

**PROPERTY PARTNERS (TWO RIVERS) LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2020**

**REGISTERED IN ENGLAND NO 04146177**

**Partnership  
Accounts**



## **PROPERTY PARTNERS (TWO RIVERS) LIMITED**

**Current Directors:**

Ben Buckley-Sharp  
John Mark Duxbury  
Philip Andrew Huby  
Kerry Nicholas Williams

**Company Secretary:**

SLA Corporate Secretary Limited (previously  
Aberdeen Asset Management PLC)

**Registered Address:**

Bow Bells House  
1 Bread Street  
London  
EC4M 9HH

**Independent Auditor:**

KPMG LLP  
20 Castle Terrace  
Edinburgh  
EH1 2EG

# **PROPERTY PARTNERS (TWO RIVERS) LIMITED**

## **REPORT OF THE DIRECTORS**

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

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

### **Principal activity and review of business**

The principal activity of the company is to act as General Partner to Two Rivers Limited Partnership providing oversight and guidance if and when required. In taking on this responsibility the General Partner receives an annual profit share payment details of which can be found below. The General Partner recognises the challenges which the Partnership has experienced throughout the year with the retail sector under significant pressure with the unknown impact of Brexit.

### **Coronavirus (COVID-19)**

The company is operated and administrated by the abrdn plc Group. COVID-19 has had a major impact on abrdn plc's operating environment which will extend well into 2021. This includes the vast majority of abrdn plc's employees working from home who now use the enhanced IT infrastructure that was implemented in response to the pandemic and the application of stricter processes and safeguards to protect critical workers who need to be in the office. The commercial environment also remained challenging during 2020, exacerbated by the impact of the pandemic. The abrdn Group has shown resilience in dealing with the effects of the pandemic and continues to manage its market, operational and financial impact.

### **Results and dividend**

The directors report that the profit on ordinary activities before taxation for the year ended 31 December 2020 amounted to £30 (2019: £100).

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2020 (2019: Nil).

### **Directors**

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

Ben Buckley-Sharp  
John Mark Duxbury  
Phillip Andrew Huby  
Kerry Nicholas Williams

### **Company secretary**

The company secretaries during the period, were as follows:

H Kidd (appointed 18 July 2019 and resigned 31 May 2020)  
SLA Corporate Secretary Limited (appointed 31 May 2020)

### **Directors' interests**

During the year no director had a disclosable interest in the shares of the company.

## PROPERTY PARTNERS (TWO RIVERS) LIMITED

### Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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

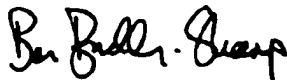
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting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

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:

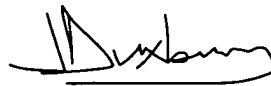
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess 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.

Approved by the Board and signed on its behalf by:



**Ben Buckley-Sharp**  
**DIRECTOR**  
23 September 2021



**John Mark Duxbury**  
**DIRECTOR**  
23 September 2021

## PROPERTY PARTNERS (TWO RIVERS) LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROPERTY PARTNERS (TWO RIVERS) LIMITED

#### Opinion

We have audited the financial statements of Property Partners (Two Rivers) Limited ("the company") for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet, Cash Flow Statement and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit 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.

#### 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 company 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 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 management 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; and
- Reading Board minutes to assess for any discussion of fraud.

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

## PROPERTY PARTNERS (TWO RIVERS) LIMITED

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

On this audit, we have rebutted the fraud risk related to revenue recognition as the calculation of revenue is non-judgmental and straightforward, with limited opportunity for manipulation. We did not identify any additional fraud risks.

### *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, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence, 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 legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors 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.

### **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

## PROPERTY PARTNERS (TWO RIVERS) LIMITED

- 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 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 3, 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](http://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.

*HM Walsh*

**Hannah Walsh (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

24 September 2021

# PROPERTY PARTNERS (TWO RIVERS) LIMITED

## Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	2020 £	2019 £
<b>Revenue</b>			
Income received from profit share		30	100
<b>Expenses</b>			
Administrative expenses	4	-	-
<b>Profit before tax</b>		<u>30</u>	<u>100</u>
Taxation	5	<u>(6)</u>	<u>(19)</u>
<b>Profit after tax</b>		<u><u>24</u></u>	<u><u>81</u></u>

All of the company's activities were continuing operations in the United Kingdom.

## Statement of Changes in equity

As at 31 December 2020

	Share capital £	Profit and loss account £	Total £
Balance as at 1 January 2019	1	698	699
Profit for the year	-	81	81
<b>Balance as at 31 December 2019</b>	<b>1</b>	<b>779</b>	<b>780</b>
Profit for the year	-	24	24
<b>Balance as at 31 December 2020</b>	<b>1</b>	<b>803</b>	<b>804</b>

The notes on pages 10 to 14 form an integral part of these financial statements.



# PROPERTY PARTNERS (TWO RIVERS) LIMITED

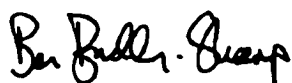
## Balance Sheet

As at 31 December 2020

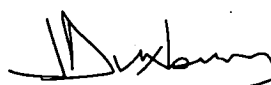
	Note	2020 £	2019 £
<b>Non current assets</b>			
Debtors	7	724	* 694
Investments	6	1	* 1
		<u>725</u>	<u>695</u>
<b>Current assets</b>			
Cash at bank	12	<u>46,698</u>	<u>223</u>
<b>Total assets</b>		<u>47,423</u>	<u>918</u>
Creditors: Amounts falling due within one year	8	<u>(46,619)</u>	<u>(138)</u>
<b>Total liabilities</b>		<u>(46,619)</u>	<u>(138)</u>
<b>Total assets less liabilities</b>		<u>804</u>	<u>780</u>
<b>NET ASSETS</b>		<u>804</u>	<u>780</u>
<b>Capital and Reserves</b>			
Called up share capital	9	1	1
Profit and loss account		<u>803</u>	<u>779</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u>804</u>	<u>780</u>

\* Amounts disclosed in prior year as current assets have been reclassified as non-current assets in the current year as settlement is not expected within the next twelve months.

The Board of Directors approved the financial statements set out on pages 7 to 14 on 3 August 2021 and the financial statements were signed on its behalf by:



**Ben Buckley-Sharp**  
DIRECTOR  
23 September 2021



**John Mark Duxbury**  
DIRECTOR  
23 September 2021

Company number 04146177

The notes on pages 10 to 14 form an integral part of these financial statements.

# PROPERTY PARTNERS (TWO RIVERS) LIMITED

## Cash Flow Statement for the year ended 31 December 2020

	2020	2019
	£	£
Profit for the financial year after tax	24	81
Adjustments for:		
Taxation	6	19
(Increase)/Decrease in debtors	(30)	101
Increase/(Decrease) in creditors	46,475	(60,480)
Cash movement from operations	46,475	(60,279)
UK Corporation Tax Paid	-	-
<b>Net cash from operating activities</b>	<b>46,475</b>	<b>(60,279)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>46,475</b>	<b>(60,279)</b>
Balance as at 1 January	223	60,502
Balance as at 31 December	46,698	223

There were no cash flows from operating or investing cash flows during the year (2019: nil).

The notes on pages 10 to 14 form an integral part of these financial statements.

# PROPERTY PARTNERS (TWO RIVERS) LIMITED

## Notes to the financial statements for the year ended 31 December 2020

### 1. General Information

Property Partners (Two Rivers) Limited is a company limited by shares and incorporated in England. The address of its registered office is Bow Bells House, 1 Bread Street, London.

The purpose of the company is to act as General Partner to the Two Rivers Limited Partnership.

### 2. Basis of preparation

The individual financial statements of the company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies are set out below.

#### Going concern

The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006, and under the going concern principle on the basis that the Company will be provided with sufficient resources from its related parties should it require to meet its liabilities. In preparing these financial statements, the directors have also considered the uncertainty created by COVID19, specifically focusing on:

- The nature of the income and expenses and the impact of reasonably possible downside scenarios on profitability and liquidity, as well as potential management actions;
- The effectiveness of the Company's operational resilience processes including the ability of key outsourcers to continue to provide services;
- Consideration of the going concern assessment of the Partnership and the abrdn plc Group.

The assessment above is dependent on the Company having sufficient funds through funding from its related parties, to meet its liabilities as they fall due for that period. The Directors have received a letter of support from the directors of Aberdeen Asset Managers Limited which details their intention to continue to provide this financial assistance to Property Partners (Two Rivers) Limited for at least the next twelve months.

As with any company placing reliance on other entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on a review of the above factors the Board is satisfied that the Company remains well capitalised and has sufficient liquidity to withstand any potential after effects as a result of COVID-19. Consequently the Board is satisfied that the Company has and will

# PROPERTY PARTNERS (TWO RIVERS) LIMITED

## Notes to the financial statements for the year ended 31 December 2020 (continued)

### Going concern (continued)

maintain sufficient resources to continue to meet its obligations as they fall due for at least 12 months from the date of approval of the financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

### 3. Accounting policies

The following accounting policies have been applied consistently during the year:

#### Income and Expenses

Income and expenses are recognised on an accruals basis. Turnover represents the profit share attributable to the company in its capacity as General Partner to the Two Rivers Limited Partnership.

#### Investments

Investments are stated at fair value.

#### Cash

Cash includes cash at bank measured at amortised cost.

#### Taxation

Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

#### GP Profit Share

The Limited Partnership Agreement sets out the General Partner's entitlement to a share of the Profits of the Partnership equal to 0.001% thereof. It is stated that the General Partner's Profit Share shall be a charge on the Net income of the Partnership. Net income is defined as 'The income, profit or loss, as the case may be of the Partnership for that Accounting Period as calculated in accordance with the accounting practices and policies relating to the Partnership adopted by the Operator'.

The Operator has elected to adopt a policy that includes realised investment gains/losses but excludes the unrealised investment gains/losses from the calculation of the Net Income for the year. This decision to exclude unrealised gains/losses has been taken owing to the uncertainty surrounding the ability to realise valuations gains in the future. This policy has been continuously and consistently applied throughout the life of the fund.

#### Group reporting

The Company is exempt from the requirement to prepare consolidated accounts by virtue of section 399 of the Companies Act 2006.

# PROPERTY PARTNERS (TWO RIVERS) LIMITED

## Notes to the financial statements for the year ended 31 December 2020 (continued)

### 4. Profit before taxation

The Company has no employees (2019: nil). The directors have received no emoluments for their services to the company. Auditor's remuneration of £6,443 (2019: £4,943) is borne by the Two Rivers Limited Partnership and not recharged to the company.

### 5. Taxation on profit

	2020	2019
Profit multiplied by the Corporation tax rate in the UK 19% (2019: effective rate 19%)	6	19

The standard UK corporation tax rate for the accounting period is 19%.

In the Spring Budget 2020, the government announced that the standard UK corporation tax rate would remain at 19% from 1 April 2020 rather than reducing to 17% as previously enacted. This new legislation was substantively enacted on 17 March 2020 to repeal the planned reduction in the standard UK corporation tax rate and maintain the rate at 19%. On 3 March 2021, the UK Government announced its intention to increase the rate of UK corporation tax rate from 19% to 25% with effect from 1 April 2023 and this was subsequently substantively enacted on 24 May 2021

### 6. Investments

	2020	2019
At fair value	1	1

The investment represents a participating interest in The Two Rivers Limited Partnership held in the Company's capacity as General Partner.

The directors believe that the fair value of the investments is supported by their underlying net assets.

\* Investments for both current and prior year have been reclassified as non-current assets as settlement is not expected within the next twelve months.

### 7. Debtors

	2020	2019
	£	£
Amounts owed by related undertakings	724	694
	724	694

Amounts owed by the Limited Partnership and related undertakings are unsecured, interest free and there is no fixed date for repayment.

\* Debtors for both current and prior year have been reclassified as non-current assets as settlement is not expected within the next twelve months.

# PROPERTY PARTNERS (TWO RIVERS) LIMITED

## Notes to the financial statements for the year ended 31 December 2020 (continued)

### 8. Creditors: Amounts falling due within one year

	2020	2019
	£	£
Amounts owed to related undertakings	46,619	138
	<u>46,619</u>	<u>138</u>

Amounts owed to the Limited Partnership are unsecured, interest free and there is no fixed date for repayment.

### 9. Called up share capital

	2020	2019
	£	£
Authorised, allotted and called up and paid		
100 (2019: 100) Ordinary shares of 1p each	1	1
	<u>1</u>	<u>1</u>

### 10. Related party transactions

For its services as General Partner of the Two Rivers Limited Partnership, the company is entitled to receive 0.001% of the aggregate of Net Income and Net Capital Gain of the Partnership. The Partnership's principle place of business is the UK and it is incorporated in England. The General Partner has an interest of £1, representing one Partnership unit.

The company received a profit share of £30 for the year (2019: £100) and was owed £724 (2019: £694) at the balance sheet date. £634 of the amount owed related to profit share with the remaining £90 relating to administrative expenses.

The Partnership pays the taxation for the company during the year. The amounts due to related undertakings including taxation at the balance sheet date were £46,619 (2019: £138), this was comprised of £144 in relation to taxation (2019: £138) and £46,475 (2019: £nil) in relation to a VAT refund received from HMRC but due to the Partnership.

### 11. Immediate and ultimate controlling parties

Property Partners (Two Rivers) Limited is owned equally by The Prudential Assurance Company Limited (a company ultimately controlled by M&G PLC) and Barclays Pension Funds Trustees Limited (a company ultimately controlled by Barclays PLC). All controlling parties are incorporated and registered in England.

M&G PLC is incorporated and registered in England and Wales, company number 11444019. Group financial statements can be obtained from the registered company address 10 Fenchurch Street, London, EC3M 5AG.

Barclays PLC is incorporated and registered in England and Wales, company number 01026167. Group financial statements can be obtained from the registered company address 1 Churchill Place, London, E14 5HP.

### 12. Cash at Bank

The cash balance held at the year-end included a tax refund from HMRC of value £46,475 which related to the Partnership, this is shown in note 8 of these financial statements. The refund was transferred to the Partnership during 2021.

## **PROPERTY PARTNERS (TWO RIVERS) LIMITED**

### **Notes to the financial statements for the year ended 31 December 2020 (continued)**

#### **13. Subsidiary undertakings**

Under the Companies Act 2006 (s1162), the Partnership is a subsidiary undertaking of the Company. The Partnership's registered office address is as per the Company and is noted on page 1.

The immediate parent undertaking holds all of the issued ordinary share capital. As at 31 December 2020 this is unpaid. This is in line with prior year.

#### **14. Post balance sheet events**

The VAT refund due to the Partnership, as detailed in notes 8 and 12, was settled in full on 2 March 2021.

**TWO RIVERS LIMITED PARTNERSHIP**

**Annual report and financial statements**

**For the year ended**

**31 December 2020**

**(Registered in England No: LP007451)**



## **TWO RIVERS LIMITED PARTNERSHIP**

### **C O N T E N T S**

	<b>Pages</b>
<b>Company information</b>	<b>1</b>
<b>Strategic Report</b>	<b>2-4</b>
<b>General Partner's Report</b>	<b>5-7</b>
<b>Independent Auditors' Report</b>	<b>8-10</b>
<b>Statement of Comprehensive Income</b>	<b>11</b>
<b>Balance Sheet</b>	<b>12</b>
<b>Statement of Changes in Equity</b>	<b>13</b>
<b>Statement of Cash Flows</b>	<b>14</b>
<b>Notes to the Financial Statements</b>	<b>15-27</b>

## TWO RIVERS LIMITED PARTNERSHIP

### Company information

<b>General Partner</b>	Property Partners (Two Rivers) Limited Bow Bells House 1 Bread Street London EC4M 9HH
<b>Operator</b>	Aberdeen Asset Managers Limited 10 Queen's Terrace Aberdeen AB10 1XL
<b>Property Manager</b>	Aberdeen Asset Managers Limited 10 Queen's Terrace Aberdeen AB10 1XL
<b>Valuers</b>	Cushman & Wakefield 43-45 Portman Square London W1H 6LY
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory auditors Atria One 144 Morrison Street Edinburgh EH3 8EX
<b>Limited Partner</b>	Two Rivers Trust c/o TMF Group Fund Services (Jersey) Limited Lime Grove House, Green Street St Helier Jersey JE1 2ST
<b>Tax Advisor</b>	Ernst & Young LLP 144 Morrison Street Edinburgh EH3 8EX
<b>Depository</b>	TMF Group Fund Services (Jersey) Limited Lime Grove House, Green Street St Helier Jersey JE1 2ST
<b>Banker</b>	Lloyds Bank PLC City Office, PO Box 72 Bailey Drive Gillingham Business Park Kent ME8 0LS

## Strategic report for the year ended 31 December 2020

The General Partner presents its strategic report on the Two Rivers Limited Partnership (the "Fund") for the year ended 31 December 2020.

### Review of the business

During the year to 31 December 2020, the Property Manager, Aberdeen Asset Managers Limited, continued to actively manage the property held in the Partnership. The focus has always been to maximise income and capital appreciation, this however has become more challenging throughout the current year due to pressure on the retail markets, the relatively unknown effects of Brexit and indeed the full extent of the COVID-19 pandemic.

Further units were issued to the sole Limited Partner, Two Rivers Trust ("the Trust"), in order to fund capital expenditure and leasing initiatives: 10,462 units on 30 June 2020 for consideration of £795,112, 7,672 units on 31 July 2020 for consideration of £560,056 and 41,524 units on the 30 October 2020 for consideration of £2,948,204.

Two Rivers Trust, which is owned equally by The Prudential Assurance Company Limited and Barclays Pension Funds Trustees Limited, funded these investments in Two Rivers Limited Partnership by way of the above mentioned unit issues.

### Results

The results for the year are set out in the Statement of Comprehensive Income.

The Fund delivered a total return of -17.1% for the year ending 31 December 2020 (2019: -11.3%). This incorporated both the income and capital return of 2.4% and -19.1% respectively (2019: 4.7% and -15.3 respectively). The Fund struggled to perform to the benchmark which delivered -10.4% total return (2019: -6.7%), driven principally by a continuing drop in income return but much larger negative capital return, this is unsurprising given the current retail climate.

The valuation of the property portfolio was undertaken by Cushman & Wakefield and decreased from £201.1m to £165.0m during the year 2020 (2019: decreased from £232.7m to £201.1m). The fair value of the portfolio is considered in note 8 of the financial statements and takes into consideration lease incentives and retentions in conjunction with the independent valuations. Unamortised lease incentives totalling £7.5m (2019: £4.5m) are deducted from the fair value of the properties and shown in the Statement of Financial position.

### *Income distribution*

The Partnership distributes income and excess funds as soon as practical after the quarter-end date. During the year distributions were paid in January, April and October totalling £5.5m (2019: £10m) and a further distribution of £1.4m (2019: £2.4m) was accrued. As a direct result of COVID-19 distributable income has reduced during the year compared with prior years.

### Principal Risks & Uncertainties

The principal risks facing the Partnership are property market risks. These risks include adverse investment and occupier markets which could cause the value of the property or rental income streams to reduce, and are beyond the Partnership's direct control.

The retail sector has continued to experience challenges throughout 2020 which has resulted, in many instances, in reduced rental values and capital value decreases. This has been the case at the retail park held by the Fund which has seen its capital value fall £36.1m during 2020 (2019: £29.8m fall).

## Strategic report for the year ended 31 December 2020 (continued)

### Risks (continued)

Although Brexit has now come to fruition, uncertainty around the ultimate economic impact continues to affect sentiment towards UK commercial real estate. We envisage a period of low returns over the next five years. With income expected to be the main driver of returns over the period, the degree of income risk – from potential tenant default or the ability to maintain income at lease events – will be key to performance. These key considerations have been included within the year end valuations.

Looking forward to 2021, there is still uncertainty regarding the economic impact of Covid-19 as a second lockdown has meant extended challenges for tenants. However with restrictions now beginning to ease in most areas and vaccination roll out gaining momentum it is hoped that the retail and hospitality sectors in particular will start to experience a positive cash flow position, arrears can be settled and sentiment towards UK commercial real estate can begin to recover. With income expected to be the main driver of returns in the near term, the degree of income risk – from potential tenant default or the ability to maintain income at lease events – will be key to performance and continues to be closely monitored on a monthly basis.

### Financial risk management

The management of the business and the execution of the Fund's strategy are subject to a number of risks. The financial risk management objectives and policies of the Fund and the exposure to market risk, interest rate risk, credit risk and liquidity risk are set out in note 14.

### Strategy

The Property Manager continued to actively manage the properties held in the Partnership with a view to maximising income and capital appreciation.

### Future focus

2021 focus will be on the following:

- Complete the development of 90 – 106 High Street to introduce occupier(s) for the new unit (15,000 sq ft) on ground floor with Premier Inn hotel.
- Agree a letting of unit S1A.
- Conclude the sub-division of the former Laura Ashley unit and complete associated lettings..
- Work up re-letting options for 80 – 82 High Street post lease expiry in 2020.
- Continue marketing of former Cote, Phones 4 U and Thorntons units.
- Replace tenants/offer permanent leases to current tenants in units currently with temporary occupancy..
- Maintain rental, service charge and car park income throughout the pandemic lockdowns and other related restrictions. The Manager will continue to work within the Rental Concession Framework.

### Extension of the term of the Trust and the Partnership

The Partnership's sole Limited Partner is the Two Rivers Trust. The Trust has oversight of the Partnership, the Partnership reports its results to the Trust and is consolidated with it.

The Partnership will be terminated upon the dissolution of the Trust.

## TWO RIVERS LIMITED PARTNERSHIP

### Strategic report for the year ended 31 December 2020 (continued)

#### Extension of the term of the Trust and the Partnership (continued)

The trust instrument of the Two Rivers Trust was amended on 17 December 2018, with the term being extended to 31 December 2023. The amendments to the trust instrument include options for the unitholders to vote on the early termination of the Trust (and therefore the Partnership) with meetings to be held on or before the 31 December 2019 and 31 December 2020 respectively.

The Unitholder meetings took place on the 26 September 2019 17 September 2020 respectively whereby the Trustees decided to continue operations.

#### Going concern

These financial statements continue to be prepared on a going concern basis (please refer to note 3).

This basis has been assessed and it was concluded that, as a result of the extension of the Trust (and therefore the Partnership), and in light of the latest continuation vote which took place on 17 September 2020 where by the Unitholders voted unanimously to continue operations there is no reason to not continue to prepare financial statements on this basis.

This decision is supplemented by an improved operational cash flow position which can be evidenced by positive asset management initiatives, letting vacant units and by an improved income distribution outlook for 2021.

## TWO RIVERS LIMITED PARTNERSHIP

### General Partner's report

The General Partner presents its report and the audited financial statements of the Partnership for the year ended 31 December 2020.

#### Dividends

During the year distributions were paid in January, April and October totalling £5.5m (2019: £10m) and a further distribution of £1.4m (2019: £2.4m) was accrued.

#### Financial Risk Management

The Partnership's activities expose it to a variety of financial risks, including market risk and credit risk. The exposure to these risks and the Partnership's management of them are set out below.

##### (a) Market Risk

The Partnership is exposed to property market risks. These risks include adverse investment and occupier markets which could cause the value of the properties or rental income streams to reduce, and are beyond the Partnership's direct control.

The Partnership is not exposed to foreign currency risk for its operations as all investments and transactions are in GBP.

As the Partnership has no borrowings and no significant interest-bearing assets, the Partnership's income and operating cash flows are substantially independent of changes in market interest rates.

##### Credit Risk

The credit risk exposure of the Partnership is primarily comprised of cash at bank and tenant receivables, which are billed and payable in advance.

Cash balances are directly controlled by the Operator and the managing agent.

The Partnership ensures that rental contracts are made with tenants with an appropriate credit history and quality, and unless agreed otherwise by unanimous resolution the gross rental income receivable from any single tenant company may be no more than 20 per cent of the aggregate gross rental income of the Partnership. Tenant receivables are actively managed by the managing agent on behalf of the Fund.

The degree of credit risk from potential tenant default or the ability to maintain income at lease events has been a challenge during 2020 and will continue to be a key focus for 2021. However with Covid-19 restrictions now beginning to ease it is hoped that the retail and hospitality sectors in particular will start to experience a positive cash flow position and arrears settled.

##### COVID-19

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries. In some cases, "lockdowns" have been applied – in varying degrees – to reflect further 'waves' of COVID-19. While these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact.

The pandemic and the measures taken to tackle COVID-19, including the development and roll out of vaccines globally, continue to affect economies and real estate markets globally. Certain real estate sectors have been impacted harder than others with retail and hospitality the hardest hit, residential

## TWO RIVERS LIMITED PARTNERSHIP

### General Partner's report (continued)

#### COVID-19 (continued)

largely neutral and logistics and distribution connected to online retail largely a beneficiary. The success of vaccine programs are expected to have a major impact on the speed and nature of economic recovery but the timing and form of the recovery remains uncertain, particularly with the emergence of new strains of COVID-19.

As at the reporting and valuation date, property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where enough market evidence exists upon which to base opinions of value. Thus, property valuations, as at the valuation date, were not subject to material valuation uncertainty.

During the course of the pandemic, the Partnership's income stream and rent **collections** have, despite proactive asset management initiatives taking place, been met with many challenges. The General Partner acknowledges those challenges and recognises that any financial impact has been assessed on a tenant by tenant basis and reflected in the financial statements on a best endeavours basis.

#### Brexit

The UK voted to leave the EU in 2016 and officially left the trading bloc on 31 January 2020 with an agreement to keep the majority of the existing relationship in place until 31 December 2020. On 24 December 2020 a deal was reached between the UK and the EU that confirmed the new rules for how the parties would work and trade with each other in the future. On 1 January 2021, the free movement of people and goods and services between the EU and UK ended with new rules coming into effect. The avoidance of a no-deal Brexit is seen as a positive development for both parties but some uncertainty remains and further clarification is required on certain aspects of the deal including, but not limited to, the Northern Ireland protocol, application to financial services and customs documentation requirements.

There do not yet appear to be significant issues impacting real estate specifically that have arisen as a result of Brexit after the reporting period. Any future impact on the Fund is likely to be in connection with the assessment of the fair value of investments and stability of rental income at future dates. At the date of reporting it is not possible to quantify the future financial impact of Brexit on the Fund's investments or rental income with any degree of certainty.

The General Partner acknowledges that any potential impact as a direct result of Brexit has been reflected on a best endeavours basis in these financial statements.

#### **Constitution and Governance**

The Partnership is bound by the Limited Partnership Agreement dated 5 March 2001 and restated on 31 December 2013 ("the Partnership Agreement"). The Limited Partnership Agreement will end on 31 December 2023.

#### **Statement of general partners' responsibilities in respect of the financial statements**

The general partners are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law, as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 (the "Regulations"), requires the general partners to prepare financial statements for each financial year. Under that law the general partners have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

## TWO RIVERS LIMITED PARTNERSHIP

### General Partner's report (continued)

#### Statement of general partners' responsibilities in respect of the financial statements (continued)

Under company law, as applied to qualifying partnerships, general 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 the financial statements, the general partners are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the partnership will continue in business.

The general partners 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.

The general 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.

#### General partners' confirmations

In the case of each member in office at the date the general partners' report is approved:

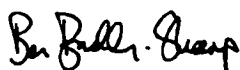
- so far as the member is aware, there is no relevant audit information of which the partnership's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a member in order to make themselves aware of any relevant audit information and to establish that the partnership's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

#### Statement of disclosure of information to auditors

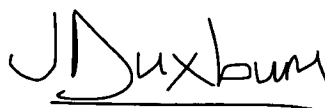
As far as the General Partner is aware, there is no relevant audit information of which the Partnership's auditors are unaware; and the General Partner has taken all the steps that it should have taken in order to be aware of any relevant information and to establish that the Partnership's auditors are aware of that information.

#### Independent Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the forthcoming annual general meeting of the General Partner.



**Ben Buckley-Sharp**  
Director  
23 April 2021



**John Mark Duxbury**  
Director  
23 April 2021



## **TWO RIVERS LIMITED PARTNERSHIP**

### **Independent auditors' report to the members of Two Rivers Limited Partnership**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion, Two Rivers Limited Partnership's financial statements:

- give a true and fair view of the state of the partnership's affairs as at 31 December 2020 and of its result and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008.

We have audited the financial statements, included within the Annual Report, which comprise: The Balance Sheet as at 31 December 2020; Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### **Basis for opinion**

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

##### **Independence**

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

##### **Conclusions relating to going concern**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the partnership's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the partnership's ability to continue as a going concern.

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

## **TWO RIVERS LIMITED PARTNERSHIP**

### **Independent auditors' report to the members of Two Rivers Limited Partnership (continued)**

#### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The general partner is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 as applied to qualifying partnerships requires us also to report certain opinions and matters as described below.

#### **Strategic report and General Partner's Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and General Partner's Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the partnership and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and General Partner's Report.

### **Responsibilities for the financial statements and the audit**

#### **Responsibilities of the general partner for the financial statements**

As explained more fully in the Statement of General Partner's responsibilities in respect of the financial statements, the general partner is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The general partner is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditors' responsibilities for the audit of the financial statements**

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

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

## TWO RIVERS LIMITED PARTNERSHIP

### Independent auditors' report to the members of Two Rivers Limited Partnership (continued)

Based on our understanding of the partnership and industry, we identified that the principal risks of non-compliance with laws and regulations related to the requirements of owning, leasing, maintaining and registering property in the UK, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or to increase the net asset value underlying investments, as well as judgements and assumptions made by management in their significant accounting estimates. Audit procedures performed included:

- Discussions with the Investment Manager, including consideration of known or suspected instances of fraud as well as non-compliance with laws and regulations.
- Reviewing relevant meeting minutes, including those of meetings held with the General Partner
- Identifying and testing journal entries, specifically material journals posted as part of the financial year end close process;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- Challenging judgements and assumptions made by management in their significant accounting estimates, in particular in relation to fair value of investment properties.

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

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

#### Use of this report

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

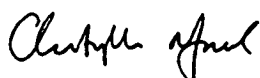
#### Other required reporting

##### Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Christopher Meyrick (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Edinburgh  
23 April 2021

# TWO RIVERS LIMITED PARTNERSHIP

## Statement of Comprehensive Income for the year ended 31 December 2020

		Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
	Note		
<b>Income</b>			
Rental income from investment properties		11,081	12,737
Service charge income		367	781
<b>Total income</b>		<u>11,448</u>	<u>13,518</u>
<b>Investment losses</b>			
Net losses from revaluation of investment properties	8	<u>(38,287)</u>	<u>(33,665)</u>
<b>Total investment losses</b>		<u>(38,287)</u>	<u>(33,665)</u>
<b>Expenses</b>			
Property expenses	6	(7,503)	(1,897)
Service charge expenses	6	(367)	(781)
Administrative expenses	7	<u>(619)</u>	<u>(808)</u>
<b>Total expenses</b>		<u>(8,489)</u>	<u>(3,486)</u>
<b>Loss for the financial year</b>		<u><u>(35,328)</u></u>	<u><u>(23,633)</u></u>

The notes on pages 15 to 27 form an integral part of these financial statements.

# TWO RIVERS LIMITED PARTNERSHIP

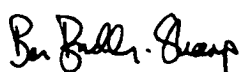
## Balance Sheet as at 31 December 2020

	Note	2020 £'000	2019 £'000
<b>Fixed Assets</b>			
Investment properties	8	160,205	196,572
<b>Current Assets</b>			
Debtors	10	11,063	4,991
Cash at Bank and in hand		2,699	4,691
		<u>13,762</u>	<u>9,682</u>
<b>Creditors: Amounts falling due within one year</b>	11	<u>(8,249)</u>	<u>(5,035)</u>
<b>Net Assets</b>		<u>5,513</u>	<u>4,647</u>
<b>Total Assets Less Current Liabilities</b>		<u>165,718</u>	<u>201,219</u>
<b>Net Assets Attributable to Partners</b>		<u>165,718</u>	<u>201,219</u>

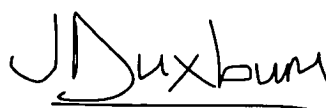
### The Net Assets Attributable to Partners comprise:

Partners' Capital, Loan and Income Accounts	12	167,293	164,507
Revaluation Reserve Account	12	<u>(1,575)</u>	<u>36,712</u>
		<u>165,718</u>	<u>201,219</u>

The financial statements on pages 11 to 27 were approved by the Board of Property Partners (Two Rivers) Limited on 23 April 2021 and signed on its behalf by:



**Ben Buckley-Sharp**  
Director  
23 April 2021



**John Mark Duxbury**  
Director  
23 April 2021

The notes on pages 15 to 27 form an integral part of these financial statements.

**TWO RIVERS LIMITED PARTNERSHIP**

**Statement of Changes in Equity for the year ended 31 December 2020**

	<b>Partners' Capital, Loan and Income Accounts</b>	<b>Revaluation Reserve Account</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance at 1 January 2019	162,473	70,377	232,850
Units issued during the year	2,168	-	2,168
Loss for the financial year	(23,633)	-	(23,633)
Transfer to revaluation reserve	33,665	(33,665)	-
Distributions	(10,166)	-	(10,166)
<b>Balance at 31 December 2019</b>	<b>164,507</b>	<b>36,712</b>	<b>201,219</b>
Units issued during the year	4,303	-	4,303
Loss for the financial year	(35,328)	-	(35,328)
Transfer to revaluation reserve	38,287	(38,287)	-
Distributions	(4,476)	-	(4,476)
<b>Balance at 31 December 2020</b>	<b>167,293</b>	<b>(1,575)</b>	<b>165,718</b>

The notes on pages 15 to 27 form an integral part of these financial statements.

**TWO RIVERS LIMITED PARTNERSHIP**

**Statement of Cash Flows for the year ended 31 December 2020**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Loss for the financial year</b>	(35,328)	(23,633)
Adjustments for:		
Increase in debtors	(6,072)	(65)
Increase in creditors	3,214	162
Value adjustments	38,287	33,665
<b>Cash flows from operations</b>	<u>101</u>	<u>10,129</u>
<b>Net cash generated from operating activities</b>	<u>101</u>	<u>10,129</u>
<b>Cash flows from investing activities</b>		
Capital expenditure	(1,920)	(2,073)
<b>Net cash used in investing activities</b>	<u>(1,920)</u>	<u>(2,073)</u>
<b>Cash flows from financing activities</b>		
Issue of units	4,303	2,168
Distributions to partners	(4,476)	(10,166)
<b>Net cash used in financing activities</b>	<u>(173)</u>	<u>(7,998)</u>
<b>(Decrease)/increase in Cash in the Year</b>	<u>(1,992)</u>	<u>58</u>
<b>Balance as at 1 January</b>	<u>4,691</u>	<u>4,633</u>
<b>Balance as at 31 December</b>	<u>2,699</u>	<u>4,691</u>

The notes on pages 15 to 27 form an integral part of these financial statements.

## TWO RIVERS LIMITED PARTNERSHIP

### Notes to the Financial Statements

#### 1. General Information

The Two Rivers Limited Partnership (the Partnership) is a Limited Partnership incorporated in England. The address of its registered office is Bow Bells House, 1 Bread Street, London.

The purpose of the Partnership is to carry on the business of:

- (i) acquiring investment properties in accordance with the Partnership Agreement;
- (ii) acquiring any properties or rights ancillary or adjacent to the Properties;
- (iii) in each case holding the same investments and actively managing the same in accordance with the Partnership Policy.

#### 2. Statement of Compliance

The financial statements have been prepared on a historical cost basis as modified for the revaluation of investment properties and in accordance with the Limited Partnership Agreement, applicable United Kingdom accounting standard, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Ireland' ('FRS 102'), and with the Companies Act 2006 - per FRS 102 section 8.2, under the going concern principle.

#### 3. Accounting Policies

##### 3 (a) Basis of Preparation

The individual financial statements of the Partnership have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

The Partnership is bound by the Limited Partnership Agreement dated 2 March 2001 and restated on 30 May 2007 and on 31 December 2013 ("the Partnership Agreement"). The terms of the Partnership agreement were extended to 31 December 2023 on the 17th December 2018.

##### *Going Concern*

These financial statements continue to be prepared on a going concern basis.

This basis has been assessed and it was concluded that, as a result of the extension of the Trust (and therefore the Partnership), and in light of the latest continuation vote which took place on 17 September 2020 where by the Unitholders voted unanimously to continue operations there is no reason to not continue to prepare financial statements on this basis.

This decision is supplemented by an improved operational cash flow position which can be evidenced by positive asset management initiatives, letting vacant units and by an improved income distribution outlook for 2021.

The principal accounting policies which have been applied consistently throughout the year are set out below:

##### 3 (b) Income

Rental income is accounted for on an accruals basis. Benefits to lessees in the form of rent free periods are treated as a reduction in overall return on the leases and lease incentives given as capital contributions are shown as a debtor and amortised, these lease incentive are also adjusted for within the valuations. For any leases entered into on or after 1 January 2015, the incentives to



## **TWO RIVERS LIMITED PARTNERSHIP**

### **Notes to the Financial Statements (continued)**

#### **3 (b) Income (continued)**

the tenants, in the form of rent free or lease incentives, have been amortised in accordance with FRS 102, and are recognised on a straight line basis over the lease term.

For those leases which commenced before the transition to FRS102, rent frees and lease incentives are amortised in accordance with UITF, "Operating Lease Incentives", as permitted by FRS 102, and recognised on a straight line basis over the shorter of the lease term or the period to when the rent is adjusted to the prevailing market rate, usually the first rent review date.

#### **3 (c) Interest Receivable**

Interest receivable is shown gross and is included on an accruals basis.

#### **3 (d) Investment properties**

Investment properties are initially recognised at cost and subsequently carried in the Statement of Net Assets at Market Value, as defined in the Appraisal and Valuation Standards Manual issued by the Royal Institution of Chartered Surveyors of the United Kingdom ("RICS"), less adjustments for lease incentives in accordance with FRS 102/UITF 28. These investment properties were last valued on 31 December 2020 by Cushman Wakefield LLP, Valuation Adviser.

The valuations were carried out in compliance with the RICS Practice Statements contained within the Appraisal and Valuation Standards Manual. Sites in the course of development are valued at cost to the stage reached in construction and taking account of any agreed letting and any contracted liabilities to advance further monies.

The Independent Valuer is entitled to receive a fee which is calculated based on a percentage of the total valuation each month.

The Fund's policy is to value investment properties on a monthly basis at the month end date. On realisation, any gain or loss is calculated by reference to historic book cost and is included in the Statement of Comprehensive Income. Unrealised gains/losses on investment properties are taken to the revaluation reserve. Any balance in the revaluation reserve is considered as attributable to Partners.

#### **3 (e) Interest on Partners' Capital Accounts**

No interest is payable in respect of Partners' Capital or Loan Accounts.

#### **3 (f) Taxation**

The Partnership is not subject to taxation itself. Any Partner liable to taxation on its participation in the Partnership is responsible for settling those liabilities independently of the Partnership.

#### **3 (g) Expenses**

Property expenses include service charge expenditure and related recoveries received from tenants. An estimate of the extent to which the service charge is not recoverable is made at the year-end. Administrative expenses are fund level expenses pertinent to the strategic operations of the fund and include, professional fees, investment management and audit fees in addition to consultancy expenses.

#### **3 (h) Service charges**

Service charge income and service charge expenditure, attributable to tenants, are accounted for on an accruals basis and in the accounting year in which the services are rendered. When the Fund is acting as principal, service charge income and expenditure are separately disclosed under Other

## Notes to the financial statements (continued)

### 3 (h) Service charges (continued)

income and Property costs in the Statement of Comprehensive Income. When the Fund is acting as an agent, any commission rather than gross income and expenses are recorded.

### 4. Critical accounting judgements and estimation uncertainty

The Fund makes estimates and assumptions that affect the amounts of assets and liabilities reported at the end of the financial period and the amounts of income and expenses during the financial period. Estimates are continually evaluated, based on historical experience and other factors, including expectations of future events, to ensure they are reasonable under the circumstances.

The estimates, assumptions and management judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial statements are outlined below:

#### *Estimates*

##### **Fair value of investment properties**

The best evidence of the fair value of investment properties is the current price in an active market for similar lease or other contracts. In the absence of such information, the Fund determines the amount within a range of reasonable fair value estimates and assumptions based on market conditions existing at each period end.

Open market value is determined by reference to:

- Information provided by the Fund such as current rents, terms and conditions of lease agreements, service charges, capital expenditure, etc. This information is derived from the Fund's financial and property management processes and is subject to the Fund's overall control environment.
- Valuation models used by the valuers – these are typically market related, such as yields and rental value. These are based on their professional judgement and market observation.

The fair market valuations provided by the external Valuation Advisor, as detailed in note 1i), are reviewed and where appropriate challenged by the Fund's Investment Manager on the basis of their knowledge and understanding of current prevailing market conditions and transactional activity obtained from a variety of other external sources.

Estimation uncertainty is mitigated by appointing the services of an expert property valuer, as outlined in note 3d).

#### *Judgements*

##### **Application of UITF 28 in amortising lease incentives and rent free**

Benefits to lessees in the form of rent free periods are treated as a reduction in overall return on the leases and lease incentives given as capital contributions are shown as a debtor and amortised. For any leases entered into on or after 1 January 2015, the incentives to the tenants, in the form of rent free or lease incentives, have been amortised in accordance with FRS 102, and are recognised on a straight line basis over the lease term. For those leases which commenced before the transition to FRS102, management have made the decision as permitted by FRS 102 35.46 to amortise these on the same basis as that applied at the date of transition to the standard. In practice, for those leases entered into up to 31 December 2014, these incentives are amortised in accordance with UITF, "Operating Lease Incentives", and recognised on a straight line basis over the shorter of the lease term or the period to when the rent is adjusted to the prevailing market rate, usually the first rent review. Therefore the period of amortising is in practice shorter for these leases than it would be had FRS102 been applied and the adjustment to income takes place over a shorter period.

## **TWO RIVERS LIMITED PARTNERSHIP**

### **Notes to the financial statements (continued)**

#### **5. The Partnership**

##### **5(a) Establishment of the Partnership**

The Partnership was established as a Limited Partnership by an agreement dated 5 March 2001 and restated on 31 December 2013.

##### **5(b) Management of the Partnership**

In accordance with clause 5 of the Limited Partnership Agreement, the General Partner has responsibility for the management, operation and investment policy of the Partnership. The General Partner has delegated certain of its rights and duties to the Operator under the Operating Agreement dated 5 March 2001, Restated Operating Agreement dated 9 July 2004 and Second Restated Operating Agreement dated 31 December 2013.

The Operator is responsible for managing the Partnership's investments and administration.

The Partnership has appointed the Property Manager under the Investment Management Agreement dated 5 March 2001, Restated Investment Management Agreement dated 9 July 2004 and Second Restated Investment Management Agreement dated 31 December 2013 with responsibility for day to day management and achieving the Partnership's objectives. The General Partner has the ultimate responsibility for the performance of its duties and obligations under the Limited Partnership Agreement.

##### **5(c) Duration of the Partnership**

The financial statements continue to be prepared on a going concern basis (please see note 3).

The Partnership will be terminated on dissolution of its sole Limited Partner, the Two Rivers Trust.

The trust instrument of the Two Rivers Trust was amended on 17 December 2018, with the term being extended to 31 December 2023. The amendments to the trust instrument included options for the unitholders to vote on the early termination of the Trust (and therefore the Partnership) on or before 31 December 2019 and on or before 31 December 2020.

At the Unitholder meeting that took place on 26 September 2019 the Trustees decided to continue the Partnership.

At the Unitholder meeting that took place on 17 September 2020 the Trustees decided to continue the Partnership.

As a result of the continuation vote being passed unanimously, these financial statements continue to be prepared on a going concern basis.

##### **5(d) Distributions**

Profit allocated to Limited Partners pursuant to Clause 10.2 of the Limited Partnership Agreement and the realisation of any capital amount shall be distributed to the Limited Partners in accordance with clause 10.3 of the Limited Partnership Agreement. The financial statements show the distributions made and accrued during the year.

The General Partner is entitled to receive 0.001% of the aggregate of Net Income and Net Capital Gain of the Partnership as contained in clause 8 of the Partnership Agreement.

## TWO RIVERS LIMITED PARTNERSHIP

### Notes to the financial statements (continued)

#### 6. Property Expenses

	2020	2019
	£'000	£'000
Service charge void expense	784	346
Service charges expenses	367	781
Direct property costs	97	147
Professional fees	248	280
Maintenance costs	23	25
Other operating costs	596	903
Provision for bad debt	5,612	-
Bad debts written off	143	196
	<u>7,870</u>	<u>2,678</u>

#### 7. Administrative expenses

	2020	2019
	£'000	£'000
Investment management and operator fee	523	640
Audit fees	23	22
Other fund level costs	73	146
	<u>619</u>	<u>808</u>

#### 8. Investment Properties

	Total investment properties 2020 £'000	Total investment properties 2019 £'000
Fair value as at 1 January	196,572	228,164
Additions during the year at cost	1,920	2,073
Disposals during the year at valuation	-	-
Movement in revaluation reserve	(38,287)	(33,665)
	<u>160,205</u>	<u>196,572</u>
Fair value as at 31 December		

#### 9. Future operating lease income receivable

	2020 £'000	2019 £'000
No later than 1 year	9,119	8,577
Later than 1 year and no later than 5 years	30,247	29,616
Later than 5 years	25,910	27,114
	<u>65,276</u>	<u>65,307</u>

## TWO RIVERS LIMITED PARTNERSHIP

### Notes to the financial statements (continued)

#### 9. Future operating lease income receivable (continued)

Rental income arises within the United Kingdom from operating leases on direct property assets. The future aggregate minimum rentals receivable under non-cancellable operating leases are disclosed in the table above.

#### 10. Debtors

	2020	2019
	£'000	£'000
Trade Debtors	3,418	398
Unamortised lease incentives	7,501	4,488
Prepayments and accrued income	144	105
	<u>11,063</u>	<u>4,991</u>

#### 11. Creditors

	2020	2019
	£'000	£'000
Taxation	1,641	442
Trade creditors	22	15
Other creditors	3,208	156
Accruals and Deferred Income	3,378	4,422
	<u>8,249</u>	<u>5,035</u>

#### 12. Partners' Capital, Loan and Income Accounts and Revaluation Reserve Account

2020  
£'000

##### Partners Capital Contribution Account

At 1 January 2020	15
Issue of units	-
At 31 December 2020	<u>15</u>

2020

##### Partners Loan Account

£'000

At 1 January 2020	160,420
Issue of units	4,303
At 31 December 2020	<u>164,723</u>

2020

##### Partners Income Account

£'000

At 1 January 2020	4,072
Profit for the financial year	(35,328)
Transfer to revaluation reserve	38,287
Distributions paid and accrued	(4,476)
At 31 December 2020	<u>2,555</u>

## TWO RIVERS LIMITED PARTNERSHIP

### Notes to the financial statements (continued)

#### 12. Partners' Capital, Loan and Income Accounts and Revaluation Reserve Account (continued)

	£'000
<b>Revaluation Reserve Account</b>	
At 1 January 2020	36,712
Transfer from Partners Income Account	(38,287)
At 31 December 2020	<u>(1,575)</u>

Units to the value of £795,112 were issued on 30 June 2020, £560,056 on 31 July 2020 £2,948,204 on the 30 October 2020.

#### 13. Partnership Units

	Number of units 2020
At 1 January 2020	2,381,100
Issue of units	59,658
At 31 December 2020	<u>2,440,758</u>

#### 14. Financial instruments and financial risk management

The Fund's financial instruments comprise, cash and receivables and payables that arise directly from its operations.

The main risks arising from the Fund's financial instruments are market risk, interest risk, credit risk and liquidity risk. The Directors of the General Partner review and agree policies for managing risk exposure. These policies are described below and have remained unchanged for the year under review.

##### a) Market risk

Market risk includes the risk of fair value changes in the value of assets and liabilities from fluctuations in market prices and currency risk through fluctuations in foreign exchange rates.

##### (i) Price risk

The Fund is exposed to property market risks directly and via its property related investment. These risks include adverse investment and occupier markets which could cause the value of the investment properties or rental income streams to reduce. These factors are beyond the Fund's control, however, the Operator can manage the risk by the management of leasing terms and the number of tenancies. The Fund values its investments on a monthly basis. However, property assets are inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that estimates resulting from the valuation process will reflect the actual sales price even where such sales occur shortly after the valuation date.

The Fund currently holds all of its cash in an interest bearing current account. Interest rates are currently low and as such interest income and associated risk is low.

At 31 December 2020, if the price of property held by the Fund increased or decreased by 5%, with all other variables remaining constant, then net assets attributable to the Fund would increase or decrease by approximately £8.0m.

**Notes to the financial statements (continued)**

**14. Financial instruments and financial risk management (continued)**

**(i) Price risk (continued)**

**Fair value estimation – investment property**

Financial instruments carried at fair value are categorised into a “fair value hierarchy” as follows:

**Level 1:** The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date;

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly;

**Level 3:** Inputs are unobservable (ie for which market data is unavailable) for the asset.

The Partnership's investment properties are valued monthly based on reports prepared and issued by a professionally qualified valuation advisor; Cushman & Wakefield were the Valuation Advisor as at 31 December 2020. The valuer is a leading provider of Real Estate professional services and adhere to the Royal Institution of Chartered Surveyors (“RICS”) guidelines. The valuations are on an open market basis in accordance with the requirements of the Appraisal and Valuation Manual published by RICS.

As the valuation calculation includes some unobservable inputs, investment property is categorised as Level 3 in the fair value measurement hierarchy in line with FRS102.

The information provided to the Valuation Advisor, and the assumptions and the valuation models used by the valuers, are reviewed by the Fund Manager at each month end and financial year end date. At each month end review, the Fund Manager:

- Verifies all major inputs to the valuation report;
- Assesses property valuation movements when compared to the prior quarter's valuation report;
- Holds discussions with the Valuation Advisor.

When the Fund Manager considers that the valuation report is appropriate, the values are used for the fair valuation of the investment properties in the financial statements of the Fund.

The General Partner has elected to disclose the Direct Property based on the sector to which the property belongs. This sectoral relationship can have an impact on the unobservable inputs used by the valuers described above and therefore on the valuations themselves. The General Partner has shown below the sensitivity of the valuation of each sector to changes in the effective yield (“EY”) and in the estimated rental value (“ERV”) of the underlying properties. Changes in the effective yield also highlight the impact that changes to rent free periods, remaining lease terms and underlying tenant covenants will have. Each of these factors will be taken into consideration by the valuer when calculating the yield to be used.

## TWO RIVERS LIMITED PARTNERSHIP

### Notes to the financial statements (continued)

#### 14. Financial instruments and financial risk management (continued)

##### (i) Price risk (continued)

##### Fair value estimation – investment property (continued)

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2020

##### Two Rivers RP Staines - Sensitivity

31-Dec-20	Yield	6.50%	6.75%	7.00%
	Rent			
	5%	£154,400,000	£148,850,000	£142,550,000
	Reported	£148,000,000	<b>£142,700,000</b>	£136,700,000
	-5%	£143,100,000	£138,000,000	£132,200,000

##### 90-106 High Street Staines - Sensitivity

31-Dec-20	Yield	5.07%	5.32%	5.57%
	Rent			
	5%	£17,800,000	£16,950,000	£16,100,000
	Reported	£17,000,000	<b>£16,200,000</b>	£15,400,000
	-5%	£16,550,000	£15,750,000	£15,000,000

##### 76 - 88 High Street Staines - Sensitivity

31-Dec-20	Yield	5.80%	6.05%	6.30%
	Rent			
	5%	£6,700,000	£6,400,000	£6,100,000
	Reported	£6,400,000	<b>£6,100,000</b>	£5,850,000
	-5%	£6,100,000	£5,800,000	£5,550,000

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2019

##### Two Rivers RP Staines - Sensitivity

31-Dec-19	Yield	6.50%	6.75%	7.00%
	Rent			
	5%	£192,780,000	£183,925,000	£175,800,000
	Reported	£184,790,000	<b>£176,350,000</b>	£168,590,000
	-5%	£178,625,000	£170,500,000	£163,072,000

##### 90-106 High Street Staines - Sensitivity

31-Dec-19	Yield	4.57%	4.82%	5.07%
	Rent			
	5%	£20,300,000	£19,150,000	£18,100,000
	Reported	£19,400,000	<b>£18,300,000</b>	£17,350,000
	-5%	£18,850,000	£17,800,000	£16,900,000



## TWO RIVERS LIMITED PARTNERSHIP

### Notes to the financial statements (continued)

#### 14. Financial instruments and financial risk management (continued)

##### (i) Price risk (continued)

##### Fair value estimation – investment property (continued)

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2019 (continued)

##### 76 - 88 High Street Staines - Sensitivity

31-Dec-19	Yield	5.84%	6.09%	6.34%
	Rent			
	5%	£7,050,000	£6,700,000	£6,450,000
	Reported	£6,700,000	<b>£6,400,000</b>	£6,150,000
	-5%	£6,400,000	£6,100,000	£5,850,000

The Investment valuation method is based on significant observable inputs. These inputs include:

- Equivalent yield: Based on actual location, size, tenancies and quality of the properties and taking into account market data at the valuation date.
- Estimated rental value: Based on the actual location, type and quality of the properties and supported by the terms of an existing lease, other contracts or external evidence such as current market rents for similar properties.

##### (ii) Currency risk

The Fund's transactions are carried out in Pounds Sterling, therefore currency risk is not applicable.

##### b) Interest rate risk

The Fund's exposure to interest rate risk relates primarily to the Fund's long-term debt obligations. An interest rate risk profile of the Fund's financial current assets and liabilities is provided below.

##### For the year ended 31 December 2020

	Fixed Interest £'000	Floating Rate Interest £'000	Non-interest Bearing £'000	Total £'000
Debtors	343	-	16,418	16,761
Cash at bank	-	2,699	-	2,699
Total financial assets	<u>343</u>	<u>2,699</u>	<u>16,418</u>	<u>19,460</u>
Creditors	(50)	-	(13,897)	(13,947)
Total financial liabilities	<u>(50)</u>	<u>-</u>	<u>(13,897)</u>	<u>(13,947)</u>
Net position	<u>293</u>	<u>2,699</u>	<u>2,521</u>	<u>5,513</u>

## TWO RIVERS LIMITED PARTNERSHIP

### Notes to the Financial Statements (continued)

#### 14. Financial instruments and financial risk management (continued)

##### b) Interest rate risk (continued)

For the year ended 31 December 2019

	Fixed Interest £'000	Floating Rate Interest £'000	Non-interest Bearing £'000	Total £'000
Debtors	356	-	130	486
Cash at bank	-	4,691	-	4,691
Total financial assets	<u>356</u>	<u>4,691</u>	<u>130</u>	<u>5,177</u>
Creditors	(50)	-	(4,985)	(5,035)
Total financial liabilities	<u>(50)</u>	<u>-</u>	<u>(4,985)</u>	<u>(5,035)</u>
Net position	<u>306</u>	<u>4,691</u>	<u>(4,855)</u>	<u>142</u>

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Fund. In the event of default by an occupational tenant, the Fund would suffer a rental shortfall and incur additional costs, including legal expenses, in maintaining, insuring and re-letting the property.

##### c) Credit risk

The Fund has policies in place to ensure that rental contracts are made with customers with an appropriate credit history and, where necessary, rental deposits are obtained.

The Directors of the General Partner receive regular reports on concentrations of risk and any tenants in arrears and monitor such reports in order to anticipate, and minimise the impact of, defaults by occupational tenants.

The maximum credit risk from the rent receivables of the Fund at 31 December 2020 is £3,417,555 (2019: £398,352) and for amounts due from the sale of property is £nil (2019: £nil). There is no credit risk associated with the financial liabilities of the Fund.

Provision for bad debts and the arrears position is regularly reviewed and has been subject to increased scrutiny during the year given the economic environment impacts due to COVID-19. The fund management team work closely with tenants to understand their individual position and work proactively to maximise collection of rent demanded. Where a tenant's position gives concern provisions against tenant receivables are recorded.

##### d) Liquidity risk

Liquidity risk is the risk that the Fund will encounter in realising assets, paying distributions or otherwise raising funds to meet financial commitments.

The investment property business can be relatively illiquid compared to other asset classes. The Partnership manages this risk by employing a property manager to collect debts due from tenants. The Partnership also maintains a sufficient cash balance to meet current obligations as they fall due.

All debtor and current liability balances are expected to mature within one year (2019: one year) during the normal course of business with the exception of amounts due to and from the General

## TWO RIVERS LIMITED PARTNERSHIP

### Notes to the financial statements (continued)

#### d) Liquidity risk (continued)

Partner which are repayable on demand but typically, for ease of administration, will only be settled on the winding up of the Fund.

All cash and cash equivalents are available on demand (2019: all available on demand).

#### 15. Related Parties

The sole Limited Partner is Two Rivers Trust, which is domiciled in Jersey.

Two Rivers Trust is owned equally by The Prudential Assurance Company Limited (a company ultimately controlled by Prudential plc) and Barclays Pension Funds Trustees Limited (a company ultimately controlled by Barclays Bank PLC). All controlling parties of Two Rivers Trust are incorporated and registered in England.

Property Partners (Two Rivers) Limited acts as General Partner and had appointed Aberdeen Asset Managers Limited as Operator and Property Manager for the Partnership.

The General Partner retains responsibility for the execution of documents on behalf of the Partnership, however the Operator is responsible for all other aspects of the general administration, management and operation of the Partnership to the exclusion of the General Partner.

The Operator's responsibility covers the administration of the bank accounts operated for the purpose of clearing client funds.

The General Partner had appointed Aberdeen Asset Managers Limited to act as Property Manager with responsibility for day to day management and achieving the Partnership's objectives for the properties. For its services, the General Partner is entitled to receive 0.001% of the aggregate of Net

Income and Net Capital Gain of the Partnership as contained in clause 8 of the Partnership Agreement. The General Partner received a profit share of £30 for the year (2019: £100).

Aberdeen Asset Managers Limited charges an Operator's fee of £10k per annum and a Property Manager's fee of 0.3% of Gross Asset Value less the Operator's fee. Aberdeen Asset Managers Limited charged an Operator's fee of £10k (2019: £10k) and an Investment Management Fee of £513k (2019: £640k) and was owed £250k (2019: £151k) at the balance sheet date.

#### 16. Capital commitments

There was committed capital amounting to nil at the year-end date (2019: £123k).

#### 17. Subsequent events

The UK voted to leave the EU in 2016 and officially left the trading bloc on 31 January 2020 with an agreement to keep the majority of the existing relationship in place until 31 December 2020. On 24 December 2020 a deal was reached between the UK and the EU that confirmed the new rules for how the parties would work and trade with each other in the future. On 1 January 2021, the free movement of people and goods and services between the EU and UK ended with new rules coming into effect. The avoidance of a no-deal Brexit is seen as a positive development for both parties but some uncertainty remains and further clarification is required on certain aspects of the deal including, but not limited to, the Northern Ireland protocol, application to financial services and customs documentation requirements.

There does not yet appear to be significant issues impacting real estate specifically that have arisen as a result of Brexit after the reporting period and as a result the General Partner considers the new rules coming into effect as a result of Brexit to be a non-adjusting post balance sheet event. Any

## **TWO RIVERS LIMITED PARTNERSHIP**

### **Notes to the financial statements (continued)**

#### **17. Subsequent events (continued)**

future impact on the Fund is likely to be in connection with the assessment of the fair value of investments and stability of rental income at future dates. At the date of reporting it is not possible to quantify the future financial impact of Brexit on the Fund's investments or rental income with any degree of certainty.

On the 26 January 2021 the Partnership signed a new 15 year lease with tenant Marks and Spencer, this lease will generate £572,300 of rental income per annum making them the fourth largest tenant in the portfolio.

On 5 February 2021 a deed of release was signed with Waitrose, as a result the Partnership received £3.2m (net of VAT) in compensation for the tenant terminating their lease early. This has been distributed to Investors as a one off income distribution during Q1-21.