Waterfront GP Limited
Annual report and financial statements
for the year ended 31 December 2019

Registered number: 04392460

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Contents

Directors' report

The directors present their annual report on the affairs and the financial statements of the Company, together with the financial statements and auditor's report for the year ended 31 December 2019.

Principal activities and business review

The principal activities of the Company during the year were to act as the general partner of The Waterfront Limited Partnership ("TWLP"). The principal activity of The Waterfront Limited Partnership is to manage The Avenue at The O_2 arena in London.

The Company has met the requirements in Companies Act 2006 to obtain exemption provided from the presentation of a strategic review.

The Company is owned by Rocket Estates Limited which, in turn, is owned 50:50 between The Anschutz Corporation (previous 100% owners) and Crosstree Real Estate Special Situations Fund Limited Partnership.

Going concern

The financial statements have been prepared on a going concern basis, in support of which the directors have obtained an indication from the intermediate parent company, Rocket Estates Limited, its intention to continue to make available funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period of at least 12 months from the date of approval of these financial statements.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements.

Principal risks and uncertainties

The members recognise that the degree of exposure to risks and the Partnership's ability to manage those risks effectively will influence how successful the business is. The members therefore review the risks associated with the business and devises and implements strategies for the purpose of mitigating those risks.

Brexit

The Company acknowledges the uncertainty and potential macroeconomic impact of the UK exiting the European Union ("Brexit"). Brexit is not expected to have a significant economic impact on the Company notwithstanding concerns surrounding the nature of the future relationship between the United Kingdom and the European Union and the subsequent impact on the strength of the UK economy.

Economic risk

The recent global outbreak of Coronavirus (COVID-19) poses a potential future risk of multiple cancelled events at the The O_2 and closure of public spaces. These risks will continue to be mitigated by following the latest advice from the UK Chief Medical Officers and the World Health Organization with specific commercial risk being addressed through appropriate business continuity measures.

Results and dividends

The loss for the year, after taxation, amounted to £8,000 *(2018: £31,000 loss)*. The directors have not recommended a dividend *(2018: £nil)*.

Directors

The directors who served the company during the year and up to the date of the report were as follows:

S McGuigan
A Wood
S Arnold
N Lyle

Political Contributions

The Company has made no political contributions or incurred any political expenditure during the year *(2018: £Nil)*.

Directors' report *(continued)*

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and the Company weekly newsletter. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Creditor payment policy

The Company's policy, in relation to all its suppliers, is to settle the terms of payment when agreeing the terms of the transaction and to abide by those terms provided that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Company does not follow any code or standard on payment practice.

Auditor

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006. Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

A Wood
Director

Company Registration Number: 04392460

The O2
Peninsula Square
London
UK
SE10 0DX

11 September 2020

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 applicable law and Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- 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.

Independent auditor's report to the members of Waterfront GP Limited

Opinion

We have audited the financial statements of Waterfront GP Limited ("the company") for the year ended 31 December 2019, which comprise the balance sheet, statement of comprehensive income, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards applicable to smaller entities, including Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis 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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. 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. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Directors' report

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to 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 5 the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Tania Roach

Tania Roach (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London
E14 5GL

11 September 2020

Statement of comprehensive income
For the year ended 31 December 2019

	Note	2019	2018
		£000	£000
Administrative expenses		**(8)**	(6)
Operating loss	**2**	**(8)**	(6)
Loss before taxation		**(8)**	(6)
Tax on loss	**4**	**-**	(25)
Loss for the financial year		**(8)**	(31)

The company has no recognised gains or losses other than the loss for the year as set out above.

All of the activities of the company are classed as continuing.

The notes on pages 11 to 19 form part of these financial statements.

Balance Sheet
At 31 December 2019

	Note	2019 £000	2018 £000
Current assets			
Debtors due within one year	6	**33**	35
		33	35
Creditors: Amounts falling due within one year	7	**(172)**	(166)
Net current liabilities		**(139)**	(131)
Total assets less current liabilities		**(139)**	(131)
Net liabilities		**(139)**	(131)
Capital and reserves			
Called-up equity share capital	10	**58**	58
Profit and loss account	10	**(197)**	(189)
Shareholder's deficit		**(139)**	(131)

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

These financial statements were approved by the directors and authorised for issue on 11 September 2020, and are signed on their behalf by:

A Wood
Director

Company Registration Number: 04392460

The notes on pages 11 to 19 form part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2019

	Called-up share capital £000	Profit and loss account £000	Total Equity £000
At 1 January 2018	**58**	**(158)**	**(100)**
Loss for the financial year	-	(31)	(31)
Total comprehensive expense	-	**(31)**	**(31)**
At 31 December 2018	**58**	**(189)**	**(131)**
Loss for the financial year	-	(8)	(8)
Total comprehensive expense	-	**(8)**	**(8)**
At 31 December 2019	**58**	**(197)**	**(139)**

The notes on pages 11 to 19 form part of these financial statements.

Notes

1 Accounting policies

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

a. General information and basis of accounting

Waterfront GP Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 2. The nature of the Company's operations and its principal activities are set out in the directors report on pages 1 to 2.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102), Section 1A issued by the Financial Reporting Council. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

The functional currency of Waterfront GP Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The financial statements are also presented in pounds sterling.

b. Going Concern

Notwithstanding net current liabilities of £139,000 as at 31 December 2019 and a loss for the year then ended of £8,000, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The intermediate parent company, Rocket Estates Limited, has provided the Company with an undertaking that, for at least 12 months from the date of approval of these financial statements, it will provide financial support to ensure that the Company is able to meet its current and future obligations. Rocket Estates Limited have indicated their intention to continue to make available funds as are needed by the Company, and that they does not intend to seek repayment of the amounts due at the balance sheet date, for the period of at least 12 months from the date of approval of these financial statements.

As with any company placing reliance on its parent 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.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes *(continued)*

1 Accounting policies *(continued)*

c. Taxation

Tax on the profit and the loss for the year comprises current and deferred tax. Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or the right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains or losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Where items recognised in other comprehensive income are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income as the transaction or other event that resulted in the tax expense or income.

d. Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the Statement of Comprehensive Income.

e. Financial instruments

i) *Financial assets and liabilities*

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at transaction price (including transaction costs).

Financial assets and liabilities are only offset in the Balance sheet when, and only when there is a legally enforceable right to set off the recognised amounts and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments are subsequently measured at amortised cost using the effective interest method.

ii) *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand are included as part of cash and cash equivalents.

Notes *(continued)*

2 Loss before taxation

The analysis of auditor's remuneration is as follows:

	2019	2018
	£000	£000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**7**	6
Non-audit fees:		
Taxation compliance services	**2**	-
	9	6

3 Staff numbers and costs

The Company did not employ any staff in the year (*2018: nil*).

4 Tax on loss

(a) Analysis of charge in the year

	2019	2018
	£000	£000
Deferred tax:		
Origination and reversal of timing differences (note 8)		
Prior year adjustment	**(4)**	(1)
Unremitted profits of partnership	**4**	26
Tax charge on loss	**-**	25

Notes *(continued)*

4 Tax on loss (continued)

(b) Factors affecting current tax charge

The current tax charge for the year is higher *(2018: higher)* than the standard rate of corporation tax in the UK of 19.00% *(2018: 19.00%)*. The differences are explained below:

	2019	2018
	£000	£000
Total tax reconciliation		
Loss before tax	**(8)**	(6)
Tax credit at 19.00% *(2018: 19.00%)*	**(1)**	(1)
Expenses not deductible	**1**	1
Prior year adjustment	**(4)**	(1)
Unremitted profits of partnership	**4**	26
Tax charge on loss	**-**	25

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the company's future current tax charge accordingly and increase the deferred tax asset by £3,000 and increase the deferred tax liability by £14,000.

5 Investments

The Company has an investment in The Waterfront Limited Partnership, a limited partnership registered in the UK. This contribution represents 0.3% of the total members' capital of The Waterfront Limited Partnership as at 31 December 2019 *(2018: 0.3%)*.

Subsidiary undertakings	**Countryof incorporation**	**Principle activity**	**Class of shares held**	**Percentage of shares held**	**Ownership**
The Waterfront Limited Partnership, Peninsula Square, London, SE10 0DX	England & Wales	Real estate and rental income.	Ordinary	0.3%	Direct

Notes *(continued)*

6 Debtors

	2019	2018
	£000	£000
Amounts falling due within one year:		
Other debtors	**10**	10
Deferred taxation (note 8)	**23**	25
	33	35

7 Creditors - amounts falling due within one year

	2019	2018
	£000	£000
Amounts owed to group undertakings	**37**	37
Accruals and deferred income	**17**	10
Deferred tax liability (note 8)	**118**	119
	172	166

Amounts owed to group undertakings are payable on demand.

Notes *(continued)*

8 Deferred tax

The deferred tax included in the Balance sheet is as follows:

	2019	2018
	£000	£000
Included in debtors (note 6)	**23**	25
Included in creditors (note 7)	**(118)**	(119)
	(95)	(94)

The movement in the deferred taxation account during the year was:

	2019	2018
	£000	£000
Balance brought forward	**(94)**	(70)
Profit and loss account movement arising during the year	**(1)**	(24)
Balance carried forward	**(95)**	(94)

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2019	2018
	£000	£000
Timing difference on investment property	**(118)**	(119)
Fixed asset timing differences	**23**	25
	(95)	(94)

The timing difference on investment property (held in The Waterfront Limited Partnership) arises as a result of the fair value of the investment property compared to the indexed base cost.

Notes *(continued)*

9 Financial instruments

Financial assets	**2019**	2018
	£000	£000
Measured at amortised cost	**33**	35
	33	35

Financial liabilities	**2019**	2018
	£000	£000
Measured at amortised cost	**54**	47
	54	47

10 Called-up share capital and reserves

Allotted, called up and fully paid:

	2019		2018	
	No	**£000**	No	£000
1000 Ordinary shares of £0.10 each	**1,000**	**-**	1,000	-
5,806,600 Ordinary shares of £0.01 each	**5,806,600**	**58**	5,806,600	58

The company has three classes of ordinary shares which carry no right to fixed income:

- Class A - 500 shares of £0.10 each and 5,806,600 shares of £0.01 each
- Class B - 255 shares of £0.10 each
- Class C - 245 shares of £0.10 each

Each class of share has the right to one vote on a show of hands and one vote per share held on a poll. Rights in respect of distributions and returns of capital are pro rata to the number of ordinary shares held. None of the ordinary shares are redeemable.

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

Notes *(continued)*

11 Related party disclosures

	Receivables outstanding		Creditors outstanding	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Entities over which Company has control, joint control or significant influence (subject to wholly owned exemption)	**-**	-	**9**	9
	-	-	**9**	9

The Company had no sales to or administrative expenses incurred from any entities over which Company has control, joint control or significant influence (subject to wholly owned exemption) during the year (*2018: £nil*).

12 Ultimate parent undertaking

The Company is wholly owned by Rocket Estates Limited which is jointly owned by Crosstree Real Estate Special Situations Fund LP (50% ownership), incorporated in Jersey, and The Anschutz Corporation (50% ownership), incorporated in the United States of America. The registered address of the Crosstree Real Estate Special Situations Fund LP is Ground Floor, Liberation House, Castle Street, St Helier, Jersey JE2 3AT. The registered address of the The Anschutz Corporation is 555 17th Street, Suite 2400, Denver, CO 80202-3941. The consolidated accounts of these parent companies are not available to the public. The smallest group in which it is consolidated is that headed by Rocket Estates Limited, incorporated in Jersey. The consolidated accounts of this group are not available to the public.The registered address of Rocket Estates Limited is 22 Grenville Street, St Helier, Jersey JE4 8PX.

Notes *(continued)*

13 Post balance sheet event

The global outbreak of Coronavirus ("COVID-19") has developed rapidly in 2020 and is a key source of uncertainty for the Company in the short term. At 31 December 2019 the emerging COVID-19 outbreak was largely restricted to China with a few contained cases reported around the world. The situation has changed significantly since then and on 22 March 2020 the Company announced the temporary closure of all public spaces. This was in advance of the UK government's announcement on 23 March 2020 that businesses selling 'non-essential goods' will be closed immediately. The Company will not reopen until UK government guidance states it is legally permitted and safe to do so.

Whether the impact of COVID-19 is an adjusting or non-adjusting post balance sheet event is a judgement which impacts its treatment in these financial statements. A post balance sheet event is adjusting if it provides more information about circumstances that existed at the year end. The Company has concluded that COVID-19 is a non-adjusting post balance sheet event at 31 December 2019 on the basis that at that date:

- The World Health Organisation had not declared a global health emergency;
- There was no significant spread of the virus outside of China; and
- There were no cases in the UK and no evidence that the virus was not contained in Europe at that stage.

Events such as the announcement or enactment of new measures to contain the virus or decisions taken by management are generally considered to be non-adjusting. As the Company has deemed COVID-19 to be a non-adjusting subsequent event, no financial impact has been included in the Company's financial statements for the year to 31 December 2019.

The Waterfront Limited Partnership
Strategic report and Members' report and financial statements
for the year ended 31 December 2019

Registered number: LP8146

THESE PARTNERSHIP
ACCOUNTS FORM
PART OF THE ACCOUNTS
OF COMPANY
No. 04392460

Contents

Strategic Report

This Strategic report describes the main trends and factors underlying the performance of The Waterfront Limited Partnership ("the Partnership") during the year ended 31 December 2019, as well as those likely to affect its future development.

Principal Operations

The Partnership generates rental income from 110 rental units within the O2 surrounding the Arena. This includes the Entertainment District ("the Avenue"), a leisure and food and beverage offering originally opened in June 2007 and the Icon Outlet Village, an 80 unit Outlet Retail scheme including some further food and beverage spaces.

History

2019 was the eleventh full year of operation for The Avenue.

Partnership performance

The results for the Partnership show a profit after tax of £4,795,000 (*2018: loss after tax of* £(15,646,000)) for the year and turnover of £13,147,000 (*2018: £10,890,000)*. The Partnership has produced an operating profit of £7,661,000 *(2018: £4,790,000)*.

Turnover increased between 2018 and 2019 due to the first phase opening of the designer outlet village. The Partnership is currently in a net current asset position of £27,486,000 (*2018:* £4,451,000).

Key Performance Indicators

The Partnership considers the key performance indicators for the business to be turnover, net operating income, and earnings before interest, tax, depreciation and amortisation (EBITDA). These metrics best reflect the financial performance of the Partnership and are consistent with how the finances of the business are assessed and managed on an operational basis.

Outlook

Whilst 2020 Partnership trading performance will be impacted due to risks associated with recent global outbreak of Coronavirus (COVID-19), the Partnership is projected to continue trading strongly in the medium-to-long term as The Avenue revenues increase with the second phase leasing out and the Icon Outlet Village returns to trading and revenues begin to increase as leasing efforts on the remainder of the vacant spaces continue.

Principal risks and uncertainties

The members recognise that the degree of exposure to risks and the Partnership's ability to manage those risks effectively will influence how successful the business is. The members therefore review the risks associated with the business and devises and implements strategies for the purpose of mitigating those risks. The key risks and mitigating factors are set out below.

Economic risk

The success of the business model under which the Partnership operates is intrinsically linked to the health of the economy as a whole. The business generates revenue from other businesses as well as the general public and so an economic decline could pose a risk to the business. In terms of revenue derived from other businesses this risk is somewhat mitigated because a significant number of the contracts the Partnership has with these customers are long term leases, the majority of which have more than 10 years to run, mitigating the potential impact of any economic downturn.

The risk of a decline in revenue from the general public is harder to mitigate. To defend against a downturn in public spending the business has continued to maintain a competitive advantage in order to attract customers. The Avenue does also benefit from the footfall brought by the success of The O_2.

The recent global outbreak of Coronavirus (COVID-19) has resulted in multiple postponed and cancelled events at the The O_2 and closure of public spaces, including the The Avenue and designer outlet village. These risks will continue to be mitigated by following the latest advice from the UK Chief Medical Officers and the World Health Organization with specific commercial risk being addressed through appropriate business continuity measures. Even in the event of complete closure of the entire campus for up to 6 months, the Partnership will still be forecasted to achieve a positive EBTIDA. The Partnership also maintains a large cash reserve balance to cover all operating liabilities for over year without any turnover. Notwithstanding this position, there can be no doubt that the full economic ramifications of the crisis cannot be accurately predicted at this stage. The speed with which the current lockdown measures will be concluded cannot currently be predicted, nor can whether or how consumer behaviour will return to what it was before the crisis. These issues will in turn have an impact on to how the Partnership will respond and recover. The Partnership's tenant mix ranges from large PLCs down to smaller independent traders, all of whom will be impacted by the crisis.

Strategic Report *(continued)*

The Partnership acknowledges the uncertainty and potential macroeconomic impact of the UK exiting the European Union ("Brexit"). Brexit is not expected to have a significant economic impact on the Partnership notwithstanding concerns surrounding the nature of the future relationship between the United Kingdom and the European Union and the subsequent impact on the strength of the UK economy.

Business strategy risk

The strategy in The Avenue has been to fill units on long term leases primarily with established restaurant and bar chains offering a variety of cuisine. This has been successful in bringing more people to The O_2 campus when there are no events at The O_2 arena. Senior management continue to explore opportunities to enhance the experience and extend the offering in The Avenue.

The leasing of the second phase of the retail outlet is being closely managed and monitored by senior management to ensure it is completed to meet the overall strategic requirements.

Liquidity risk

By managing liquidity, the Partnership aims to ensure it can meet its financial obligations as and when they fall due.

The financial statements have been prepared on a going concern basis, in support of which the members have reviewed the Partnership's trading forecasts for the next twelve months taking into account the current macroeconomic environment. As a result, the members are confident that the assumptions underlying these forecasts are reasonable and that the Partnership will be able to operate on this basis.

Signed by:

Representative of the General Partner and the Limited Partners

A Wood

The O2
Peninsula Square
London
SE10 0DX

6 May 2020

General Partner's Report

The General Partner presents their report on the affairs of the Limited Partnership, together with the audited financial statements for the year to 31 December 2019.

Creditor payment policy

The Partnership's policy, in relation to all its suppliers, is to settle the terms of payment when agreeing the terms of the transaction and to abide by those terms provided that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Partnership does not follow any code or standard on payment practice.

Members and their interests

The members of the Limited Partnership during the year were:

Name:	***Country of incorporation:***	***Interest:***	
		2019	*2018*
Waterfront GP Limited (the general partner)	UK	**0.30%**	0.30%
Rocket Estates Limited	Jersey	**99.70%**	99.70%

Waterfront GP Limited is the General Partner and, as such, has exclusive responsibility for the management of the business of the Partnership.

Policy with respect to members' drawings and repayment of members' capital

Members are entitled to share the profits of the Partnership in accordance with the proportions stated in the Partnership agreement. These percentages may be varied from time to time in accordance with the provisions of the Partnership agreement. Payment of profits can be repaid or paid (as the case may be) at such time as the designated members determine, in the proportions to which they are entitled.

Members introduce their capital at a proportion determined by the Partnership agreement. Repayments of capital are made at such time as the designated members determine, in the proportions to which they are entitled.

Capital contributions made by the Limited Partners shall be repayable upon the winding-up or dissolution of the Partnership. In the event that the assets of the Partnership, after payment of or provision for all the liabilities of the Partnership, are insufficient to repay such capital contributions in full, such capital contributions shall be repaid in part on a pro rata basis, and the General Partner is not liable for repayment of such capital contributions from its own resources.

Political contributions

The Partnership made no political donations during the year *(2018: £nil)*.

General Partner's Report *(continued)*

Disclosure of information to auditor

The members who held office at the date of approval of this General Partner's Report confirm that, so far as they are each aware, there is no relevant audit information of which the Partnership's auditor is unaware; and each member has taken all the steps that they ought to have taken as a member to make themselves aware of any relevant audit information and to establish that the Partnership's auditor is aware of that information.

Signed by:

Representative of the General Partner and the Limited Partners

A Wood

The O_2
Peninsula Square
London, SE10 0DX

6 May 2020

Registered number: LP8146

Statement of general partner's responsibilities in respect of the Strategic Report, the General Partner's Report and the financial statements

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

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

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

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

The general partner is responsible for 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 partnership and to prevent and detect fraud and other irregularities.

Independent auditor's report to the partners of The Waterfront Limited Partnership

Opinion

We have audited the financial statements of The Waterfront Limited Partnership ("the partnership") for the year ended 31 December 2019 which comprise the Profit and loss account, Balance sheet and Cash flow statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the partnership's affairs as at 31 December 2019 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 as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that the partnership is committed to certain bank loan covenants to secure the financing of the operation as at 31 December 2019 and that the partnership's ability to meet these covenants depends on its future financial performance and loan to asset values. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the partnership's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Strategic report and general partner's report

The general partner is responsible for the strategic report and the general partner's report. Our opinion on the financial statements does not cover those reports and, accordingly, we do not express an audit opinion thereon.

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 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 general partner's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

General partner's responsibilities

As explained more fully in their statement set out on page 5, the partners 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 group and parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

This report is made solely to the partnership'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 partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the partnership and partnership's members, as a body, for our audit work, for this report, or for the opinions we have formed.

TANIA ROACH **(Senior Statutory Auditor)**
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

6 May 2020

Profit and loss account
For the year ended 31 December 2019

	Note	2019 £000	2018 £000
Turnover	4	**13,147**	10,890
Administrative expenses		**(5,486)**	(6,100)
Operating profit		**7,661**	4,790
Interest payable and similar charges	6	**(8,158)**	(9,546)
Loss on derivative settlement		**(1,397)**	1,304
Gain / (loss) on revaluation of investment property	8	**6,689**	(12,194)
Profit /(Loss) for the financial year before members' remuneration and profit shares		**4,795**	(15,646)

The results for the year all derive from continuing operations.

The Limited Partnership has no recognised gains and losses other than those included in the profit and loss account above and therefore no separate statement of comprehensive income has been presented. The Limited Partnership has no members' remuneration charged as an expense included in the profit and loss account above.

Profit/(Loss) for the financial year available for discretionary division among members is nil.

The notes on pages 11 to 24 form part of these financial statements.

Balance Sheet
At 31 December 2019

	Note		**2019**		2018
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*7*		**-**		**-**
Investment property	*8*		**405,103**		**397,700**
Current assets					
Debtors	*9*	**24,499**		**18,128**	
Cash at bank and in hand	*10*	**24,400**		**15,325**	
Creditors: amounts falling due within one year	*11*	**(21,413)**		**(29,002)**	
Net current assets			**27,486**		**4,451**
Total assets less current liabilities			**432,589**		**402,151**
Creditors: amounts falling due after more than one year	*12*		**(261,841)**		**(236,198)**
Net assets attributable to members			**170,748**		**165,953**
Members' interests					
Members' capital	*15*		**30**		**30**
Loans and other debts due to members	*16*		**43**		**43**
Revaluation reserve	*17*		**126,086**		**119,397**
Derivative financial asset	*17*		**(1,397)**		**1,304**
Profit and loss account	*17*		**45,986**		**45,179**
Total members interests	*17*		**170,748**		**165,953**

These financial statements were approved by the General Partner on 6 May 2020, and are signed on their behalf by:

A Wood
Representative of the General Partner and the Limited Partner

Registered Number: LP8146

The notes on pages 11 to 24 form part of these financial statements.

Cash flow statement
For the year ended 31 December 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Profit / (loss) for the year		**4,794**	(15,646)
Adjustments for:			
Depreciation, amortisation and impairment		**-**	2
Interest payable and similar charges		**8,158**	9,546
(Loss) / gain on revaluation of property		**(6,689)**	12,194
Amortisation of deferred loan cost		**-**	(2)
		6,263	6,094
Increase in trade and other debtors		**(6,371)**	(7,243)
(Decrease) / increase in trade and other creditors		**(8,472)**	12,940
Net cash from operating activities		**(8,580)**	11,791
Cash flows from investing activities			
Acquisition of investment property	*8*	**(714)**	(63,679)
Net cash from investing activities		**(714)**	(63,679)
Cash flows from financing activities			
Borrowings		**24,443**	63,708
Interest paid	*6*	**(6,074)**	(7,426)
Net cash from financing activities		**18,369**	56,282
Net increase in cash and cash equivalents		**9,075**	4,394
Cash and cash equivalents at 1 January		**15,325**	10,931
Cash and cash equivalents at 31 December	*10*	**24,400**	15,325

The notes on pages 11 to 24 form part of these financial statements.

Notes to the financial statements
Year ended 31 December 2019

1 Accounting policies

Basis of Preparation

Under the Partnership (Accounts) Regulations 2008, the Partnership, as a qualifying partnership, is required to prepare and have audited an annual report and financial statements under Part 15 and Chapter 1 of Part 16 of the Companies Act 2006 as if the Partnership was a company formed and registered under the Companies Act.

Under the Companies Act, the partners have the choice whether their financial statements are prepared under that applicable law and either UK Accounting Standards (UK Generally Accepted Accounting Practice) or International Financial Reporting Standards (IFRSs) as adopted by the EU. The partners have decided to apply UK Generally Accepted Accounting Practice, including *FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The members of the Limited Partnership during the year were Rocket Estates Limited with a 99.70% interest and Waterfront GP Limited (the general partner) with a 0.30% interest. Rocket Estates Limited is a joint venture owned 50:50 by London and Arena Waterfront Holdings LLC (an AEG Company incorporated in the United States of America) and Crosstree Real Estate Management Limited acting as general partner to the Crosstree Real Estate Special Situations Fund LP, a fund registered in Jersey. Waterfront GP Limited is wholly owned by Rocket Estates Limited.

Going Concern

The financial statements have been prepared on a going concern basis, in support of which the members have reviewed the Partnership's trading forecasts for twelve months from the date of signing these accounts, taking into account the current macroeconomic environment.

The Partnership has assessed whether the funding and liquidity resources of the Partnership are sufficient to accommodate the principal risks discussed in the Strategic Report, including modelling a severe but plausible downside scenario which gives particular consideration to the risk and uncertainty caused by COVID-19.

The severe but plausible downside scenario assumes the Partnership experiences:

- a closure of all operations for six months, resulting in no turnover during the entire period of closure;
- an increase in service charge void costs as leasing activity decreases and the possibility of some tenants falling into administration increases; and
- no material cost mitigation, including staff reductions or government subsidies.

Throughout this severe but plausible downside scenario, the Partnership continues to have significant liquidity on hand to meet all operational and financing requirements. As at 31 December 2019, the Partnership had £24.4 million cash and cash equivalents. As at 24 April 2020 the Partnership had in excess of £17.9 million operating cash having largely settled external creditors falling due within one year since the year end. The annual Partnership operating costs are not forecast to exceed £5.9 million and annual interest payments are forecasted to be approximately £7.0 million. Therefore, the Partnership would be able to satisfy these costs from existing operational cash balances for a period of over 12 months.

Notes *(continued)*

Going Concern (continued)

The Partnership currently has no undrawn borrowing facilities. The Partnership has a Secured Loan Facility which was £231 million drawn as at 31 December 2019 and is due to mature on 20 July 2023. For the purpose of this facility the Partnership does have to meet certain financial covenants each quarter including:

- Loan to Value Ratio must not at any time be equal to or exceed 70%
- Projected Interest Cover for both the applicable quarter and subsequent twelve months shall at all times exceed 160% to (but excluding) October 2020
- Projected Interest Cover for both the applicable quarter and subsequent twelve months shall at all times exceed 175% from October 2020

The Partnership was in compliance with all covenants during 2019 and as at 31 December 2019. However, due to the COVID-19 risk to financial performance and increased likelihood of breaching covenants during the period in question, the Partnership has obtained a waiver of the April 2020 and July 2020 covenant requirements from the lender (Lloyds).

The Partnership has not requested a covenant waiver or reset for the October 2020, December 2020 or April 2021 covenant requirements as it is currently uncertain as to whether this would be required, especially in relation to the Loan to Value ratio given that the impact of COVID-19 on the UK Real Estate market and real estate valuations is unclear at this time. The Partnership has a reasonable expectation that if required they would seek and obtain a covenant waiver or reset for October 2020, December 2020 and / or April 2021. Should the required amendment to covenants not be received and an equity cure not be possible, the existing covenants under the facility may be breached and the amounts drawn may then become due and payable in full.

The uncertain ability of the Partnership to waiver or reset the remaining covenants before the due date gives rise to a material uncertainty as defined in auditing and accounting standards, related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and in such circumstances, it may therefore be unable to realise its assets and discharge its liabilities in the normal course of business.

Despite this, the Directors believe that the Partnership is well placed to manage its risks satisfactorily, and have a reasonable expectation that the Partnership will have adequate resources to continue in operation for at least twelve months from the signing date of these financial statements. The Directors therefore consider it appropriate to continue adopting the going concern basis of accounting in preparing these financial statements.

Tangible Assets

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their useful economic lives as follows:

Plant and equipment - 3-7 years

Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or both. Investment properties are recognised initially at cost.

Subsequent to initial recognition

- investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised through profit or loss in the period that they arise; and
- no depreciation is provided in respect of the investment properties applying the fair value model

Notes *(continued)*

Investment property (continued)

If a reliable measure is not available without undue cost or effort for an item of investment property, this item is thereafter accounted for as tangible fixed assets until a reliable measure of fair value becomes available.

A property interest that is held under an operating lease is classified and accounted for as investment property if, the property would otherwise meet the definition of an investment property and the fair value of the property interest can be measured without undue cost or effort on an on-going basis. Where a property interest is classified as investment property the lease is accounted for as if it is a finance lease and the leased asset is recognised at the lower of fair value and the present value of the minimum lease payments, with an equivalent liability.

Turnover

Rentals under operating leases are recognised on a straight-line basis over the lease term, even if the payments are not received on such a basis. Benefits paid and payable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Turnover for the rendering of services is recognised when the significant risks and rewards are considered to have been transferred to the customer. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and are recognised as income over the respective terms of the agreements. Turnover on contracts exceeding one year is recognised on a straight line basis over the term of the contract.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Classification of members' capital of the Partnership

Following the adoption of FRS 102, the members' capital of the partnership is treated as equity only to the extent that the Partnership has an unconditional right to avoid repaying the capital.

Members are entitled to a share in the profits in accordance with the proportions stated in the Partnership agreement (and as amended on 25 April 2008); these percentages may be varied from time to time in accordance with the provisions of the Partnership agreement.

The profit share to members is not pre-determined, as such the profit is classified as equity and there is no charge to the profit and loss account.

Notes *(continued)*

Taxation

No account is taken of either current taxation on profits or deferred taxation arising on timing differences within these accounts. All taxation is dealt with as appropriate in the accounts of the Partners.

Financial Instruments

i) *Financial assets and liabilities*

Financial assets and financial liabilities are recognised when the Partnership becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at transaction price (including transaction costs).

Financial assets and liabilities are only offset in the statement of financial position when, and only when there is a legally enforceable right to set off the recognised amounts and the Partnership intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.
Debt instruments are subsequently measured at amortised cost using the effective interest method.

ii) *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand are included as part of cash and cash equivalents for the purposes of the cash flow statement.

iii) *Derivative financial instruments*

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

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately. The Partnership does not apply hedge accounting in relation to its derivative financial instruments.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset/are expensed as incurred.

Other interest receivable and similar income include interest receivable on funds invested. Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

2 Accounting estimates and judgements

The investment property valuation is based on prevailing retail and leisure property market conditions and forecast cash flows to be generated from the investment property. At the balance sheet date investment property is valued at £405,103,000 (*2018:* £397,700,000). This valuation is based on the valuation of the business at 31 December 2019. Please see note 8 for key assumptions and other key sources of estimation uncertainty at 31 December 2019 that may have a significant risk of causing a material adjustment to the carrying amount of assets within the next financial year.

Notes *(continued)*

3 Profit before tax

	2019	2018
	£000	£000
Profit before taxation is stated after charging:		
Depreciation of tangible fixed assets	**-**	1

The analysis of auditor's remuneration is as follows:	**2019**	2018
	£000	£000
Audit of these financial statements	**59**	44
Taxation compliance services	**14**	7

4 Turnover

	2019	2018
	£000	£000
Rental income	**12,098**	10,130
Rendering of services	**1,049**	760
	13,147	10,890

5 Staff costs

The Partnership did not employ any staff in the year. During the year costs of £113,000 *(2018: £450,000)* for 2 *(2018: 2)* employees of the joint venture partners were recharged into the partnership.

6 Interest payable and similar charges

	2019	2018
	£000	£000
Interest payable to related parties	**1,790**	1,671
Interest payable on bank loans	**6,339**	6,634
Interest (receivable) / payable on derivative financial instruments	**(77)**	610
Loan service fees	**106**	631
	8,158	9,546

Notes *(continued)*

7 Tangible Assets

	Plant and equipment £000
Cost	
At beginning of year	1,790
Additions	-
At end of year	**1,790**
Depreciation	
At beginning of year	1.790
Charge for year	-
At end of year	**1,790**
Net book value	
31 December 2019	**-**
31 December 2018	-

8 Investment property

	2019 £000	2018 £000
Fair value as at 1 January	**397,700**	346,215
Additions	**714**	63,679
Revaluation	**6,689**	(12,194)
Fair value as at 31 December	**405,103**	397,700
Historical cost value	**321,080**	278,371

During 2019, the investment property was valued by Savills, who is an external independent valuer. As at 31 December 2019, the investment property was valued by the general partner.

The investment property in 2018 was valued by CBRE Limited ("CBRE"). CBRE is an external independent valuer, and all valuers allocated to the instruction were professionally qualified, suitably experienced and had the appropriate competence to carry out the valuation in accordance with the requirements of the 'Red Book' (*RICS Valuation – Global Standards 2017*).

Any gains or loss arising from a change in fair value is recognised in profit or loss. Rental income from investment property is accounted for as described in the turnover accounting policy (note 1).

Notes *(continued)*

8 Investment property (continued)

The valuation of the Partnership comprises two parts: The Icon Outlet and the Entertainment District. The general partner adopted the investment method of valuation in respect of both areas, whereby the general partner has had regard to the initial and running yield profile together with investment pricing of similar properties traded in the investment market.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the Balance Sheet date that may have a significant risk of causing a material adjustment to the carrying amount of assets within the next financial year are as follows:

- The recent global outbreak of Coronavirus ("COVID-19") may be a key sources of estimation uncertainty in the short term. The Partnership deemed COVID-19 to be a non-adjusting subsequent event and hence no impact has been built into the 31 December 2019 valuation.
- The designer outlet has been open for less than two years and there is uncertainty to the performance of the tenants at the scheme, and whether they achieve the expected level of sales density and growth.
- Phase 2 of the outlet opened during the year and there are still many retail units to be let. The leasing risks would be viewed as greater in the current market, which has been affected by administrations and CVAs in both retail and leisure sector and compounded by the recent global outbreak of Coronavirus (COVID-19). The occupational market sentiment is relatively negative.
- UK Retail is currently undergoing structural change and retail property values are continuing to fall; the outlet subsector of the market is however demonstrating some resilience and there appears to be good investor and occupier demand.
- The Market Value is based on the assumption that the property is held and traded in a corporate structure and subject to nil stamp duty land tax. The fair value would decrease by £20,103,000 if this assumption changes.

For the combined Icon Outlet and the Entertainment District, we have adopted a net initial yield of 5.03%, which produces a value of £405,103,000 and a value per square foot of £613.

<u>ICON Outlet</u>

The Icon forms a newly constructed premium designer outlet fashion scheme extending to circa 200,000 sq ft. The income to be generated from the scheme is derived from leases which provide for turnover rents and thus the rental income is subject to the trading performance of each tenant / occupier. The scheme is in its infancy and whilst both phases of The Icon are broadly open and trading, albeit some of the last few units have only recently let and are subject to tenant fit-out works or lease negotiations in the final stages, the trading performance of each unit and turnover rent has yet to achieve its optimum / mature trading position.

As the Icon Outlet is still in the early states of it's lifecycle, we had adopted a slightly discounted net initial yield of 4.52%, which produces a value of £152,571,000 and a value per square foot of £774.

<u>The Entertainment District</u>

The Entertainment District forms a relative mature leisure / F&B asset, with the newly-opened "Leisure Quarter" anchored by an extension of the Cineworld cinema (extending to circa 50,000 sq ft) and trampoline centre (30,000 sq ft) operated by / let to Oxygen Freejumping.

The Entertainment District is let at an aggregate rent of £11,590,000 per annum with a further £2,111,000 per annum of additional rent received from the Leisure Quarter. Our approach in respect of this element of the scheme is to a adopt a net initial yield of 5.35%, which produces a value of £252,532,000 and a value per square foot of £544.

Notes *(continued)*

9 Debtors

	2019 £000	2018 £000
Trade debtors	**5,881**	4,241
Other debtors	**15,502**	10,539
Amounts owed by related parties	**3,116**	3,348
	24,499	18,128

Amounts owed by related parties and related party loans are repayable on demand.

10 Cash and cash equivalents

	2019 £000	2018 £000
Cash at bank and in hand	**24,400**	15,325
	24,400	15,325

11 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	**199**	419
Amounts owed to related parties	**2,734**	13,352
Accruals and deferred income	**6,041**	5,553
Other creditors	**677**	-
Related party loan accrued interest	**10,071**	8,055
Bank loan accrued interest	**1,691**	1,623
	21,413	29,002

Amounts owed to related parties and related party loan accrued interest are repayable on demand.

Notes *(continued)*

12 Creditors: amounts falling due after more than one year

	2019	2018
	£000	£000
Bank loans	**225,407**	200,964
Related party loans	**31,934**	31,934
Other creditors	**4,500**	3,300
	261,841	236,198

The partnership refinanced the Secured loan Facility 'the facility' in October 2019 in the amount of £231,000,000, of which £231,000,000 was drawn at 31 December 2019.

The facility is subject to interest at 2.25% above LIBOR. At 31 December 2019 LIBOR was 0.795% *(2018: 0.805%)*. The terms of the facility include certain affirmative and negative covenant tests. The partnership was in compliance with all covenants during 2019 and as at 31 December 2019.

The facility is secured by substantially all of the assets related to The Avenue including material contracts relating thereto.

Quarterly interest payments are scheduled to be made until maturity on 20 July 2023. On this date the remaining principal balance is due.

Related party loans consist of equal loans from Mint Finance S.A.R.L. (Crosstree) and Ansco Finance Co. 2 Limited (AEG), which accrue interest at 8% per annum and are repayable on 4 September 2035 and related party loans from Rocket Estates Limited which accrue interest at LIBOR + 0.5% and are repayable on 4 September 2035.

Borrowings are repayable as follows:

	2019	2018
	£000	£000
Bank loans:		
Between one and five years	**225,407**	200,964
	225,407	200,964
Total borrowings:		
Between one and five years	**225,407**	200,964
In more than five years	**31,934**	31,934
	257,341	232,898

Notes *(continued)*

13 Financial instruments

Financial assets	**2019**	2018
	£000	£000
Measured at fair value	**(679)**	719
Measured at amortised cost	**24,499**	18,128
	23,820	18,847

Financial liabilities	**2019**	2018
	£000	£000
Measured at fair value	**-**	-
Measured at amortised cost	**280,928**	262,837
	280,928	262,837

The Partnership's income, expense, gain and losses in respect of financial instruments are summarised below:

	2019	2018
	£000	£000
Interest income and expense		
Total interest expense for financial liabilities at amortised cost	**8,052**	8,915
	8,052	8,915
Fair value gains and losses		
On derivative financial liabilities	**1,397**	(1,304)
	1,397	(1,304)

Notes *(continued)*

14 Derivative financial instruments

	Current		Non-Current	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Assets				
Interest rate swaps	-	-	-	719
	-	-	-	719

	Current		Non-Current	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Liabilities				
Interest rate swaps	-	-	**679**	-
	-	-	**679**	-

Interest rate swap contracts

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date:

Outstanding receive floating pay fixed contracts	Average contract fixed interest rate		Notional principal value		Fair value	
	2019	2018	**2019**	2018	**2019**	2018
	%	%	**£000**	£000	**£000**	£000
Less than 1 year	**0.787**	1.017	**231,000**	185,200	**230,321**	185.919
			231,000	185,200	**230,321**	185,919

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is GBP LIBOR. The partnership will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges to reduce the partnership's cash flow exposure resulting from variable interest rates on borrowings. The hedged cash flows are expected to occur and to affect profit or loss over the period to maturity of the interest rate swaps.

Interest rate swaps are valued based on broker quotes and are valued at £(679,000) at 31 December 2019 . Losses of £(1,397,000) were recognised in members' funds resulting in a loss of £(1,397,000) being recognised in profit or loss.

Notes *(continued)*

15 Members capital

	2019	2018
	£000	£000
Members' capital	**30**	30

16 Loans and other debts due to members

	2019	2018
	£000	£000
Loans and other debts due to members	**43**	43

17 Reconciliation of movements in members' interests

	2019	2018
	£000	£000
Opening members' surplus	**165,953**	181,599
Loss for the financial year excluding property and derivative revaluation	**(497)**	(4,756)
(Loss) / profit on derivative financial instruments	**(1,397)**	1,304
Fair value gain / (loss) on investment property	**6,689**	(12,194)
Closing members' funds	**170,748**	165,953

During the year the Partnership made no profit distributions *(2018: nil)*.

The profit and loss reserve represents cumulative profits or losses and other adjustments.

The revaluation reserve represents the cumulative effect of changes in fair value of investment property and property interest.

Derivative reserve represents the cumulative effect of the changes in fair value of derivative financial instruments.

Notes *(continued)*

18 Related parties

	Sales of goods or services		**Purchase of goods or services**	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Ansco Arena Limited (AEG)	**747**	1,598	**(1,123)**	(1,140)
Waypoint Capital Holdings Limited (Crosstree)	-	-	**(150)**	(355)
	747	1,598	**(1,273)**	(1,495)

	Receivables outstanding		**Creditors outstanding**	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Ansco Finance Co. 2 Limited (AEG)	-	-	**(11,755)**	(10,888)
Anschutz Sports Holdings Limited (AEG)	-	-	**(45)**	(41)
Mint Finance S.A.R.L. (Crosstree)	-	-	**(11,783)**	(10,888)
AEG Presents LLC (AEG)	-	-	**(7)**	(6)
Ansco Arena Limited (AEG)	-	71	**(157)**	-
Ansco Piazza Management Ltd (AEG)	-	-	-	(9)
Ansco Events Limited (AEG)	-	-	-	(6)
AEG Facilitites UK Limited (AEG)	-	1	-	-
Ansco Services Limited (AEG)	**44**	-	-	(3)
Rocket Estates Limited	-	-	**(18,431)**	(18,206)
DOV Devco Limited	-	-	**(2,561)**	(13,294)
Ansco Management Limited	**3,041**	3,039	-	-
Waterfront GP Limited	**14**	15	-	-
Waterfront Partner 1 Ltd	**17**	222	-	-
Collins River Enterprises Limited	-	-	**(1)**	-
	3,116	3,348	**(44,740)**	(53,341)

All related party transactions are with subsidiaries of The Anschutz Corporation, Crosstree Real Estate Special Situations Fund LP, and Rocket Estates Limited. The nature of these transactions relate to ongoing management and professional servies incurred on behalf of the Partnership.

Notes *(continued)*

19 Ultimate parent undertakings

The Partnership is 99.7% owned by Rocket Estates Limited which is jointly owned by Crosstree Real Estate Special Situations Fund LP (50% ownership), incorporated in Jersey and The Anschutz Corporation (50% ownership), incorporated in the United States of America. The consolidated accounts of these parent companies are not available to the public. The smallest group in which it is consolidated is that headed by Rocket Estates Limited, incorporated in Jersey. The consolidated accounts of this group are not available to the public.

20 Subsequent events

The global outbreak of Coronavirus ("COVID-19") has developed rapidly in 2020 and is a key source of uncertainty for the Partnership in the short term. At 31 December 2019 the emerging COVID-19 outbreak was largely restricted to China with a few contained cases reported around the world. The situation has changed significantly since then and on 22 March 2020 the Partnership announced the temporary closure of all public spaces, including restaurants and retail outlets. This was in advance of the UK government's announcement on 23 March 2020 that shops selling 'non-essential goods' will be closed immediately. The Partnership will not reopen until UK government guidance states it is legally permitted and safe to do so.

Whether the impact of COVID-19 is an adjusting or non-adjusting post balance sheet event is a judgement which impacts its treatment in these financial statements. A post balance sheet event is adjusting if it provides more information about circumstances that existed at the year end. The Partnership has concluded that COVID-19 is a non-adjusting post balance sheet event at 31 December 2019 on the basis that at that date:

- The World Health Organisation had not declared a global health emergency;
- There was no significant spread of the virus outside of China; and
- There were no cases in the UK and no evidence that the virus was not contained in Europe at that stage.

Events such as the announcement or enactment of new measures to contain the virus or decisions taken by management are generally considered to be non-adjusting.

Given the unknown and unprecedented risks and response to the outbreak, it is difficult to predict the full extent that COVID-19 will have on the Partnership. We have summarised below where we see material changes in our estimates and judgements impacting the balance sheet at 31 December 2019. This is based on our best estimates of the impact of the temporary closure of the Partnership business activities and the wider economic challenges of COVID-19 over this period and beyond.

- *Investment property:* The potential impact of COVID-19 on the UK Real Estate market and real estate valuations is unclear at this time. However, the leisure industry has been particularly hard hit by the lockdown. The impact on value of the Partnership's investment property will be severe at present, although it may only be temporary.

- *Debtors:* The recoverability of debtors following the outbreak of COVID-19 is uncertain. The trade debtors as at 31 December 2019 have largely been recovered. However, with new measures to protect the UK high street from aggressive rent collection and closure announced by the UK government on 23 April 2020, the Partnership may have increased bad debt provisions with many tenants in the near future.

As the Partnership has deemed COVID-19 to be a non-adjusting subsequent event, no financial impact has been included in the Partnership's financial statements for the year to 31 December 2019.