846	(1,066,983)
	<u>(27,712,191)</u>	<u>8,701,975</u>

7 Finance income

	2020 £	2019 £
Interest income on bank deposits	<u>221,494</u>	<u>433,041</u>

CG Cutlers Gardens Limited Partnership

Notes to the Unaudited Financial Statements

for the Year Ended 31 December 2020

8 Finance costs

	2020 £	2019 £
Bank charges	1,692	1,451
Bank loan interest	4,835,791	6,000,413
Interest expense - derivative financial instruments	1,690,332	719,789
Interest on amounts due to fellow group undertakings	11,977,464	11,907,096
Financing debt issue costs	2,464,037	1,177,759
Interest expense - Leases	250,010	250,031
	<u>21,219,326</u>	<u>20,056,539</u>

9 Investment property

	2020 £
At 1 January	629,478,669
Capital expenditure	9,067,832
Leasehold inducements	204,246
Unrealised (loss)/gain in fair value of investment property (excluding straight lining of lease incentive)	(28,215,513)
Value change on right of use asset	(790)
At 31 December	<u>610,534,444</u>

The value of the investment property if it were held at cost is £589,290,074 (2019: £580,222,242), excluding Right-of-use assets.

As at 31 December 2020, the Partnership has agreed construction contracts with third parties and is consequently committed to future capital expenditure in respect of investment property of £2,583,347.

The investment property has been valued at 31 December 2020 by an independent valuer, Cushman & Wakefield. The investment property has been valued using the comparative and investment methods, taking into account size, location, lease terms, covenants and other factors. Valuations are prepared by the independent valuer on a quarterly basis, with a full annual valuation report provided as at 31 December each year. The valuers hold recognised relevant professional qualifications and have relevant experience in the location of the investment property.

Upon application of IFRS 16 as of 1 January 2019 following the modified retrospective approach, the operating lease on land of CG Cutlers Gardens LP (UK) has been recognised as a right-of-use asset in the amount of £9,315,606 and a lease liability of £9,315,606. Right-of-use asset is measured at fair value, represented by the present value of future lease payments. Change in the fair value is recorded through profit or loss. As of 31 December 2020, net unrealised loss of £790 (2019: £769) has been recorded on the right-of-use assets.

CG Cutlers Gardens Limited Partnership

Notes to the Unaudited Financial Statements

for the Year Ended 31 December 2020

9 Investment property (continued)

At the reporting date, the Partnership had contracted with tenants for the following future minimum lease payments:

	2020 £	2019 £
No later than 1 year	19,378,047	13,610,831
Later than 1 year and no later than 2 years	18,687,180	11,392,107
Later than 2 year and no later than 3 years	16,962,491	10,177,504
Later than 3 year and no later than 4 years	14,746,806	9,102,611
Later than 4 year and no later than 5 years	14,336,604	7,681,673
Later than 5 years	128,542,385	69,136,061
	<u>212,653,513</u>	<u>121,100,787</u>

10 Investments

	£
At 1 January 2020 & 31 December 2020	<u>110</u>

Details of the subsidiaries as at 31 December 2020 are as follows:

Name of subsidiary	Principal activity	Registered office	Holding	Proportion of ownership interest and voting rights held	
				2020	2019
Cutlers Gardens Estates Limited	Management services	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ	Ordinary	100%	100%
CG Cutlers Gardens (Jersey) Limited	Property legal owner	13 Castle Street, St Helier, Jersey, JE4 5UT	Ordinary	100%	100%
CG Cutlers Gardens (Jersey) 2 Limited	Property legal owner	13 Castle Street, St Helier, Jersey, JE4 5UT	Ordinary	100%	100%

CG Cutlers Gardens Limited Partnership

Notes to the Unaudited Financial Statements

for the Year Ended 31 December 2020

11 Other financial assets

Other non-current financial assets represent restricted funds, primarily consisting of cash collected from tenants of £1,426,562 trapped in a debt service account controlled by Bank of America Merrill Lynch and its agent Mount Street, following the breach of one financial covenant resulting in a cash trap event. During the year ended 31 December 2020, £11,528,546 cash trapped in the debt service account has been used to partially settle the principal and interest related to the loan obtained from Bank of America Merrill Lynch. The remainder of this balance is represented by tenant deposits.

12 Debtors

	2020 £	2019 £
Trade debtors	2,719,204	1,144,951
Amounts due from fellow group undertakings	9,781,125	10,299,910
Prepayments	919,982	1,025,080
Other debtors	530,881	3,035,723
	<u>13,951,192</u>	<u>15,505,664</u>

Amounts due from fellow group undertakings are interest free and receivable on demand.

13 Creditors: Amounts falling due within one year

	Note	2020 £	2019 £
Trade creditors		61,209	595,346
Amounts due to fellow group undertakings		19,115,985	7,886,796
Social security and other taxes		-	298,649
Accrued expenditure and deferred income		2,555,366	4,751,607
Other creditors		2,856,943	1,603,259
Lease liabilities	15	244,244	237,860
Loans and borrowings	16	<u>193,850,089</u>	<u>-</u>
		<u>218,683,836</u>	<u>15,373,517</u>

Amounts due to fellow group undertakings are interest free and repayable on demand.

CG Cutlers Gardens Limited Partnership

Notes to the Unaudited Financial Statements

for the Year Ended 31 December 2020

14 Creditors: Amounts falling due after more than one year

	Note	2020 £	2019 £
Lease liabilities	15	9,069,802	9,076,976
Loans and borrowings	16	-	232,278,481
Amounts owed to fellow group undertakings		217,769,368	195,840,394
Derivative financial instrument	17	1,202,112	1,440,728
		<u>228,041,282</u>	<u>438,636,579</u>

There is an intra-group loan in place with DSQ Bidco S.a.r.l, which is an indirect owner of the Partnership, bearing an interest rate of 6.08%. There is no fixed repayment date. The balance outstanding on the loan as at 31 December 2020 was £217,769,368 (2019: £195,840,394).

15 Leases

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2020 £
As at 1 January 2020	9,314,836
Accretion of interest	250,010
Payments	<u>(250,800)</u>
Carrying lease liabilities at 31 December 2020	<u>9,314,046</u>
Current	<u>244,244</u>
Non-current	<u>9,069,802</u>

16 Loans and borrowings

	2020 £	2019 £
Loans and borrowings		
Bank borrowings	194,379,571	235,272,000
Unamortised borrowing costs	<u>(529,482)</u>	<u>(2,993,519)</u>
	<u>193,850,089</u>	<u>232,278,481</u>

In May 2018, the Partnership entered into a loan agreement with the Bank of America Merrill Lynch. The effective interest rate at 31 December 2020 is 3.20% (2019: 3.26%) and the maturity date is May 2021, with an option to extend to May 2023. The loan has been secured in full by the Partnership. The security is given in the form of mortgages over the respective properties on which they are secured.

CG Cutlers Gardens Limited Partnership

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2020

16 Loans and borrowings (continued)

In addition, the loan is subject to the following financial covenants:

- Debt Yield: at all times on or prior to the interest payment date falling in May 2019, Debt Yield should be at least 6.5% and at all times after this date, at least 8.8%. As of 31 December 2020, the Debt Yield Ratio is 9.0% (2019: 10.3%).
- Loan to Value (LTV): at any time the LTV should not exceed 67.5%. As of 31 December 2020 the LTV Ratio is 22.5% (2019: 38.8%).
- Cash Trap Event: at any Test Date, (i) the Debt Yield is less than 6.75% up to interest payment falling due in May 2019, and thereafter, 10.70% and (ii) the LTV is greater than 57.50%. As of 31 December 2020, the debt yield was 8.8% (2019: 10.3%) and consequently, the cash trap event remained. Notwithstanding the bulk of tenant cash collected being used to repay the debt each quarter, a trapped cash balance of £1,426,562 remained as at 31 December 2020 (2019: £6,316,314).

17 Derivatives financial instruments

	2020	2019
	£	£
Derivative financial instrument	<u>1,202,112</u>	<u>1,440,728</u>

The Partnership has entered into an interest rate swap/cap agreement with Bank of America Merrill Lynch in the notional amount of £217,310,164 (2019: £235,272,000). The interest rate swap derivative is used to hedge the exposure to the variable interest rate payments on the variable rate secured loans.

The loans and interest rate swap have the same critical terms and are fully effective. Cash flows are expected to occur between 4 May 2018 and 20 May 2021 and will be recognised through profit or loss at that time. The aggregate fair value of the interest rate swap at the end of the reporting year was a liability of £1,202,112 (2019: £1,440,728).

The valuation techniques applied to fair value the derivatives include the swap models, using present value calculations. The model incorporates various inputs including the credit quality of counterparties and forward rates, thereby eliminating both counterparty and the Partnership's own non-performance risk.

CG Cutlers Gardens Limited Partnership

Notes to the Unaudited Financial Statements

for the Year Ended 31 December 2020

18 Movement in Partners' capital and current accounts

Partners' capital account

	CG Cutlers Gardens (UK) No.1 Limited £	CG Cutlers Gardens (UK) No.2 Limited £	Cutlers Gardens (Jersey) No.1 Trustee £	Rhino 1 S.a.r.l £	Rhino 2 S.a.r.l £	Total £
Balance at 1 January 2019	544	544	1	34,545,956	38,718,449	73,265,494
Balance at 1 January 2020 and 31 December 2020	544	544	1	34,545,956	38,718,449	73,265,494

Profit and loss account

	CG Cutlers Gardens (UK) No.1 Limited £	CG Cutlers Gardens (UK) No.2 Limited £	Cutlers Gardens (Jersey) No.1 Trustee £	Rhino 1 S.a.r.l £	Rhino 2 S.a.r.l £	Total £
Balance at 1 January 2019	1,332	1,332	1	62,832,282	70,421,224	133,256,171
Total comprehensive income	121	121	-	5,725,383	6,416,899	12,142,524
Balance at 1 January 2020	1,453	1,453	1	68,557,665	76,838,123	145,398,695
Total comprehensive loss	(325)	(325)	-	(15,304,568)	(17,153,066)	(32,458,284)
Balance at 31 December 2020	1,128	1,128	1	53,253,097	59,685,057	112,940,411

CG Cutlers Gardens Limited Partnership

Notes to the Unaudited Financial Statements

for the Year Ended 31 December 2020

19 Parent and ultimate parent undertaking

The partnership's immediate parents are Rhino 1 S.a.r.l and Rhino 2 Sarl.

The ultimate parent is European Cities Partnership (GP) S.a.r.l.

The smallest group into which these accounts are consolidated is DSQ JV S.a.r.l and the largest group into which these accounts are consolidated is European Cities Partnership (GP) S.a.r.l. Both of these consolidated financial statements are available upon request from 4a Rue Henri Schnadt, L-2530 Gasperich, Luxembourg.