

Chrysalis (General Partner) Limited

**Directors' Report and unaudited financial
statements for the year ended**

31 December 2020

Registered number: 07949782



Chrysalis (General Partner) Limited

Report and financial statements for the year ended 31 December 2020

	Page
Directors' report for the year ended 31 December 2020	1-2
Income statement for the year ended 31 December 2020	3
Balance sheet as at 31 December 2020.....	4
Notes to the financial statements for the year ended 31 December 2020	5-7

Chrysalis (General Partner) Limited

Directors' report for the year ended 31 December 2020

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

Principal activities and review of business

The principal activity of the company is acting as the general partner for a limited partnership, whose principal activity is that of providing loan finance for industrial and commercial urban development projects in the Liverpool City Region under the JESSICA (Joint European Support for Sustainable Investment in City Areas) initiative. Liverpool City Region Combined Authority owns the Loan and provides oversight and performance management of the General Partner.

Chrysalis faces market disruption created by the Covid-19 pandemic. Chrysalis is in a strong position to address the challenges this presents through robust financial risk management.

Directors

The directors who held office during the year, and up to the date of the signing of the accounts, were as follows:

J H Gill	Independent Chair
C K Brown	
K Groucutt	
G Millar	(resigned 2 December 2020)
R N Miller	(appointed 2 December 2020)
M Rawstron	
G J Singleton	(appointed 14 December 2020)
G J J Tucker	
J Williamson	(appointed 2 December 2020)

Directors' responsibilities statement

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 the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Directors' indemnities

The Company maintains liability insurance for its directors, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.


Chrysalis (General Partner) Limited

Directors' report for the year ended 31 December 2020 (continued)

Small company provisions

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

By order of the board on 28 September 2021.

A handwritten signature in black ink, appearing to read 'C K Brown', with a stylized flourish at the end.

C K Brown
Director

Chrysalis (General Partner) Limited

Income Statement for the year ended 31 December 2020

	Note	2020 £	2019 £
Share of result of limited partnership	1,5	-	-
Result on ordinary activities before taxation	2	-	-
Taxation on result on ordinary activities	4	-	-
Result for the financial year	9	-	-

All activity relates to continuing operations.

The company has no recognised gains or losses, other than the result above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the result on ordinary activities before taxation and the result for the years stated above, and their historical cost equivalents.

Chrysalis (General Partner) Limited

Balance sheet as at 31 December 2020

	Notes	2020 £	2019 £
Fixed assets			
Investments	5	2	2
Current assets			
Debtors	6	1	1
Creditors: amounts falling due within one year	7	(2)	(2)
Net current assets		(1)	(1)
Total assets less current liabilities		1	1
Net assets		1	1
Capital and reserves			
Called up share capital	8	1	1
Profit and loss account	9	-	-
Total shareholders' funds	10	1	1

For the year ended 31 December 2020 the company was entitled to exemption from audit under section 480 of the Companies Act 2006 relating to dormant companies.

Directors' responsibilities:

- The members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts.

The financial statements on pages 5 to 7 were approved by the board of directors on 28 September 2021 and were signed on its behalf by:



C K Brown
Director

Chrysalis (General Partner) Limited

Registered number: 07949782

Chrysalis (General Partner) Limited

Notes to the financial statements for the period ended 31 December 2020

1 Principal accounting policies

A summary of the more important accounting policies, which have been applied consistently is set out below.

Basis of preparation

The financial statements have been prepared on a going concern basis, in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006 under the historical cost accounting rules.

Cash flow

The company is exempt from the requirement of Financial Reporting Standard 1, to prepare a cash flow statement on the grounds that it is a small company.

Taxation

Deferred taxation is provided on an undiscounted basis at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Liabilities are fully provided and assets are recognised to the extent that it is more likely than not that they will be realised.

2 Result on ordinary activities before taxation

The company had no employees during the year.

3 Remuneration of directors

The directors received no remuneration for their services to, or management of, the company in the year.

4 Tax on results on ordinary activities

The company has a 0.1% share of the tax losses arising in the Chrysalis Limited Partnership and no credit arises, as these cannot be utilised in the current year.

The tax credit differs from applying the UK corporation tax rate of 19% to the result for the year as follows:

	2020	2019
	£	£
Result for the year	-	-
Tax on results on ordinary activities	-	-

No deferred tax asset is recognised, as future utilisation of the losses is, as yet, uncertain.

Chrysalis (General Partner) Limited

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

5 Investments

	£
Cost	
At 31 December 2019 and 31 December 2020	2

The investment represents a 0.1% interest in the Chrysalis Limited Partnership, a partnership. The Partnership facilitates the provision of loans originally from the Liverpool City Region Combined Authority, through its Jessica programme for property development in Merseyside, in order to encourage the physical regeneration and economic resurgence of the Merseyside.

The directors believe that their underlying net assets support the carrying value of the investments.

6 Debtors

	2020	2019
	£	£
Amounts falling due within one year:		
Amounts owed by related undertakings	1	1

This amount is owed by the shareholder (see note 12) and is interest free.

7 Creditors: amounts falling due within one year

	2020	2019
	£	£
Amounts owed to related undertaking (Chrysalis Limited Partnership)	2	2

The amount owed to Chrysalis Limited Partnership is interest free.

8 Called up share capital

	2020	2019
	£	£
Allotted, called up and fully paid		
Ordinary shares of £1 each	1	1

Chrysalis (General Partner) Limited

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

9 Profit and loss account

	£
Profit and loss account at 31 December 2019 and 31 December 2020	-

Profits would not be distributable until cash is distributed from the partnership.

10 Reconciliation of movements in shareholders' funds

	2020	2019
	£	£
Result for the financial year	-	-
Opening total shareholders' funds	-	-
Closing total shareholders' funds	-	-

11 Ultimate and immediate parent company

The General Partner manages the partnership. The immediate parent undertaking is Igloo Investment Management Limited. The ultimate parent undertaking and controlling party is Igloo Regeneration Limited, a company incorporated in England.

12 Related party transactions

The company acts as the general partner for a Limited Partnership in which the shareholders of the company or entities under common control each have the same share of interests.

A copy of the latest financial statements of the Limited Partnership will be appended to the company's financial statements filed with the Registrar of Companies.

Chrysalis Limited Partnership

Annual report and audited financial statements for the year ended 31 December 2020

Limited Partnership number: LP014909

1.00
1.000000
1.000000

With respect to the 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.

General Partner's report

In our opinion, based on the work undertaken in the course of the audit, the information given in the 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 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 the General Partner's responsibilities, 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 qualifying partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the general partner either intends to liquidate the qualifying 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.

Based on our understanding of the partnership and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006, 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 of inappropriate journal entries and the application of potential management bias in accounting estimate, specifically the consideration of expected credit losses under IFRS 9. Audit procedures performed by the engagement team included:

- discussing with management and those charged with governance in relation to known or suspected instances of non-compliance with laws and regulations and fraud;

Chrysalis Limited Partnership

Contents

	Page
General information	1
General partner's report for the year ended 31 December 2020	2 - 5
Independent auditors' report to the partners of Chrysalis Limited Partnership	6 - 8
Statement of comprehensive income for the year to 31 December 2020	9
Statement of financial position as at 31 December 2020	10
Statement of changes in equity for the year ended 31 December 2020	11
Statement of cash flows for the year ended 31 December 2020	12
Notes to the financial statements for the year ended 31 December 2020	13 - 25



Windows Printer Test Page

You have correctly installed your Microsoft IPP Class Driver on DESKTOP-FOR6C4N.

PRINTER PROPERTIES

Submitted Time: 11:45:03
Date: 29/09/2021
Username: DESKTOP-FOR6C4N\Alice Rossi
Computer Name: DESKTOP-FOR6C4N
Printer Name: 22 CKR Printer
Printer Model: Microsoft IPP Class Driver
Colour Support: Yes
Port Name(s): WSD-9586d2a2-e574-491f-a1e2-93474bddb6ca
Data Format: RAW
Printer Share Name:
Print Processor: winprint
Comment: 22 CKR Printer
OS Environment: Windows x64

PRINT DRIVER PROPERTIES

Driver Name: Microsoft IPP Class Driver
Driver Type: Type 4 - User Mode
Driver Version: 10.0.19041.1

ADDITIONAL PRINT DRIVER FILES

C:\WINDOWS\System32\DriverStore\FileRepository\pinms012.inf_amd64_707d3849370b9d23\Amd64\MSIPP-manifest.ini
C:\WINDOWS\System32\DriverStore\FileRepository\pinms012.inf_amd64_707d3849370b9d23\Amd64\MSIPP-pipelineconfig.xml
C:\WINDOWS\System32\DriverStore\FileRepository\ntprint4.inf_amd64_0958c7cad3cd6075\Amd64\PDFRenderFilter.dll
C:\WINDOWS\System32\DriverStore\FileRepository\ntprint4.inf_amd64_0958c7cad3cd6075\Amd64\PWGRRRenderFilter.dll
C:\WINDOWS\System32\DriverStore\FileRepository\ntprint4.inf_amd64_0958c7cad3cd6075\Amd64\PCLmRenderFilter.dll
C:\WINDOWS\System32\DriverStore\FileRepository\ntprint.inf_amd64_c62e9f8067f98247\Amd64\StdNames.gpd
C:\WINDOWS\System32\DriverStore\FileRepository\ntprint.inf_amd64_c62e9f8067f98247\Amd64\unires.dll

Chrysalis Limited Partnership

General information

Directors of the General Partner

The General Partner directors during the year and at the date of the signing of the financial statements are as follows:

J H Gill	Independent Chair
C K Brown	
K Groucutt	
G Millar	(resigned 2 December 2020)
R N Miller	(appointed 2 December 2020)
M Rawstron	
G J Singleton	(appointed 14 December 2020)
G J J Tucker	
J Williamson	(appointed 2 December 2020)

Registered Office

73 Tib Street, Manchester, M4 1LS

Company Secretary

Igloo Regeneration Limited (Registered in England 4057460)

General Partner

Chrysalis (General Partner) Limited, 73 Tib Street, Manchester, M4 1LS

Limited Partner

Igloo Investment Management Limited

Bankers

Barclays Bank PLC, One Snowhill, Snowhill Queensway, Birmingham B3 2WN

Independent Auditors

PricewaterhouseCoopers LLP, One Chamberlain Square, Birmingham B3 3AX

Chrysalis Limited Partnership

General Partner's report for the year ended 31 December 2020

The General Partner ("Chrysalis (General Partner) Limited") presents its report and the audited financial statements for the year ended 31 December 2020 of Chrysalis Limited Partnership ("the Partnership"). The General Partner has taken advantage of the small companies' exemption from preparing a strategic report.

Principal activities

The principal activity of the Partnership is that of providing loan finance for industrial and commercial urban development projects in the Liverpool City Region under the JESSICA (Joint European Support for Sustainable Investment in City Areas) initiative developed by the European Commission (EC). Liverpool City Region Combined Authority (LCRCA) owns the Loan, via LCR Chrysalis Holdings Limited Partnership, a limited partnership formed by the LCRCA, and will provide oversight and performance management of the General Partner.

The General Partner manages the activity of the Partnership. The General Partner is managed by Igloo Regeneration Limited ("Igloo"). The General Partner Board consists of three directors nominated by Igloo and two nominated by the Liverpool City Region Cabinet. Along with a Director from Igloo, the Igloo Directors on the Board consist of 2 independent representatives who were previously representatives of Royal Bank of Canada (Europe) Limited ("RBC") and Avison Young ("AY"). An Independent Chair chairs the Board.

The statement of comprehensive income for the year is set out on page 9.

Statement of the General Partners' responsibilities

The General Partner is 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 Partner to prepare financial statements for each financial year. Under that law the General Partner has prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law, as applied to qualifying partnerships, a 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 the financial statements, the General Partner is required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 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 Partner is 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 Partner is 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.

Chrysalis Limited Partnership

General Partner's report for the year ended 31 December 2020

Business Review

Total funding committed in 2012 for the delivery of the JESSICA fund in Merseyside was £34.3 million.

Funds repaid by borrowers become available for re-lending. As at 31 December 2020, from the initial round of funding, £34.3m had been committed and lent to eligible projects and £17.2m had been repaid, with a further £8.1m repaid since the year end. £9.9m of the repaid funds have been re-lent to further projects. The General Partner is preparing a pipeline of eligible projects to commit the remaining available funds. The status of each loan is set out in note 5.

Revenue was made up of fees and interest on loans of £0.9m (2019: £1.4m) during the year. Costs were made up of operating costs for the corresponding amounts.

Chrysalis faces market disruption created by the Covid-19 pandemic. Chrysalis is in a strong position to address the challenges this presents through robust financial risk management as set out in note 13 to the financial statements. Chrysalis expects to continue to receive all of its contractual fees and interest on loans in full.

Key Performance Indicators (KPIs)

The key performance indicators monitored to ensure that the Partnership delivers against the business plan are at two levels:

1. Value of loans committed, drawn and repaid.
2. Corporate KPIs that indicate overall business performance, which include fund rate of return, loan portfolio risk, net asset value, progress against the Operational Agreement targets and compliance with the Partnership's approved Investment Strategy.

KPIs are reported to the General Partner Board at each Board meeting and to LCRCA on a quarterly basis.

Risks

The principal risks facing the Partnership relate to Liverpool City Region's property development and sustainable investment market and, consequently, the availability of eligible projects that require funding on the terms permissible under the Operational Agreement and Investment Strategy.

The market risk is mainly in the area of fragility in the demand for and value of the commercial property market that was showing signs of growth but has since been hampered by the impact on global markets from the Covid-19 pandemic and the effect this has had on both the regional and national economy. The loan finance which Chrysalis has provided to eligible projects have been secured or have appropriate guarantees in place which meet the fund's investment criteria. This should help protect the recoverability of the loans should there be any further downturn in the economy (see note 13 "Financial Risk Factors"). Availability of funds for commitment to new projects is dependent on the successful completion and settlement of loans on existing projects, these repaid monies then being recycled. Two of the four existing loans have been successfully repaid since 31 December 2020 and new loan facilities have been made available.

Processes to Manage Risk

The General Partner has responsibility for risk management.

Specific risks addressed by the Partnership are:

- i) Availability of eligible projects

The Operational Agreement required funds repaid from original loans to be re-committed to new projects within two years of receipt. The recent low level of industrial and commercial development activity in the Liverpool City Region creates a risk that suitable investments cannot be identified.

Chrysalis Limited Partnership

General Partner's report for the year ended 31 December 2020 (continued)

Processes to Manage Risk (continued)

This risk is managed through a monthly review of the fund pipeline, regular dialogue with project promoters, local authorities and an active marketing campaign to identify suitable opportunities. At present, the Partnership has a pipeline of developments under appraisal to utilise all the available funding and funds repaid from loans reaching maturity.

ii) Credit Risk

Loans that fail to perform as underwritten may reduce the Partnership's returns and/or assets. The General Partner's advisors assess the credit risks relating to prospective loans and a comprehensive credit assessment is undertaken when establishing loan terms. Portfolio performance review is undertaken regularly as part of the General Partner's monitoring programme. The credit risk is ultimately taken by LCRCA.

Going Concern

The financial statements disclose all matters of which the General Partner is aware that are relevant to the Limited Partnership's ability to continue as a going concern, including all significant conditions and events, mitigating factors and the Limited Partnership's plans. The Limited Partnership also has the intent and ability to take actions necessary to continue as a going concern.

In the light of the COVID-19 virus pandemic that emerged in the United Kingdom in March 2020, the General Partner Board and the manager of the General Partner have considered the impact of the virus on the going concern of the Limited Partnership. The assessment considered the potential impact on the projects lent to and the knock-on effect on the liquidity of the Partnership (see note 13 "Financial Risk Factors"). The current funding arrangements that the Partnership has in place are detailed below and are deemed to be sufficient. The conclusion under each of the scenarios modelled was that the Limited Partnership has access to sufficient funding to continue to trade over the next 12 months.

Funding

With regards to the funding from the Liverpool City Region Combined Authority, the original committed funding of £34.3m is available for new lending until March 2022 (the "Portfolio Management Period").

The General Partner has considered the preparation of the financial statements on a going concern basis. In determining the appropriateness of the going concern basis of preparation the General Partner confirms that for the next 12 months following the date the accounts were approved the Partnership has sufficient resources to enable the business to:

- (I) continue to pay for ongoing running costs of the Partnership;
- (II) continue to lend monies on outstanding commitments on loans;
- (III) pay for all known or estimated non-recoverable liabilities if Chrysalis enforced its position as borrower and took control of each and every property on each of the loans.

Details of loans repaid and new facilities provided since 31 December 2020 are provided in note 15.

Partners

The partners throughout the year were:

1. Igloo Investment Management Limited ('The Limited Partner')
2. Chrysalis (General Partner) Limited ('The General Partner')


Chrysalis Limited Partnership

**General Partner's report for the year ended 31 December 2020
(continued)**

Statement of disclosure of information to auditors

So far as the General Partner is aware, there is no relevant audit information of which the Partnership's auditors are unaware, the General Partner has taken all the steps that ought to have been taken in order to make itself aware of any relevant audit information and to establish that the Partnership's auditors are aware of that information.

For and on behalf of the General Partner.

A handwritten signature in black ink, appearing to read 'C K Brown', with a stylized flourish at the end.

C K Brown
Director

28 September 2021

Chrysalis Limited Partnership

Independent auditors' report to the partners of Chrysalis Limited Partnership

Report on the audit of the financial statements

Opinion

In our opinion, Chrysalis 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 international accounting standards in conformity with the requirements of the Companies Act 2006 as applied to qualifying partnerships; 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 and audited financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2020; the statement of comprehensive income, the statement of changes in equity and the 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.

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

Chrysalis Limited Partnership

Independent auditors' report to the partners of Chrysalis Limited Partnership (continued)

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 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.

General Partner's report

In our opinion, based on the work undertaken in the course of the audit, the information given in the 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 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 the General Partner's responsibilities, 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 qualifying partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the general partner either intends to liquidate the qualifying 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.

Based on our understanding of the partnership and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006, 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 of inappropriate journal entries and the application of potential management bias in accounting estimate, specifically the consideration of expected credit losses under IFRS 9. Audit procedures performed by the engagement team included:

- discussing with management and those charged with governance in relation to known or suspected instances of non-compliance with laws and regulations and fraud;

Chrysalis Limited Partnership

Independent auditors' report to the partners of Chrysalis Limited Partnership (continued)

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 General Partner's report, we also considered whether the disclosure required by the

Chrysalis Limited Partnership

Independent auditors' report to the partners of Chrysalis Limited Partnership (continued)

- performing risk assessment analytical procedures to identify any unusual or unexpected relationships, transactions outside the normal course of business or that may be indicative of a material misstatement due to fraud;
- reading minutes of meetings of those charged with governance;
- performing testing over manual journals based on a specific risk parameters to address the risk of fraud through management override of controls and considering any impairment triggers to mitigate the risk of investments being potentially overstated; and
- considering elements of unpredictability into the nature, timing and/or extent of our testing

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. 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 partners 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.

Entitlement to exemptions

Under the Companies Act 2006 as applied to qualifying partnerships we are required to report to you if, in our opinion, the general partner was not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Hannah Solway (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

28 September 2021

Chrysalis Limited Partnership

Statement of comprehensive income for the year ended 31 December 2020

	Note	2020 £m	2019 £m
Revenue	2	0.9	1.4
Cost of sales		(0.9)	(1.4)
Result for the financial year	9	-	-

All of the above results relate to the continuing activities of the Partnership.

The notes on pages 13 to 25 are an integral part of these financial statements.

Chrysalis Limited Partnership

Statement of financial position as at 31 December 2020

	Note	2020 £m	2019 £m
Assets			
Non-current Assets			
Loans	5	25.1	22.5
Trade and other receivables	6	2.0	1.7
Total non-current assets		27.1	24.2
Current Assets			
Cash and cash equivalents		9.5	12.2
Total current assets		9.5	12.2
Total assets		36.6	36.4
Liabilities			
Non-current liabilities			
Borrowings	7	(34.8)	(34.8)
Total non-current liabilities		(34.8)	(34.8)
Current Liabilities			
Trade and other payables	8	(1.8)	(1.6)
Total current liabilities		(1.8)	(1.6)
Total liabilities		(36.6)	(36.4)
Equity			
Capital accounts	9	-	-
Profit and loss account	9	-	-
Partners' equity	9	-	-

The financial statements on pages 9 to 25 were approved by the General Partner on 28 September 2021 and were signed on its behalf by:



C K Brown
Director

Chrysalis Limited Partnership

Statement of changes in equity for the year ended 31 December 2020

	Note	Total £
Capital accounts:		
At 1 January 2019		100
Movements in year		-
At 31 December 2019	9	100
Movements in year		-
At 31 December 2020	9	100
Retained earnings:		
At 1 January 2019		-
Result for the year		-
Retained earnings at 31 December 2019	9	-
Result for the year		-
Retained earnings at 31 December 2020	9	-
Total equity at 31 December 2019 and 31 December 2020	9	100

Chrysalis Limited Partnership

Statement of cash flows for the year ended 31 December 2020

	Note	2020 £m	2019 £m
Cash flows from operating activities			
Cash used in operations	10	(2.7)	(1.8)
Net cash used in operating activities		(2.7)	(1.8)
Net decrease in cash and cash equivalents		(2.7)	(1.8)
Cash and cash equivalents at the beginning of the year		12.2	14.0
Cash and cash equivalents at the end of the year	11	9.5	12.2

Chrysalis Limited Partnership

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

1 Principal accounting policies

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The General Partner has taken advantage of the small companies' exemption from preparing a strategic report.

Basis of accounting and preparation

The financial statements are prepared in accordance with the historical cost convention and on a going concern basis.

Changes in accounting policy and disclosures

New standards and interpretations not yet adopted

There are no new accounting standards and interpretations that have been published that the Partnership is adopting early.

The following standard (and amendments thereto) have been issued by the IASB and the IFRIC which are not yet effective and have not been adopted, many of which are either not relevant to the Partnership or have no material effect on the financial statements of the Partnership.

Effective Dates *

IFRS 17 *Insurance Contracts*

01 January 2023

The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. In the majority of cases this will result in an effective date consistent with that given in the original standard of interpretation but the need for endorsement restricts the Partnership and Partnership's discretion to early adopt standards.

Revenue

Revenue consists of funds received or receivable in the United Kingdom from LCRCA, interest receivable from borrowers and project costs directly rechargeable to borrowers.

Interest receivable on financial assets is calculated by applying the effective interest rate to the gross carrying amount of financial assets. (See the financial instruments accounting policy below).

Other non-interest revenue is recognised on completion of the underlying service and fulfilment of performance obligations in accordance with IFRS 15. The performance obligation of the Partnership is providing a loan facility to the borrower. Revenue is recognised when the interest is contractually entitled to as stated in a borrower loan agreement. The revenue is measured at the interest rate on the outstanding capital balance of the borrower loan amount.

Cost of sales

Cost of sales represents those costs attributable to management fees for the delivery of the JESSICA programme (including set up fees) and associated expenses recorded in the year.

Chrysalis Limited Partnership

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

1. Principal accounting policies (continued)

Taxation

Tax payable on the Limited Partnership's profits is the liability of the individual or corporate partners and consequently is not dealt with in these financial statements.

VAT is not recoverable on supplies.

Financial instruments

Recognition and de-recognition

Financial assets and financial liabilities are recognised when the Partnership becomes a party to the contractual provisions of the instrument. At initial recognition, financial assets and financial liabilities are measured at fair value, plus or minus transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. The Partnership continues to recognise financial assets until the rights to receive cash flows have expired or the Partnership has transferred substantially all the risks and rewards of ownership. The Partnership continues to recognise financial liabilities until the liability has been settled, extinguished or has expired.

Classification and subsequent measurement

Financial assets

Financial assets that are held to collect contractual cashflows and the contractual cashflows represent solely payments of principal and interest are classified and measured as amortised cost. The Partnership's financial assets classified and measured as amortised cost are loans, cash and cash equivalents and trade and other receivables.

Financial assets that are held to collect contractual cash flows and for subsequent sale, where the assets' cash flows represent solely payments of principal and interest are classified and measured as fair value through other comprehensive income. The Partnership currently has no financial assets classified and measured as fair value through other comprehensive income.

Financial assets are classified and measured as fair value through profit or loss where they do not meet the criteria to be measured at amortised cost or fair value through other comprehensive income or where they are optionally and irrevocably designated at fair value through profit or loss. The Partnership currently has no financial assets classified and measured as fair value through profit or loss.

Financial liabilities

Financial liabilities are classified and measured at amortised cost unless they are held for trading (including all derivatives) or has been optionally and irrevocably designated at fair value through profit or loss. The Partnership's borrowings are classified and measured as amortised cost.

Amortised cost

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance. Interest income is recognised using the effective interest method.

Chrysalis Limited Partnership

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

1. Principal accounting policies (continued)

Financial instruments (continued)

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that have subsequently become credit-impaired (or 'stage 3'), for which interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

Impairment of financial assets

At each reporting date, the Partnership recognises a loss allowance for expected credit losses (ECLs) on financial assets carried at amortised cost. The measurement of ECL reflects an unbiased probability weighted amount that is determined by evaluating a range of possible outcomes on a forward-looking basis.

IFRS 9 outlines a three stage model for impairment based on changes in credit risk since initial recognition:

- Stage 1 – Financial assets are classified in stage 1 unless there has been a significant increase in credit risk since initial recognition or the asset is deemed to be credit impaired.
- Stage 2 – Financial assets with a significant increase in credit risk since initial recognition are classified as stage 2.
- Stage 3 – Financial assets which are credit impaired are classified as stage 3.

Loss allowances are recognised for 12 month ECLs for financial assets in stage 1, and lifetime ECLs for financial assets in stage 2 or 3.

Significant increase in credit risk

At each reporting date, the Partnership assess whether the credit risk on a financial asset has increased significantly since initial recognition. In making this assessment, the Partnership considers the change in the risk of a default occurring over the expected life of the financial asset rather than the change in the amount of expected credit losses.

A significant increase in credit risk is considered to have occurred when:

- Short-term forbearance arrangements are made;
- Covenants are waived;
- A significant deterioration in the financial performance or position of the borrower is identified;
- A significant deterioration in collateral value occurs which is expected to increase the risk of default is identified;
- Significant adverse changes in the business, financial and/or economic environment in which the borrower operates are identified; or
- Early signs of financial difficulty of the borrower are identified.

Chrysalis Limited Partnership

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

1. Principal accounting policies (continued)

A back-stop is applied, with a financial asset considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual obligations.

Definition of default and credit-impaired assets

A financial asset is considered to be in default and credit-impaired when:

- Long-term forbearance arrangement are made;
- Covenants are breached;
- The borrower is insolvent or likely to enter bankruptcy; or
- Other indicators that the borrower is in significant financial difficulty are identified.

A back-stop is applied, with a financial asset considered to have experienced a significant increase in credit risk if the borrower is more than 90 days past due on its contractual obligations.

Measurement of ECL

The measurement of ECL reflects an unbiased probability weighted amount that is determined by evaluating a range of possible outcomes on a forward-looking basis. The ECL is measured on either a 12 month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether a financial asset is considered to be credit impaired.

The key components of the ECL calculation are the probability of default (PD) and loss given default (LGD).

PD represents the likelihood of the borrower defaulting on its obligations and becoming credit-impaired. This is measured over the next 12 months for stage 1 financial assets or over the assets expected lifetime for stage 2 and 3 financial assets. The estimate of PD includes consideration of historic loss experience.

LGD describes the Partnership's estimate of potential loss if a borrower were to default. The estimate of LGD includes consideration of collateral type, collateral value, and outstanding exposure at default.

Forward-looking information is captured in the calculation of ECL through the inclusion of multiple scenarios and potential outcomes which are probability weighted.

Write-off policy

The Partnership writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held on call with banks.

Capital

Partners' equity balances are classified according to the substance of the contractual arrangements entered into.

Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The critical estimates and judgements are described below:

Chrysalis Limited Partnership

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

1. Principal accounting policies (continued)

Impairment on loans

The estimation of the required allowance for ECL required the use of several assumptions and management judgement.

Key assumptions within the estimation of allowance for ECL includes an assessment of significant changes in credit risk, estimates of the PD and LGD. See the accounting policy for financial instruments above. It is considered that any reasonably possible variation in the assumptions adopted could impact the estimated ECL recognised in the financial statements. However based on the assessments performed, changes in these assumptions are not considered material relating to the facts and circumstances at the balance sheet date.

With the subsequent change in the economic conditions and impact of Covid it is considered likely that market expectations of collateral values and additional strain on developers to complete and successfully market properties will occur. We continue to monitor our investments and the credit worthiness of our lenders and are continuing to assess the potential impact of these potential negative indicators.

2 Revenue

Revenue consists of funds received or receivable in the United Kingdom from LCRCA, interest receivable from borrowers and project costs directly rechargeable to borrowers. Revenue is recognised when the interest is contractually entitled to as stated in a borrower loan agreement. The revenue is measured at the interest rate on the outstanding capital balance of the borrower loan amount.

3 Operating result

Operating result is stated after charging:

	2020	2019
	£'000	£'000
Fees payable to auditors for the audit of partnership financial statements	48	39

4 Staff

There were no (2019: none) staff employed by the partnership during the year.

Chrysalis Limited Partnership

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

5 Loans

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
At 31 December 2020				
Loans	8.0	11.5	5.6	25.1
Less allowance for expected credit losses	-	-	-	-
Total	8.0	11.5	5.6	25.1

During 2014, Chrysalis Limited Partnership advanced £5.6m for a building development in Liverpool City Centre. As at 31 December 2020, having performed an ECL assessment, we are comfortable that a material impairment is not required on the loan. The final repayment date of the loan principal is 5 October 2023.

The collateral for this loan includes a fixed, first ranking charge over the subject property and bank accounts in addition to a capped parent company guarantee totalling £150,000. There have been no material changes to the quality of the collateral over the period.

During 2015, Chrysalis Limited Partnership advanced £11.5m to a Life Sciences building in Liverpool. As at 31 December 2020, there was no material impairment of the loan. The final repayment date of the loan principal is 31 August 2022.

This is an unsecured loan. Reliance is placed upon the financial covenant of the borrower with the express support of the Secretary of State for Health under Section 70 of the National Health Service Act 2006. There have been no material changes to the quality of the collateral over the period.

During 2018, Chrysalis Limited Partnership advanced £4.9m for the development of a new Grade A industrial/logistics facility on Knowsley Industrial Park. As at 31 December 2020 there was no material impairment of the loan. The entire loan was fully repaid in April 2021.

The collateral for this loan includes a fixed, first ranking charge over the subject property and bank accounts, a pledge of the Sponsor's shares in the Borrower and floating, first ranking charge over the borrower. There have been no material changes to the quality of the collateral over the period.

During 2019, Chrysalis Limited Partnership advanced £0.6m for the development of a multi-let industrial project in Sefton, Liverpool. A further £2.6m was drawn in 2020 and the entire loan was fully repaid in January 2021.

The collateral for this loan includes a first ranking security package over the assets of the borrower, including debenture over the project (first ranking security) in addition to an uncapped parent company guarantee. There have been no material changes to the quality of the collateral over the period.

The carrying value of the loans are deemed to be a reasonable approximation of their fair value.

The loans are repayable over an agreed period at a variable interest rate above base rate, which is at a market rate. Any interest paid by the borrowers is payable to LCRCA under the Loan Agreement.

Chrysalis Limited Partnership

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

5. Loans (continued)

IFRS 9 Loan Impairment Staging Assessment

Project	Principal Amount Outstanding £m	Staging Assessment 2020	Staging Assessment 2019
Life Sciences building, Liverpool	11.5	Stage 2	Stage 3
New Grade A industrial/logistics facility, Knowsley	4.9	Stage 1	Stage 1
Office building development, Liverpool	5.6	Stage 3	Stage 3
Multi-let industrial project, Sefton	3.1	Stage 1	Stage 1
Total	25.1		

It should be noted that the staging assessment for the Life Sciences building loan has moved from a Stage 3 in 2019 to Stage 2 for the current period.

The assessment of the significant increase in credit risk was impacted in 2019 by a breach of the minimum occupancy threshold which has since been rectified.

6 Trade and other receivables

	2020	2019
	£m	£m
Trade debtors	2.0	1.7
Total	2.0	1.7

Chrysalis Limited Partnership

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

7 Borrowings

	2020	2019
	£m	£m
Non-current		
LCRCA loan	0.5	0.5
LCRCA funds available for commitment	34.3	34.3
Total	34.8	34.8

LCRCA funds advanced as loans (the Loan) has been fully drawn for the purpose of investment into projects complying with the Investment Strategy agreed with LCRCA. The Loan is not interest bearing other than any interest accrued on bank deposits and that paid to Chrysalis Limited Partnership under On-Lending Agreements with projects from which fees and costs are deducted. LCRCA have a charge over cash held within Chrysalis Limited Partnership deposit accounts and assignment rights over On-Lending Agreements.

The Loan is repayable from March 2022 as Chrysalis Limited Partnership receives funds as repayments under On-Lending Agreements. The first possible repayment date is February 2023.

The carrying value is viewed as a reasonable approximation to fair value. Partnership funding from LCRCA is not exposed to interest rate or currency fluctuation. Please refer also to Note 13 on Financial Risk Factors in accordance with IFRS.

8 Trade and other payables

	2020	2019
	£m	£m
Accruals and deferred income	1.8	1.6
Total	1.8	1.6

Chrysalis Limited Partnership

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

9 Partners' equity

	Chrysalis (General Partner) Limited	Igloo Investment Management Limited
	£	£
Capital accounts:		
At 1 January 2020 and 31 December 2020	-	100
Profit and loss account:		
Results for the financial year ended 31 December 2019 and 2020	-	-
Total equity at 31 December 2019 and 31 December 2020	-	100

10 Cash used in operations

Reconciliation of Result for the financial year to Cash from operations:

	2020	2019
	£m	£m
Result for the financial year	-	-
Adjustment for:		
Changes in working capital		
- Trade and other receivables	(0.3)	(0.1)
- Trade and other payables	0.2	0.3
- Loans to borrowers	(2.6)	(2.0)
Cash used in operations	(2.7)	(1.8)

Chrysalis Limited Partnership

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

11 Reconciliation of net debt

	At 1 January 2020	Cash flow	31 December 2020
	£m	£m	£m
Cash and cash equivalents	12.2	(2.7)	9.5
Borrowings due after one year	(34.8)	-	(34.8)
Net debt	(22.6)	(2.7)	(25.3)

12 Related Party Transactions

During the year the Partnership entered into the following aggregate trading transactions with sales to and purchases from related parties:

	2020	2019
	£m	£m
Igloo Regeneration Limited (Igloo) – Fees charged	0.5	0.5

The amounts paid to Igloo include charges for the services and expenses of Chrysalis Limited Partnership in relation to the Chrysalis Limited Partnership consortium partners (AY and RBC) and other expenses.

At 31 December 2020, £0.1m is due to Igloo Regeneration Limited (31 December 2019: £0.1m)

The relationships with the related parties were as follows;

Related Party	Relationship
Igloo Regeneration Limited	Ultimate Parent company of the General Partner and Limited Partner and common directorship.

Chrysalis Limited Partnership

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

13 Financial Risk Factors

The Partnership's risk management policies are monitored by Igloo in its capacity as Urban Development Fund (UDF) Manager of the Partnership and risks are reviewed quarterly by the Directors of the general partner. The process of continuous monitoring, review and challenge is via the quarterly GP Board meetings. All individual loans are reviewed and progress reported at each meeting via the Progress Report. The Progress Report includes full updated commentary on every portfolio loan together with a traffic light rating of a variety of specific risks related to each loan and ongoing commentary on borrower covenant / financial standing and any other material issues.

The Partnership's exposure to different types of risk is limited by the nature of its business to financial risks as follows:

(i) Market risk

The Partnership's exposure to market risk takes the form of property valuations and rental rates, which have a direct impact on the value of security held against loans and the ability of the asset to generate cash to service these loans.

Where appropriate, external independent valuations are instructed as part of the process of analysing property specific risks. Through the Managers regular monitoring quarterly updates on letting enquiries, occupancy levels, rent collection / arrears, lease events and any other material issues are reviewed for each portfolio loan.

(ii) Credit risk

The Partnership's exposure is to receivables under Loan Agreements consisting of fees, interest payments and capital repayments and cash balances held by the Partnership.

The credit risk on cash is limited because the cash is held with recognised and regulated banks. As of 31 December 2020, the Partnership held cash with Barclays Bank PLC. The current long term credit rating from Moody's is A1 Stable.

The General Partner's advisors assess the credit risks relating to prospective loans and a comprehensive credit assessment is undertaken when establishing loan terms. A portfolio performance review is undertaken regularly as part of the General Partner's monitoring programme, including consideration of the creditworthiness of the borrower and collateral assessment. For the loans that are secured the Loan to Value ratio is used and reviewed as part of the ongoing monitoring and checking for any decline in market valuations. Appropriate covenant tests are applied to each loan and monitored in accordance with loan agreements.

Collateral, in the form of debenture over the assets of borrowers and/or fixed charges over property, is considered sufficient to mitigate any material expected credit losses. The Fund has experienced no incidence of loss of principal (i.e. an inability to recover loan principal) since inception to date.

Where Chrysalis Limited Partnership is unable to recover amounts under On-Lending Agreements, this amount is waived under the Operational Agreement with LCRCA once all routes for recovery have been exhausted.

Trade and other receivables are not considered to represent a material credit risk. These principally comprise accrued interest on portfolio loans as normal course of business. There has been no experience of loss (or any write off) of interest nor principal to date since fund inception.

The maximum exposure to credit risk is equivalent to the carrying amount for all financial assets.

Chrysalis Limited Partnership

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

13. Financial Risk Factors (continued)

(iii) Operational risk

Operational risk arises as a result of inadequate or failed internal processes, people or systems, or from external events. The partnership managers operate in accordance with an approved compliance manual setting out the operational procedures. The procedures are subject to ongoing review and external scrutiny.

(iv) Liquidity risk

Liquidity risk is managed by ensuring that there is always sufficient headroom available to meet the working capital requirements of the Partnership using the financial model updated and monitored by the Managers. Additional consideration has been given to potential liquidity risk via the IFRS9 Loan Impairment analysis and further, a specific paper addressing potential cashflow risk to the Fund in a range of downside (default) scenarios. Even in the worst case scenario (one of total default across all portfolio loans), sufficient liquidity would remain available to allow the Fund to continue to operate business as usual over a 12 month period (from the date of these accounts being approved) as a result of additional funding measures being available if required and before any operational or future investment decisions being further reviewed.

(v) Maturities of financial liabilities

The tables below analyse the Partnership's financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities	Less 6 months	6 -12 months	Between 1 – 2 years	Between 2 – 5 years	Total Contractual cash flows	Carrying amount
At 31 December 2020	£m	£m	£m	£m	£m	£m
Non-derivatives						
Borrowings	-	-	-	34.8	34.8	34.8
Trade and other payables	0.1	-	-	1.7	1.8	1.8
Total non-derivatives	0.1	-	-	36.5	36.6	36.6

Contractual maturities of financial liabilities	Less 6 months	6 -12 months	Between 1 – 2 years	Between 2 – 5 years	Total Contractual cash flows	Carrying amount
At 31 December 2019	£m	£m	£m	£m	£m	£m
Non-derivatives						
Borrowings	-	-	-	34.8	34.8	34.8
Trade and other payables	0.1	-	-	1.5	1.6	1.6
Total non-derivatives	0.1	-	-	36.3	36.4	36.4

Chrysalis Limited Partnership

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

13. Financial Risk Factors (continued)

vi) Capital management and borrowing

The Partnership's objectives when managing capital is to safeguard the Partnership's ability to continue as a going concern in order to provide returns and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

vii) Offsetting Financial Assets and Financial Liabilities

Within all assets and liabilities, all amounts are shown gross. As per IAS 32, offsetting is allowable if there is a legally enforceable right to do so and an intention to settle on a net basis. The Partnership does not meet the criteria within IAS 32.

viii) Capital

The managed capital of the Limited Partnership constitutes total equity. These consist entirely of issued ordinary share capital and any retained earnings.

14 Commitments and contingencies

As at 31 December 2020 the Partnership had loan commitments contracted for but not yet disbursed of £0.4m (2019: £0.4m) relating to the £5.4m loan facility for the logistics facility on Knowsley Industrial Park. This loan was repaid in full in April 2021, plus a £1.6m profit share.

The Partnership had loan commitments contracted for but not yet disbursed of £1.5m (2019: £4.0m) relating to the £4.5m loan facility for the multi-let industrial project in Sefton. This loan was repaid in full in January 2021.

15 Post balance sheet events

Two existing loans were repaid in full since 31 December 2020 (see note 14).

Two new loan facilities have been committed since 31 December 2020, totalling £8m. £4.8m of available facilities have been drawn.

16 Controlling party

The General Partner manages the Partnership. Igloo Regeneration Limited is the ultimate controlling party.