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REGISTERED NUMBER: 06046223 (England and Wales)

Metrocentre (GP) Limited

Directors Report and Financial Statements

for the year ended 31 December 2021

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Metrocentre (GP) Limited

**Contents of the Financial Statements
for the year ended 31 December 2021**

Metrocentre (GP) Limited

Company Information
for the year ended 31 December 2021

DIRECTORS:	CSC Directors (No. 1) Limited M W O Healy T Haden-Scott
SECRETARY:	CSC Corporate Services (UK) Limited
REGISTERED OFFICE:	5 Churchill Place 10th Floor London E14 5HU
REGISTERED NUMBER:	06046223 (England and Wales)
AUDITORS:	Deloitte LLP 1 New Street Square London EC4A 3HQ

Metrocentre (GP) Limited

Directors' Report
for the year ended 31 December 2021

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2021. This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

PRINCIPAL ACTIVITIES
The Company's principal activity is as the General Partner of The Metrocentre Partnership ('the Partnership') with the Company having a 0.01% interest in the Partnership's profits and net assets. The Partnership owns Metrocentre shopping centre and retail park, Gateshead.

REVIEW OF BUSINESS
The Company's results and financial position for the year ended 31 December 2021 are set out in full in the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

Result before tax was £nil (2020: £nil). Net liabilities at 31 December 2021 were £12,000 (2020: £12,000).

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. The directors have considered the future activity of the business below and within the going concern section.

DIVIDENDS
The directors do not recommend a dividend for the year (2020: £nil).

FINANCIAL RISK MANAGEMENT
The Company's approach to financial risk management is explained in note 13 to the financial statements.

CAPITAL MANAGEMENT
The directors consider the capital of the Company to be the ordinary share capital of £100,001 (2020: £100,001). Management of this capital is performed at the Metrocentre Parent Company Limited group level.

GOING CONCERN
Full detail in respect of going concern is set out in note 2. The going concern disclosure details that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern, and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Company is the General Partner to The Metrocentre Partnership ('the Partnership').

The Company holds a letter of support from the Partnership which undertakes to ensure that the General Partner will be put in a position to meet its financial obligations as they fall due. As such the Company is fully reliant on the Partnership's ability to support it and hence reliant on the going concern assessment of the Partnership.

The financial statements of the Partnership indicate that a material uncertainty exists that may cast significant doubt on its ability to continue as a going concern, and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In the event that the Partnership were no longer able to continue as a going concern, there may be no requirement for the General Partner or its subsidiaries to continue in operation (noting that the General Partner is liable for the debts of the Partnership, in its capacity as General Partner). In these circumstances, there may be no requirement for the Company to continue to hold investments in its subsidiaries and therefore to continue in operation.

Metrocentre (GP) Limited

Directors' Report
for the year ended 31 December 2021

Matters contributing to material uncertainty
As part of their review of the going concern assumptions for the Partnership, the directors have considered factors that may contribute to a material uncertainty in the assessment of going concern, and have identified the following matters:

1. As part of the original Noteholder consent processes which were successfully passed on 29 October 2020 (and which were supplemented on 29 December 2020, 29 March 2021, 29 June 2021, 22 October 2021, 22 February 2022 and 26 May 2022) the Noteholders agreed to certain forbearance, amendments and waivers including in relation to events of default and covenant breaches, and certain consequences of the occurrence of a Trigger Event were amended. The current forbearance will expire at the end of July 2022 unless it is extended. Work is underway to explore an alternative approach such that regular repeating of the consent processes is no longer necessary. Should the Noteholders choose not to extend their forbearance, they would be able to enforce their security. As the valuation of the asset is below the outstanding value of the £485m public notes, this could result in the Partnership entering administration.

2. The intercompany loan is due for repayment on 5 December 2023, and it is not anticipated that the Partnership will have funds available to repay the loan at that point. The directors have sought legal advice in respect of the steps necessary to extend this loan, and are preparing to consult with Noteholders in order to secure their consent to do so. The intercompany loan can potentially be extended as far as December 2028, which is the legal maturity date of the public notes which are 'back to back' with the intercompany loan.

3. The New Money Notes that were issued in November 2020 will be due for repayment on 6 December 2023. The directors intend to consult with the noteholder ad-hoc committee in due course regarding potential solutions for repayment or refinancing of these notes.

The directors have set out their judgements in relation to the matters referred to above in the partnership accounts.

Having reviewed the going concern assessment for the Partnership which includes review of the Partnership's business plans which are subjected to sensitivity analysis in respect of adverse collection rates and the potential requirement to pay cash interest from June 2022, the letter of support and having carefully considered the material uncertainty, the directors have formed the judgement that it is appropriate to prepare the financial statements on the going concern basis.

DIRECTORS

The directors who have held office during the period from 1 January 2021 to the date of this report are as follows:

CSC Directors (No. 1) Ltd
M W O Healy
T Haden-Scott (appointed 10 February 2021)

Company secretary
CSC Corporate Services (UK) Ltd

DIRECTORS' INDEMNITY PROVISION

A qualifying indemnity provision (as defined in S234 of the Companies Act 2006) was in force for the benefit of the directors of the Company during the financial year and at the date of the approval of the financial statements. Since transition from the Intu platform the Company has maintained its own directors' and officers' insurance which is reviewed annually.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with the United Kingdom adopted accounting standards and International Financial Reporting Standards as issued by the IASB. 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Metrocentre (GP) Limited

Directors' Report
for the year ended 31 December 2021

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- each 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 auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

AUDITORS
Deloitte LLP have expressed their willingness to continue in office as auditors.

ON BEHALF OF THE BOARD:

DocuSigned by:
Martin Healy
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M W O Healy - Director

Date:

Independent Auditor's report to the members of Metrocentre (GP) Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements of Metrocentre (GP) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of the result for or the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of profit or loss and other comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, which indicates that the company is reliant on The Metrocentre Partnership (the 'Partnership') to continue in operation. In the event that the Partnership were no longer able to continue as a going concern, there may be no requirement for the company to continue to hold investments in its subsidiaries and therefore to continue in operation. As stated in note 2, these events or conditions, along with the other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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.

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 auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud
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.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters 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 in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Use of our report
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.

DocuSigned by:
Philip Doherty
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Philip Doherty, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

28 June 2022

Metrocentre (GP) Limited

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2021

	Notes	31.12.21 £	31.12.20 £
CONTINUING OPERATIONS			
Revenue		-	-
PROFIT BEFORE INCOME TAX		-	-
Income tax	6	-	-
PROFIT FOR THE YEAR		-	-
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	-

There were no items of income or expense during the year ended 31 December 2021 or the prior year.

The notes on pages 13 to 20 form part of these financial statements

Metrocentre (GP) Limited

Statement of Financial Position
31 December 2021

	Notes	31.12.21 £	31.12.20 £
ASSETS			
NON-CURRENT ASSETS			
Investments	7	-	-
TOTAL ASSETS		-	-
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	8	100,001	100,001
Retained earnings	9	(112,001)	(112,001)
TOTAL EQUITY		(12,000)	(12,000)
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	12,000	12,000
TOTAL LIABILITIES		12,000	12,000
TOTAL EQUITY AND LIABILITIES		-	-

The financial statements of Metrocentre (GP) Limited (registered number 06046223) were approved by the Board of Directors and authorised for issue on 28 June 2022 and were signed on its behalf by:

DocuSigned by:
Martin Healy
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....
M W O Healy - Director

The notes on pages 13 to 20 form part of these financial statements

Metrocentre (GP) Limited

Statement of Changes in Equity
for the year ended 31 December 2021

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2020	100,001	(112,001)	(12,000)
Results and total comprehensive income for the year		-	-
Balance at 31 December 2020	100,001	(112,001)	(12,000)
Results and total comprehensive income for the year	-	-	-
Balance at 31 December 2021	100,001	(112,001)	(12,000)

The notes on pages 13 to 20 form part of these financial statements

Metrocentre (GP) Limited

Statement of Cash Flows
for the year ended 31 December 2021

	Notes	31.12.21 £	31.12.20 £
Cash flows from operating activities			
Cash generated from operations	12	-	-
Increase in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year		-	-

There were no items of cash income or expense during the year ended 31 December 2021 or the prior year.

Metrocentre (GP) Limited

**Notes to the Financial Statements
for the year ended 31 December 2021**

1. STATUTORY INFORMATION

Metrocentre (GP) Limited ("the Company") is a private company, limited by shares, registered in England and Wales.

2. ACCOUNTING POLICIES

Basis of preparation
These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates.

These financial statements are separate financial statements. The Company has taken an exemption under IFRS 10 from preparing consolidated financial statements as the Company is consolidated as a subsidiary in the Metrocentre Parent Company Limited group financial statements.

Statement of compliance
The financial statements have been prepared in accordance with United Kingdom international accounting standards and with International Financial Reporting Standards (IFRS) as issued by the IASB.

The following new and revised Standards and Interpretations have been issued:

Issued, and effective:

- Covid-19 Related Rent Concessions - amendments to IFRS 16
- Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (effective from 1 January 2021)

None of the above standards has had a material impact on the Company's financial statements for the year ended 31 December 2021.

The following standards were issued, but not yet effective, the impact on the financial statements has not yet been considered:

- Amendments to IFRS 17 Insurance Contracts
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Annual Improvements to IFRS Standards 2018-2020 Cycle
- Amendments to IFRS 1First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture
- Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies
- Amendments to IAS 8 Definition of Accounting Estimates
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets
- Deferred tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

2. **ACCOUNTING POLICIES - continued**

Going concern
The Company is the General Partner to The Metrocentre Partnership ('the Partnership').

The Company holds a letter of support from the Partnership which undertakes to ensure that the General Partner will be put in a position to meet its financial obligations as they fall due. As such the Company is fully reliant on the Partnership's ability to support it and hence reliant on the going concern assessment of the Partnership.

In the event that the Partnership were no longer able to continue as a going concern, there may be no requirement for the General Partner or its subsidiaries to continue in operation (noting that the General Partner is liable for the debts of the Partnership, in its capacity as General Partner). In these circumstances, there may be no requirement for the Company to continue to hold investments in its subsidiaries and therefore to continue in operation.

The financial statements of the Partnership indicate that a material uncertainty exists that may cast significant doubt on its ability to continue as a going concern, and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business:

Matters contributing to material uncertainty
As part of their review of the going concern assumptions for the Partnership, the directors have considered factors that may contribute to a material uncertainty in the assessment of going concern, and have identified the following matters:

1. As part of the original Noteholder consent processes which were successfully passed on 29 October 2020 (and which were supplemented on 29 December 2020, 29 March 2021, 29 June 2021, 22 October 2021, 22 February 2022 and 26 May 2022) the Noteholders agreed to certain forbearance, amendments and waivers including in relation to events of default and covenant breaches, and certain consequences of the occurrence of a Trigger Event were amended. The current forbearance will expire at the end of July 2022 unless it is extended. Work is underway to explore an alternative approach such that regular repeating of the consent processes is no longer necessary. Should the Noteholders choose not to extend their forbearance, they would be able to enforce their security. As the valuation of the asset is below the outstanding value of the £485m public notes, this could result in the Partnership entering administration.

2. The intercompany loan is due for repayment on 5 December 2023, and it is not anticipated that the Partnership will have funds available to repay the loan at that point. The directors have sought legal advice in respect of the steps necessary to extend this loan, and are preparing to consult with Noteholders in order to secure their consent to do so. The intercompany loan can potentially be extended as far as December 2028, which is the legal maturity date of the public notes which are 'back to back' with the intercompany loan.

3. The New Money Notes that were issued in November 2020 will be due for repayment on 6 December 2023. The directors intend to consult with the noteholder ad-hoc committee in due course regarding potential solutions for repayment or refinancing of these notes.

The directors have set out their judgements in relation to the matters referred to above in the partnership accounts.

2. ACCOUNTING POLICIES – continued

Going Concern - Conclusion
The matters described above indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern, and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Having reviewed the going concern assessment for the Partnership which includes review of the Partnership's business plans which are subjected to sensitivity analysis in respect of adverse collection rates and the potential requirement to pay cash interest from June 2022, the letter of support and having carefully considered the material uncertainty, the directors have formed the judgement that it is appropriate to prepare the financial statements on the going concern basis.

Taxation
Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

Investments
The Company's investment in subsidiaries is carried at cost less impairment.

Impairment of assets
The Company's assets are reviewed at each balance sheet date to determine whether events or changes in circumstances exist that indicate that their carrying amount may not be recoverable. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

At each balance sheet date the Company reviews whether there is any indication that an impairment loss recognised in previous periods may have decreased. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss recognised in prior periods is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount. In this case the asset's carrying amount is increased to its recoverable amount but not exceeding the carrying amount that would have been determined had no impairment loss been recognised. The reversal of an impairment loss is recognised in the income statement.

Trade payables
Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

Current/non-current classification
Current liabilities include liabilities held primarily for trading purposes, cash and cash equivalents, and liabilities expected to be realised in, or intended for sale or consumption within one year of the reporting date. All other assets and liabilities are classified as non-current.

Share capital
Ordinary shares are classified as equity.

3. CRITICAL ACCOUNTING JUDGEMENTS & KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with the Company's accounting policies requires the management to make judgements and use estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period.

There were no critical accounting judgements or key sources of estimation uncertainty used in the preparation of these financial statements.

4. EMPLOYEES AND DIRECTORS

There were no employees or staff costs for the year ended 31 December 2021 or for the year ended 31 December 2020.

Under the provisions of the Limited Partnership Deed, costs of the directors' services are borne by the Metrocentre Partnership. The directors did not receive or waive any emoluments (2020 £nil) in respect of their services to the Company.

Directors' remuneration for services to the partnership was as follows:

	2021	2020
	£m	£m
Remuneration for qualifying services	(0.8)	(0.7)
Of which was paid to the highest paid director	(0.6)	(0.6)

5. OPERATING EXPENSES

The cost of the Company's independent auditors totalling £9,500 (2020: £9,000) were paid for by Metrocentre Partnership. Fees payable to the company's auditors are solely for the audit of the financial statements.

6. INCOME TAX

The Company has a tax liability of nil (2020: nil).

7. INVESTMENTS

	Shares in group undertakings £
COST	
At 1 January 2021 and 31 December 2021	100,001
PROVISIONS	
At 1 January 2021 and 31 December 2021	100,001
NET BOOK VALUE	
At 31 December 2021	-
At 31 December 2020	-

The related undertakings and significant holdings at 31 December 2021 are listed below. All are incorporated and registered in England and Wales.

	Class of Share	Number held	% held	Principal activities
Metrocentre (Holdco) Limited*/**	£1 Ordinary	1	100%	Dormant
Metrocentre (Subco) Limited*	£1 Ordinary	1	100%	Dormant
Metrocentre (Nominee No. 1) Limited*	£1 Ordinary	1	100%	Dormant
Metrocentre (Nominee No. 2) Limited*	£1 Ordinary	1	100%	Dormant

* The company's registered office is 5 Churchill Place, 10th Floor, London, England, E14 5HU.
** Related undertaking held directly by Metrocentre (GP) Limited

Metrocentre (GP) Limited acts as the General Partner to The Metrocentre Partnership* in accordance with the Limited Partnership Deed and holds a 0.01% interest in the Partnership. The historic cost of the investment is £100,000 (2020: £100,000).

The General Partner is responsible for carrying out day to day management of the Partnership on behalf of the Limited Partners. The Company does not have a material economic exposure to the Partnership on account of its 0.01% holding.

The General Partner is liable for the debts of the Partnership in the event that the Partnership is unable to pay any of its debts or liabilities or discharge its obligations to third parties, under the terms of the Limited Partnership Deed dated 26 April 2007. As the Partnership is a going concern and is meeting its liabilities as they fall due, then no liability for the debts of the Partnership currently exists. As such we consider the fair value of that liability to be nil.

The Company's holding in the Partnership has been fully impaired due to the net liability position of the Partnership.

* The Partnership's registered office is 5 Churchill Place, 10th Floor, London, England, E14 5HU.

8. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.12.21 £	31.12.20 £
100,001	Ordinary	£1	100,001	100,001

9. RESERVES

	Retained earnings £
At 1 January 2021	(112,001)
Profit for the year	-
At 31 December 2021	(112,001)

10. TRADE AND OTHER PAYABLES

	31.12.21 £	31.12.20 £
Current:		
Amounts owed to group undertakings	12,000	12,000

Amounts due to group undertakings are unsecured, have no fixed date of repayment, no interest and are repayable on demand.

11. ULTIMATE PARENT COMPANY / ULTIMATE CONTROLLING PARTY

The ultimate parent company and ultimate controlling party is intu properties plc (in administration), a company incorporated and registered in England and Wales. The administrators have confirmed that they are not expecting to produce consolidated accounts which include Metrocentre entities.

The smallest and largest group to consolidate these financial statements is Metrocentre Parent Company Limited.

The immediate parent company is Metrocentre Parent Company Limited, a company incorporated in England and Wales, copies of whose financial statements may be obtained from 5 Churchill Place, 10th Floor, London, England, E14 5HU.

12. RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	31.12.21 £	31.12.20 £
Profit before income tax	-	-
Cash generated from operations	-	-

13. FINANCIAL RISK MANAGEMENT

The Company is exposed to liquidity risk arising from the operations of the Metrocentre Partnership, in so far as the going concern assumption for the company rests upon that of the Partnership.

The Company's financial risk management is carried out by the Directors and the policies for managing each of these risks as they apply to the Company and their impact on the results for the year are summarised below.

Liquidity risk
Liquidity risk is managed to enable the Company to meet future payment obligations when financial liabilities fall due. The Company, through Metrocentre Partnership aims to meet this objective through maintaining a substantial cash balance and available liquidity facility, supplemented by additional financing where necessary.

The maturity analysis of the company's financial liabilities based on the undiscounted contractual obligations to make payments of interest and to repay principal may be summarised:

	Repayable within 1 year or on demand	Total
	£	£
At 31 December 2021		
Amounts due to group undertakings	(12,000)	(12,000)
At 31 December 2020		
Amounts due to group undertakings	(12,000)	(12,000)

Credit risk
The company has no exposure to credit risk.

Classification of financial assets and liabilities
The Company's accounting classification of each class of financial assets and liabilities, and their fair values, may be summarised:

2021	**Carrying value**	**Fair Value**
	£	£
Trade and other payables	(12,000)	(12,000)
Total financial liabilities - amortised cost	(12,000)	(12,000)

2020	**Carrying value**	**Fair Value**
	£	£
Trade and other payables	(12,000)	(12,000)
Total financial liabilities - amortised cost	(12,000)	(12,000)

There are no financial assets or liabilities for which fair value differs to carrying value.

There were no gains or losses arising on financial assets or liabilities recognised in either the income statement or direct to equity (2020: £nil).

14. POST BALANCE SHEET EVENTS

Further consent solicitation processes were passed on 28 February 2022 and 26 May 2022 which extended the noteholder forbearance/waivers in respect of the financial covenants and other events of default for a further period of three and two months respectively on each occasion.

Registration No. LP12102

THE METROCENTRE PARTNERSHIP

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

THE METROCENTRE PARTNERSHIP

REGISTERED OFFICE	10TH Floor 5 Churchill Place London United Kingdom E14 5HU
REGISTERED NUMBER	LP012102
AUDITORS	Deloitte LLP 1 New Street Square London EC4A 3HQ
BANK	HSBC Plc 8 Canada Square London E14 5HQ
ASSET MANAGER	Sovereign Land (Management) Ltd 4th Floor Connaught House 1-3 Mount Street London W1K 3NB
PROPERTY MANAGER	Savills 33 Margaret Street London W1G 0JD

THE METROCENTRE PARTNERSHIP

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The General Partner submits its Strategic Report of The Metrocentre Partnership ("the Partnership") for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

In accordance with the Limited Partnership Deed the principal activity of the Partnership is the ownership, management and development of the Metrocentre shopping centre and Metro retail park, Gateshead.

The Metrocentre Partnership is a qualifying partnership.

SECTION 172(1) STATEMENT

The Partnership is a qualifying partnership for the purposes of the Partnerships (Accounts) Regulations 2008. Accordingly, it has no directors and is therefore unable to prepare a Section 172(1) statement.

BUSINESS REVIEW

The Partnership's results and its financial position for the year ended 31 December 2021 are set out in full in the income statement and statement of comprehensive income, the balance sheet, the statement of changes in partners' funds, the statement of cash flows and the notes to the financial statements.

The Partnership has traded well during 2021 following the lifting of lockdown restrictions in England, which has brought about a return to a more normal pattern of trading. From 12 April 2021 non-essential stores were permitted to trade, with the opening of leisure facilities and the majority of food and beverage outlets from 17 May 2021.

The net increase in cash during the year was £22.1 million, this was assisted by the fact the Partnership did not pay cash for either of the £10m coupons falling due in the year. The June 2021 coupon was paid by the Issuer making use of the liquidity facility, which was passed to the Partnership by adding it to the intercompany loan. The Noteholders passed a consent solicitation on 22 October 2021, allowing for the £10.0m cash pay interest coupon on the 8.75% £485m public notes which was due on the 6 December 2021 to be capitalised as PIK (Payment in Kind).

Revenue has reduced to £42.3m (2020: £50.4m) as the impact of tenants lost during 2020 was annualised. In addition, some leases that expired during the year were renegotiated at lower rates in a rental market that remains strongly in favour of the tenants, due to the oversupply of rental property. There were markedly fewer instances of tenants entering administration or company voluntary arrangements (CVAs) during 2021 than there had been in 2020. Following the period of unprecedented disruption caused by the Covid-19 pandemic and associated lockdowns, we have supported tenants where possible and negotiated with them individually, waiving payment of certain debts where appropriate to secure continued occupation and to maximise the ability of the business to collect debts.

A revaluation deficit of £28.9 million was recorded during the year (2020: deficit of £228.8 million), all of which related to the first half of 2021. The property valuation performed in December 2021 showed a slightly higher value than that performed in June 2021. The normalisation of the trading environment appears to have led to a stabilisation in the sentiment for retail assets towards the latter part of the year.

Net rental income (NRI) was £29.9 million compared to £10.2 million for the previous year. This increase is mainly due to the release of part of the provision constituted in 2020 for expected credit losses on operating leases as well as the removal of the costs associated with the transitional services agreement in 2020. See note 2 for details.

The loss transferred to the partners' current account was £93.0m compared with a loss of £262.7 million for the previous year. Net liabilities at 31 December 2020 were £611.7 million (2020: £518.7 million).

Footfall for the year has increased to 10.5 million people (2020: 8.7 million), although comparisons are hampered by the existence of different of different Covid-19 lockdown restriction periods during 2021 and 2020, when the centre was closed for all but essential businesses. During 2019 the footfall was 17.8 million people, this is not directly comparable to 2021, when the centre was mostly closed until mid-April. It is expected that year-on-year comparisons will become meaningful again from May 2022 onwards.

THE METROCENTRE PARTNERSHIP

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

BUSINESS REVIEW (CONTINUED)

Following the continued impact of Covid-19 on the retail sector and the knock-on impact on the ability of tenants to pay rent, the Partnership considers the following Key Performance Indicators (KPIs) to be appropriate measurements of the performance of the business.

	2021	**2020**
	£m	**£m**
Cash and cash equivalents	52.1	30.0
Property Valuation	413.9	437.8

The members have considered the future activity of the business on page 3 and within the going concern section.

STREAMLINED ENERGY AND CARBON REPORT

The Partnership is required to report under the Streamlined Energy and Carbon Reporting framework in accordance with the Companies and Limited Liability Partnerships Regulations 2018. UK greenhouse gas emissions and energy usage data for the period 1 January 2021 to 31 December 2021 is as follows:

Energy Consumption by source	**Unit**	**2021**	**2020**
Natural Gas	kWh	1,168,443	1,224,594
Electricity	kWh	4,111,987	4,443,109
Fuel	kWh	82,196	-
Total	**kWh**	**5,362,626**	**5,667,703**

GHG Emissions	**Unit**	**2021**	**2020**
Scope 1	tCO_2e	236	225
Scope 2 (location-based)	tCO_2e	873	1,036
Scope 2 (market-based)	tCO_2e	-	602
Total (location-based)	tCO_2e	**1,109**	**1,261**
Total (market-based)	tCO_2e	**236**	**827**

Intensity Metrics	**Unit**	**2021**	**2020**
GHG intensity (location-based)	kg CO_2e/ft^2	0.6	0.7
GHG intensity (market-based)	kg CO_2e/ft^2	0.1	0.4

THE METROCENTRE PARTNERSHIP

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

STREAMLINED ENERGY AND CARBON REPORT (CONTINUED)

Qualification and reporting methodology
The emissions are calculated following the guidance from the revised edition of the GHG Protocol Corporate Accounting and Reporting Standard and UK Government Guidance on SECR. Scope 2 emissions are reported using both location-based and market-based emissions factors to show the benefit of sourcing choices and use of renewable energy. Location-based emissions were calculated using conversion factors from the UK Government Department for Business, Energy & Industrial Strategy (BEIS). Market-based emissions were calculated using the emissions factor disclosed by the energy supplier, with a zero-emissions factor being used for the Renewable Energy Guarantees of Origin backed electricity supplies which applied from October 2020. In accordance with SECR guidance all tenant direct consumption is excluded from this report.

The reduction in energy consumption visible between 2021 and 2020 is primarily due to energy efficiency measures taken by the Metrocentre Partnership and a milder winter.

Intensity measurement
The chosen intensity ratio is total gross emissions per square foot of space in the Metrocentre, excluding the Retail Park where the vast majority of energy consumption is direct by tenant.

In 2021, the Metrocentre Partnership implemented the following initiatives to improve energy efficiency and reduce the associated GHG emissions.

- Four new escalators installed to Town square, saving 105,000 kWh of electricity per year
- Two new direct drive goods lifts and replacement of the hydraulic systems, saving 40,000 kWh of electricity per year
- New emergency LED lights set up on yellow mall and back of house, saving 22,000 kWh of electricity per year
- 80 new sensor LED installed in Tunnel area replacing fluorescent fittings, saving 18,000 kWh of electricity per year

FUTURE DEVELOPMENTS AND EVENTS AFTER THE REPORTING DATE
The prospect of further Government imposed lockdowns in England has receded as Government policy has moved towards an approach of 'Living with Covid'. Recent footfall metrics show that footfall in 2022 is around 22% down compared to 2019 levels (cumulative to 7 May 2022). The year 2019 has been used as the footfall comparator for 2022 because of the multiple periods of lockdown during 2020 and 2021, although year-on-year comparisons are expected to become valid from May 2022 onwards.

The independent property valuation for the Metrocentre and Metro retail park combined as at 31 December 2021 shows a decline of 5% in market value versus the 31 December 2020 position, down from £437.8 million to £413.9 million. However, the 31 December 2021 position represents an increase from the valuation dated 30 June 2021, which indicated a combined value of £411.0 million. The directors of the General Partner believe that the valuation risk remains significant in the near term. Although the value of the centre appears to have stabilised during 2021, market sentiment remains fragile and may be worsened if the economic factors affecting the UK consumer begin to have an impact on their propensity to spend. This particular risk is detailed overleaf.

PRINCIPAL RISKS AND UNCERTAINTIES

The Partnership recognises a variety of financial and market-based risks, including changes in economic conditions, retail specific factors and operational risk, particularly in respect of health and safety. These, either singularly or collectively, may affect revenue, cost structure or the value of assets within the business and are difficult to quantify.

The main financial risks arising from the Partnership's business are as follows:

- **Economic Conditions**
  There are various economic factors affecting the UK consumer during 2022, which could have an adverse effect on the level of footfall to the centre. These include; high inflation, rising energy and fuel bills (with further rises anticipated in October), rising interest rates and the recent increase in National Insurance contributions. It is not possible to predict the duration or level of impact on the consumer and the knock-on impact to the tenants in the centre.

- **Property market**
  The headwinds facing the sector are likely to continue in the immediate future following the all-time low in transaction volumes recorded in 2020. The market is shifting towards shorter, more flexible leases with greater use of turnover rent provisions, and the excess retail space in the sector has pushed the supply-demand balance well in favour of the tenant. The Partnership is executing a detailed business plan to improve the proposition of the centre, reduce vacant units and secure alternative uses to retail for parts of the centre.

- **Liquidity and cash flow risk**
  Liquidity and cash flow risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities and exposure to variability in cash flows. The decline in cash collection rates from tenants during 2020 was particularly challenging to manage, but the position improved strongly during 2021 as significant amounts of outstanding debt were collected. As a result, liquidity was strong at the year end, with an unrestricted cash balance of £51.5m. The Partnership will continue to hold robust debt negotiations with tenants to maximise the recovery of unpaid operating lease receivables from 2021 and prior periods. This may be aided by the ending of the Government's moratorium on landlord enforcement action; in a few specific cases tenants are believed to have the funds to settle their debt but have chosen not to do so during the moratorium.

- **Liquidity and interest coupon payment risk**
  As part of the original Noteholder consent processes which were successfully passed on 29 October 2020 (and which were supplemented on 29 December 2020, 29 March 2021, 29 June 2021, 22 October 2021, 22 February 2022 and 26 May 2022) the Noteholders agreed to capitalise the cash pay interest coupons due on 6 December 2021 and 6 June 2022. The business plan assumes that further noteholder support will be forthcoming in relation to the future cash coupons due in December 2022, June 2023 and December 2023.

- **Retail Sector and credit risk**
  Covid-19 caused significant financial distress for the majority of tenants during 2020, resulting in higher vacancy levels, increased tenant failures and reduced collection rates. This has accelerated the pre-existing retail sector changes associated with the shift from physical stores to online sales and shrinking store portfolios. The position improved markedly during 2021, as can be clearly seen in the ability of the Partnership to collect debt from tenants. The business plan proposes significant amounts of capital expenditure to improve the centre by introducing new, more relevant anchor tenants, broadening the leisure provision, introducing alternative uses to retail and reducing the number of retail units.

- **Brexit**
  The uncertainty associated with the UK's future relationship with the EU remained high during 2020 until the UK-EU Trade and Cooperation Agreement was approved in late December 2020. Under its headline terms, the UK and EU will continue tariff-free trade; however, businesses and individuals must deal with new regulations and procedures. The Partnership does not directly rely on imports or exports and is largely protected from the near-term impact of the UK's exit from the EU. Key suppliers to the Metrocentre are located within Great Britain, and the staffing needs of the centre are well supplied by the local labour market with no need to import skills. Key advisers are also based within the UK. Nonetheless, the Partnership will continue to monitor any risks associated with tax and regulation.

- **Health and Safety**
  Accidents, anti-social behavior or violent crime can lead to reputational loss. It is important that customers feel safe when using the Metrocentre and the Metro Retail Park. The Partnership has increased focus on security and Covid-19 related rules and regulations following the lifting of restrictions, putting in place additional procedures and systems to mitigate risks. A permanent police presence is maintained on site as well as experienced security and customer service teams to respond to any incidents.

- **Climate change**
  ESG concerns continue to rise up the corporate agenda and it is important that the Partnership recognises its obligations to the wider stakeholder group, especially as investors are increasingly seeking to see evidence of commitment to environmental initiatives before investing. With this in mind, a detailed sustainability strategy report was commissioned by the board during the year and presented to the noteholders. During 2022 the rooftop solar project is planned to come onstream, this will generate 1.2 million kWh per annum and will be the largest solar photovoltaic installation by capacity of any shopping centre in the UK. In addition, the Partnership diverts all of its waste away from landfill, which is either recycled or used within energy recovery.

- **Covid-19**
  Although all Covid-19 restrictions were lifted on the 19th July 2021 in England, there remains a possibility of further lockdowns or restrictions. The centre is continuing to recommend face masks for customers and additional cleaning protocols, the cost of additional cleaning being included in the service charge expenditure.

- **Refinancing risk**
  The detailed funding arrangements for the Partnership are explained in the Going Concern section of this report. Given that the combined value of the Metrocentre and Metro Retail Park ("the asset") is below the level of the intercompany loan and other external debt, there is a potential risk that the Partnership will be unable to refinance the intercompany loan before it falls due for repayment on 5 December 2023 ("Expected Maturity Date"). Failure to repay the intercompany loan on the Expected Maturity Date would constitute an Obligor Event of Default under the Intercompany Loan agreement with Metrocentre Finance plc, the issuer of the public debt which is secured on the Metrocentre property. At that point, should the Noteholders not choose to waive the default, they would be able to enforce their security. The proposals to address this risk are covered in the Going Concern section of the General Partner's Report

This report was approved by the board of directors of the General Partner on 28 June 2022 and signed on its behalf by:

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Martin Healy

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Martin Healy
Director of Metrocentre (GP) Limited

THE METROCENTRE PARTNERSHIP

GENERAL PARTNER'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

FORMATION AND PURPOSE

The Metrocentre Partnership (the "Partnership") was formed and registered as a limited partnership on 26 April 2007 under the Limited Partnerships Act 1907 (registration number LP12102). The Partnership was formed to acquire and hold as an investment the Metrocentre shopping centre and retail park, Gateshead.

The Partnership's registered office is 10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU.

FINANCIAL RISK MANAGEMENT

The Partnership's approach to financial risk management is explained in note 11 to the financial statements.

CAPITAL MANAGEMENT

The directors of the General Partner consider the capital of the Partnership to be the Partners' capital account of £0.3 million (2020: £0.3 million) and the portion of the Partners' loan amounts classified as equity of £372.9 million (2020: £372.9 million).

Management of this capital is performed by the General Partner. There are no external capital requirements on the partnership.

PARTNERS

Metrocentre (GP) Limited acts as the General Partner to the Partnership. The partners and their respective percentage holdings during the year and up to the date of signing the financial statements are shown below:

Intu Metrocentre Limited (Limited Partner)	59.994%
Euro Core Private Limited (Limited Partner)	39.996%
Metrocentre (GP) Limited (General Partner)	0.010%

CONSTITUTION AND GOVERNANCE

The Partnership is bound by the Limited Partnership Deed, dated 26 April 2007. On 14 July 2020 the Governance Agreement between the partners was amended to revise the obligations of the Limited Partners to provide directors for the board of the General Partner and permit the appointment of Independent Directors to that board.

RIGHTS AND ENTITLEMENTS - GENERAL PARTNER

The General Partner is responsible for the management and control of the business of the Partnership and can bind the Partnership in contract. The General Partner is the only general partner of the Partnership. No further partner may be admitted to the Partnership except in accordance with the Limited Partnership Deed. No partner may dispose of its interest in the Partnership without the consent of the General Partner.

BOOKS AND RECORDS

The Partnership has entered into an agreement with Sovereign Land (Management) Ltd ("the asset manager") whereby the asset manager has undertaken responsibility to perform certain duties, including an obligation to keep proper and up to date books and records of financial statements and to provide to the Partnership such reasonable information as may be required for the purposes of preparing reports and financial statements in respect of the Partnership.

RIGHTS AND ENTITLEMENT - LIMITED PARTNERS

The Limited Partners fund the Partnership and are entitled to be allocated the profits and losses of the Partnership. The Limited Partners take no part in the management of the Partnership and are not able to bind the Partnership in contract.

GOING CONCERN

The Directors consider that the events and conditions described below indicate that material uncertainties exist that may cast significant doubt on the Partnership's ability to continue as a going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Matters contributing to material uncertainty

As part of their review of the going concern assumptions, the directors have considered factors that may contribute to a material uncertainty in the assessment of going concern, and have identified the following matters:

1. As part of the original Noteholder consent processes which were successfully passed on 29 October 2020 (and which were supplemented on 29 December 2020, 29 March 2021, 29 June 2021, 22 October 2021, 22 February 2022 and 26 May 2022) the Noteholders agreed to certain forbearance, amendments and waivers including in relation to events of default and covenant breaches, and certain consequences of the occurrence of a Trigger Event were amended. The current forbearance will expire at the end of July 2022 unless it is extended. Work is underway to explore an alternative approach such that regular repeating of the consent processes is no longer necessary. Should the Noteholders choose not to extend their forbearance, they would be able to enforce their security. As the valuation of the asset is below the outstanding value of the £485m public notes, this could result in the Partnership entering administration.

2. The intercompany loan detailed at note 10 is due for repayment on 5 December 2023, and it is not anticipated that the Partnership will have funds available to repay the loan at that point. The directors have sought legal advice in respect of the steps necessary to extend this loan, and are preparing to consult with Noteholders in order to secure their consent to do so. The intercompany loan can potentially be extended as far as December 2028, which is the legal maturity date of the public notes which are 'back to back' with the intercompany loan.

3. The New Money Notes that were issued in November 2020 will be due for repayment on 6 December 2023. The directors intend to consult with the noteholder ad-hoc committee in due course regarding potential solutions for repayment or refinancing of these notes.

Going Concern – conclusion

The Directors consider that the events and conditions described above indicate that material uncertainties exist that may cast significant doubt on the Partnership's ability to continue as a going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Having carefully considered the material uncertainty relating to the first matter (continued Noteholder forbearances), the Directors have formed the judgement that continuing support from the Noteholders is likely to be forthcoming in terms of forbearance, amendments and covenant waivers, given the success of the sequence of seven consent processes undertaken since October 2020.

Having carefully considered the material uncertainty relating to the second matter (intercompany loan expiry), and the legal advice obtained in this matter, the Directors have formed the judgement that there is a credible proposal to extend the term of the intercompany loan which is currently being worked on, and that the Noteholders are likely to support a consent process in order to achieve this.

Having carefully considered the material uncertainty relating to the third matter (New Money Notes maturity), the Directors have formed the judgement that the noteholder ad-hoc committee will support their refinancing plans, given that they have supported the sequence of seven consent processes undertaken since October 2020. The Directors also note that the projected cash balance of £39 million shown in the Updated Business Plan in December 2023 would be sufficient to discharge the expected principal and accrued PIK interest on the New Money Notes of £35.2 million.

THE METROCENTRE PARTNERSHIP

GENERAL PARTNER'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors have also considered the cashflows arising from the business plan and subjected these to sensitivity analysis in respect of adverse collection rates and the potential requirement to pay cash interest from June 2022.

After reviewing the business plan projections, the sensitivity analyses, the most recent cash collection information, and having considered the material uncertainties, the directors have concluded that it is appropriate to prepare the financial statements on the going concern basis, notwithstanding the existence of the material uncertainties.

THE METROCENTRE PARTNERSHIP

GENERAL PARTNER'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

STATEMENT OF GENERAL PARTNER'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS
The General Partner is responsible for preparing the financial statements in accordance with the Limited Partnership Deed dated 26 April 2007.

The Limited Partnership Deed requires the General Partner to prepare financial statements for each financial year. Under the Limited Partnership Deed the General Partner has elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the IASB. The financial statements are required by law to be prepared in accordance with the Limited Partnership Deed.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Limited Partnership's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, the General Partner is also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Limited Partnership's ability to continue as a going concern.

The General Partner is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Limited Partnership and enable them to ensure that the financial statements comply with the Limited Partnership Deed. They are also responsible for safeguarding the assets of the Limited Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR
Deloitte LLP continue as auditors of the Partnership.

So far as the members of the General Partner are aware, there is no relevant audit information of which the auditors are unaware, and each member has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the 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.

Deloitte LLP, Statutory Auditor, were the independent auditor to the Company and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006. Deloitte LLP have expressed their willingness to continue in office as auditors.

DIRECTORS OF THE GENERAL PARTNER CONFIRMATIONS

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Partnership;
- The strategic report includes a fair review of the development and performance of the business and the position of the Partnership, together with a description of the principal risks and uncertainties that they face; and
- The financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Partnership's position and performance.

This report was approved by the board of directors of the General Partner on 28 June 2022 and signed on its behalf by:

DocuSigned by:
Martin Healy
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Martin Healy
Director of Metrocentre (GP) Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE METROCENTRE PARTNERSHIP

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of The Metrocentre Partnership (the 'qualifying partnership'):

- give a true and fair view of the state of the qualifying partnership's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships.

We have audited the financial statements which comprise:

- the income statement and statement of comprehensive income;
- the balance sheet;
- the statement of changes in partners funds;
- the statement of cash flows; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that the qualifying partnership has identified the need for Noteholders continued waiver of covenants for which the current forbearance will expire at the end of July 2022 and Noteholder consent to extend the intercompany loan and refinance of the new money notes which are due for repayment on 5 December and 6 December 2023 respectively. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the qualifying partnership's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The members are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

THE METROCENTRE PARTNERSHIP

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE METROCENTRE PARTNERSHIP

Responsibilities of General Partners
As explained more fully in the members' responsibilities statement, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members 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 members are 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 members either intend to liquidate the qualifying partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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.

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 auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud
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.

We considered the nature of the qualifying partnership's industry and its control environment, and reviewed the qualifying partnership's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the qualifying partnership operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act as applied to qualifying partnerships; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the qualifying partnership's ability to operate or to avoid a material penalty.

We discussed amongst the audit engagement team including valuations specialists, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- We identified the greatest potential for fraud to be in management's incentive to manipulate the assumptions and data used by the external valuer in their estimation of the fair value of the investment property. We engaged internal property valuation specialists to benchmark the key yield assumptions used in the valuation against industry data. Furthermore, we tested the completeness and accuracy of the data provided to the external valuers by agreeing a sample of the information provided to the external valuers to underlying lease agreements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

THE METROCENTRE PARTNERSHIP

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE METROCENTRE PARTNERSHIP (CONTINUED)

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the general partner's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the general partner's report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the general partners report.

Matters on which we are required to report by exception
Under the Companies Act 2006 as applied to qualifying partnerships we are required to report in respect of the following matters 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 members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

We have nothing to report in respect of these matters.

Use of our report
This report is made solely to the qualifying partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to qualifying partnerships. Our audit work has been undertaken so that we might state to the qualifying 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 qualifying partnership and the qualifying partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Philip Doherty
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Philip Doherty, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

28 June 2022

THE METROCENTRE PARTNERSHIP

INCOME STATEMENT & STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £m	2020 £m
Revenue	2	42.3	50.4
Cost of Sales		(12.4)	(40.2)
Net rental income	2	29.9	10.2
Revaluation of investment and development property	6	(28.9)	(228.8)
Administrative expenses	3	(6.7)	(9.3)
Operating loss		(5.7)	(227.9)
Finance costs - partner loans	5	(38.4)	(12.7)
Finance costs - other borrowings	5	(49.0)	(26.4)
Finance income	5	0.1	4.3
Loss transferred to partners' current account		(93.0)	(262.7)

Other than the items in the income statement above, there are no other items of comprehensive income in the current or prior year and accordingly a separate statement of comprehensive income has not been prepared.

Gross profit in the Partnership is more commonly referred to as Net Rental Income (NRI).

THE METROCENTRE PARTNERSHIP

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Notes	2021	2020
		£m	£m
Non-current assets			
Investment property	6	414.4	438.3
Current assets			
Trade and other receivables	7	12.8	16.3
Cash and cash equivalents		52.1	30.0
		64.9	46.3
Total assets		479.3	484.6
Current liabilities			
Trade and other payables	8	(52.7)	(51.8)
Lease liabilities	9	(0.1)	(0.1)
		(52.8)	(51.9)
Non-current liabilities			
Borrowings	10	(1,037.8)	(951.0)
Lease liabilities	9	(0.4)	(0.4)
		(1,038.2)	(951.4)
Total liabilities		(1,091.0)	(1,003.3)
Net liabilities		(611.7)	(518.7)
Partners' deficit			
Partners' capital account		0.3	0.3
Partners' loan amounts classified as equity		372.9	372.9
Partners' current account		(984.9)	(891.9)
Total equity		(611.7)	(518.7)

The notes on pages 18 to 43 form part of these financial statements

The financial statements of The Metrocentre Partnership (registered number LP12102) were approved by the General Partner Metrocentre (GP) Limited and authorised for issue on 28 June 2022 and were signed on its behalf by:

DocuSigned by:
Martin Healy
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Martin Healy - Director of Metrocentre (GP) Limited

THE METROCENTRE PARTNERSHIP

STATEMENT OF CHANGES IN PARTNERS' FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Partners' capital account £m	Partners' loan amounts classified as equity £m	Partners' current account £m	Total Partners' deficit £m
Balance at 1 January 2020	0.3	372.9	(629.2)	(256.0)
Loss transferred to Partners' current account	-	-	(262.7)	(262.7)
Total comprehensive loss for the year	-	-	(262.7)	(262.7)
Balance at 31 December 2020	0.3	372.9	(891.9)	(518.7)
Balance at 1 January 2021	0.3	372.9	(891.9)	(518.7)
Loss transferred to Partners' current account	-	-	(93.0)	(93.0)
Total comprehensive loss for the year	-	-	(93.0)	(93.0)
Balance at 31 December 2021	0.3	372.9	(984.9)	(611.7)

THE METROCENTRE PARTNERSHIP

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £m	2020 £m
Cash flows from operating activities			
Cash generated from operations	12	27.1	0.7
Interest paid		(0.3)	(10.0)
Net cash generated from/(used in) operating activities		26.8	(9.3)
Investing activities			
Capital expenditure on investment property		(4.7)	-
Net cash used in investing activities		(4.7)	-
Financing activities			
New loans in year	9	-	24.3
Net cash generated from financing activities		-	24.3
Net increase in cash and cash equivalents		22.1	15.0
Cash and cash equivalents at beginning of year		30.0	15.0
Cash and cash equivalents at end of year		52.1	30.0

THE METROCENTRE PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 **Significant accounting policies**

Basis of Preparation
The Metrocentre Partnership ('the Partnership') is a limited partnership registered pursuant to section 8 of the Limited Partnerships Act 1907. The address of the Partnership's registered office is shown on the inside cover of this report.

The Limited Partnership Deed requires the General Partner, Metrocentre (GP) Ltd to prepare financial statements of the Partnership. The nature of the Partnership's operations and its principal activities are set out in the strategic report on pages 1-5.

These financial statements are prepared on a going concern basis, as explained in the General Partner's report on page 7 and later in this note.

These financial statements are separate financial statements.

These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Partnership operates. They are prepared on the historical cost basis as modified by investment property, and certain other assets and liabilities that have been measured at fair value. The accounting policies have been applied consistently year on year and a summary of the significant policies is included within this accounting note.

Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by IASB and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, (except as otherwise stated).

The following new and revised Standards and Interpretations have been issued:

Issued, and effective:

- Covid-19 Related Rent Concessions - amendments to IFRS 16
- Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (effective from 1 January 2021)

None of the above standards has had a material impact on the Company's financial statements for the year ended 31 December 2021.

The following standards were issued, but not yet effective, we have not yet considered their impact on the financial statements:

- Amendments to IFRS 17 Insurance Contracts
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Annual Improvements to IFRS Standards 2018-2020 Cycle
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture
- Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies
- Amendments to IAS 8 Definition of Accounting Estimates
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets
- Deferred tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

1 Significant accounting policies **(Continued)**

Critical accounting judgements and key sources of estimation uncertainty
The preparation of financial statements in conformity with the Partnership's accounting policies requires management to make judgements and use estimates that may affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these judgements and estimates are based on management's best knowledge of the amount, event or actions, actual outcomes may differ materially from those envisaged when making the judgements and estimates.

Non consolidation of issuer - Critical accounting judgement
For the purposes of IFRS 10, the directors of the General Partner have considered the question of whether or not the Metrocentre Partnership ("Partnership") controls Metrocentre Finance plc ("Issuer"). Under IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Issuer was incorporated in Sep 2013 as a special purpose company to raise funding by the issue of £485,000,000 secured fixed rate notes. The Issuer advanced the proceeds of the Notes in the form of a loan to the Partnership under the terms of an intercompany loan agreement (the "Intercompany Loan Agreement"). This loan is secured over the property of the Partnership located in Gateshead. The relationship between the Partnership and the Issuer is primarily concerned with the operation of the Intercompany Loan Agreement, and the payment of interest and fees (specifically the Ongoing Facility Fee as defined in the Intercompany Loan Agreement).

The directors have determined that the Partnership does not control the Issuer, and has made the following judgements in arriving at that conclusion:

- The directors considered the guidance in IFRS 10 in relation to structured entities and the factors relevant to assessing control. Although certain activities of the Partnership and Issuer are well defined within the contractual arrangements that comprise the CMBS structure, the directors concluded that the structure did not give rise to a predetermined result, and hence there was no evidence of control in this respect. In the event of default, significant decisions are likely to be made by the Issuer Trustee acting on the instructions of a majority of Noteholders, which cannot be controlled by the Partnership, its General Partner or the Limited Partners.

- The directors are of the opinion that the Partnership is exposed to variable returns from its involvement with the Issuer by virtue of the fees that it is exposed to under the terms of the Intercompany Loan Agreement between Partnership and Issuer. During 2021 this Ongoing Facility Fee included professional adviser fees of £1.9m (including VAT), which is considered to be a substantial sum, although it is not significant in the overall context of the loan and interest balances.

- The directors are of the opinion that they are not able to affect those returns as they are unable to exercise any power over the Issuer. The Issuer has a separate board with no directors in common with the Partnership or any related entities. The Partnership is unable to exercise any influence over the composition of the board of the Issuer or the Issuer Trustee.

1 Significant accounting policies **(Continued)**

Critical accounting judgements and key sources of estimation uncertainty **(continued)**

Valuation of investment property- source of estimation uncertainty
See the investment property accounting policy in note 6 for details on estimates and assumptions used in the valuation process, including the sensitivity of the valuation to certain inputs.

Impairment of trade receivables and tenant incentives – source of estimation uncertainty
Trade receivables and tenant incentives are recognised initially at their transaction price and subsequently measured at amortised cost less an allowance for expected credit losses.

The Partnership has applied the simplified approach under IFRS 9 and adopted a provisioning matrix based on the ageing of lease receivables to determine the expected credit loss (ECL). In estimating the loss provision required, the Partnership has revisited the provisioning matrix as used at 31 December 2020, updating it to reflect improvement in the collection rates for current debt over the course of 2021. Data gathered during late 2020 and 2021 of the ultimate collection rates for debt where a negotiated solution has been reached by way of a concession for tenants has been used to assess expected credit losses for non-current debt. Where there is specific evidence of tenant distress the Partnership has provided for 100% of the operating lease receivables outstanding.

Tenant incentive lease balances have also been considered for impairment in the year to 31 December 2021. These were first provided for in 2020 as a direct result of the trading environment brought about by the Covid-19 pandemic. For 2021, a provision of nil (2020: £2.3m) has been recognised against unamortised tenant incentive balances of £15.2m. This reduction in the provision is attributable to the fact that the level of tenant financial distress has reduced greatly since 2020. Tenant incentive amortisation continues to be recognised within revenue.

Intercompany Loan: Embedded derivatives consideration – source of estimation uncertainty
The intercompany loan agreement with Metrocentre Finance plc includes clauses relating to prepayments and changes of control. These provide for acceleration of the debt and make-whole payments on the occurrence of certain events, subject to the agreement of a majority of Noteholders. These clauses constitute embedded derivatives, which do not appear to be closely related to the host contract in accordance with IFRS 9; hence they are required to be recognised separately at fair value. The directors have considered various events that might occur during the lifetime of the intercompany loan which could lead to the clauses being triggered, and have determined that the probability of make-whole payments being triggered during this period is near-zero. Accordingly, no value is recognised for these embedded derivatives.

1 Significant accounting policies **(Continued)**

Going concern

To determine whether or not it was appropriate to prepare the financial statements on a going concern basis, the directors of the General Partner have considered the current and projected liquidity of the Partnership under different scenarios, as well as contemplating additional non-cashflow related factors which could affect the going concern assumption. The directors are required to consider a period of at least 12 months from the date of signing the financial statements. The cash flow projections used for this purpose cover a two-year period to December 2023 and are based on a published business plan that was presented to Noteholders in February 2022 (the 'Updated Business Plan').

See the business review on page 1 of the strategic report for a discussion of relevant events during 2021.

Funding Availability - introduction

The sources of finance for The Metrocentre Partnership are as follows:

i. An intercompany loan from Metrocentre Finance plc (the "Issuer") dated 20 November 2013 (the "Intercompany Loan"), which was lent from the proceeds of £485m of publicly traded notes (the "Public Notes"). The Public Notes were originally issued with a 4.125% coupon, which was increased to 8.75% from 29 October 2020, comprising 4.125% cash pay interest and 4.625% PIK interest, and have an expected maturity date of 6 December 2023. The interest rate payable on the Intercompany Loan mirrors the coupon payments for the publicly traded notes, however the maturity date of the Intercompany Loan is 1 Business Day prior to 6 December 2023.

   If the Metrocentre Partnership does not make a repayment under the Intercompany Loan (and therefore the Issuer cannot meet the interest payment due under the Public Notes), the Issuer has available to it pursuant to a liquidity facility agreement a liquidity facility of £20m (the "Liquidity Facility"), sufficient to cover two cash pay interest payments on the Public Notes.

   Any repayment so made under the Liquidity Facility by the Issuer (including any accrued interest) is transferred to the Metrocentre Partnership by way of a fee payable under the Intercompany Loan. Circa £10.2m was drawn on 7 Dec 2020 under the Liquidity Facility, and a further £9.8m was drawn on 7 June 2021 which has maximised the use of the Liquidity Facility. This Facility (or a successor substitute facility) is expected to be available until 2028 under the terms of the Liquidity Facility Agreement dated 20 November 2013.

ii. The Metrocentre Partnership issued £25m of New Money Notes (the "New Money") which accrues PIK interest at the rate of 11% + SONIA from 3 November 2020, with a maturity date of 6 December 2023.

iii. There is also £742.9m of Partner loans outstanding, plus an accrued amount of £33.7m for interest, which rank below all of the above facilities. Interest is not currently accruing on those loans and repayment is not scheduled until 2027 and cannot be made under the terms of the loan agreements if it would leave the Partnership in a net liability position.

Liquidity assessment and cash flow projections

At 31 Dec 2021, the Partnership had £51.5m of cash at bank (excluding tenant deposits), which is intended to be used to invest in the centre in line with the Updated Business Plan. The Updated Business plan makes certain assumptions as to the ability of the Partnership to collect both rent and service charge in respect of new billings and existing debt. In particular, the plan assumes that collection rates will start from 87.5% at the beginning of 2022 and increase from Q4 2022 onwards, reaching 95% for the remainder of the plan period. This reflects the return to a more normal trading environment for our retail tenants which has already been seen during 2021, and is predicated on there being no further significant restrictions on our ability to trade.

On this basis, the cash flow forecasts in the Updated Business Plan indicate strong cash generation at the asset level before capital investment, culminating in a closing cash projection of £38.7m in December 2023. This is stated after proposed capital spend of £48.7m (net of VAT) during 2022 and 2023.

THE METROCENTRE PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Significant accounting policies (Continued)

Going concern (continued)

The cashflows shown in the Updated Business Plan assume that the liquidity facility remains fully drawn from June 2021 onwards, and that cash pay interest on the £485m of public notes is rolled up as PIK throughout 2022 and 2023.

Stress testing of Updated Business Plan
In order to stress-test the Updated Business Plan, a sensitivity analysis was prepared which included adverse assumptions to test whether or not the Partnership would run out of cash within an 18-month window. The significant adverse assumptions were:

a) The cash interest coupon on the £485m public debt would be paid in cash from June 2022 onwards, not capitalised as PIK. This assumption would increase cash outflow in the model by £40m over the two-year period considered.
b) Collection rates for 2022 and 2023 would only reach 80%. This implies a level of tenant distress last seen in Q4 2020 (77% rent, 85% service charge).
c) Choosing not to spend discretionary amounts of capital which have little or no short-term direct impact on rental income within the updated business plan.

Under this stressed scenario the model shows that the Partnership would be able to execute on the vast majority of its accretive capital expenditure plan and remain cash positive through to the end of 2023, if the directors took the appropriate mitigation action of deferring £12.8m of the proposed capital spend.

Matters contributing to material uncertainty
As part of their review of the going concern assumptions, the directors have considered factors that may contribute to a material uncertainty in the assessment of going concern, and have identified the following matters:

1. As part of the original Noteholder consent processes which were successfully passed on 29 October 2020 (and which were supplemented on 29 December 2020, 29 March 2021, 29 June 2021, 22 October 2021, 22 February 2022 and 26 May 2022) the Noteholders agreed to certain forbearance, amendments and waivers including in relation to events of default and covenant breaches, and certain consequences of the occurrence of a Trigger Event were amended. The current forbearance will expire at the end of July 2022 unless it is extended. Work is underway to explore an alternative approach such that regular repeating of the consent processes is no longer necessary. Should the Noteholders choose not to extend their forbearance, they would be able to enforce their security. As the valuation of the asset is below the outstanding value of the £485m public notes, this could result in the Partnership entering administration.

2. The intercompany loan detailed at note 10 is due for repayment on 5 December 2023, and it is not anticipated that the Partnership will have funds available to repay the loan at that point. The directors have sought legal advice in respect of the steps necessary to extend this loan, and are preparing to consult with Noteholders in order to secure their consent to do so. The intercompany loan can potentially be extended as far as December 2028, which is the legal maturity date of the public notes which are 'back to back' with the intercompany loan.

3. The New Money Notes that were issued in November 2020 will be due for repayment on 6 December 2023. The directors intend to consult with the noteholder ad-hoc committee in due course regarding potential solutions for repayment or refinancing of these notes.

1 Significant accounting policies **(Continued)**

Going Concern – conclusion

The Directors consider that the events and conditions described above indicate that material uncertainties exist that may cast significant doubt on the Partnership's ability to continue as a going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Having carefully considered the material uncertainty relating to the first matter (continued Noteholder forbearances), the Directors have formed the judgement that continuing support from the Noteholders is likely to be forthcoming in terms of forbearance, amendments and covenant waivers, given the success of the sequence of seven consent processes undertaken since October 2020.

Having carefully considered the material uncertainty relating to the second matter (intercompany loan expiry), and the legal advice obtained in this matter, the Directors have formed the judgement that there is a credible proposal to extend the term of the intercompany loan which is currently being worked on, and that the Noteholders are likely to support a consent process in order to achieve this.

Having carefully considered the material uncertainty relating to the third matter (New Money Notes maturity), the Directors have formed the judgement that the noteholder ad-hoc committee will support their refinancing plans, given that they have supported the sequence of seven consent processes undertaken since October 2020. The Directors also note that the projected cash balance of £39 million per the Updated Business Plan in December 2023 would be sufficient to discharge the expected principal and accrued PIK interest on the New Money Notes of £35.2 million.

The directors have also considered the cashflows arising from the business plan and subjected these to sensitivity analysis in respect of adverse collection rates and the potential requirement to pay cash interest from June 2022.

After reviewing the business plan projections, the sensitivity analyses, the most recent cash collection information, and having considered the material uncertainties, the directors have concluded that it is appropriate to prepare the financial statements on the going concern basis, notwithstanding the existence of the material uncertainties.

1 Significant accounting policies **(Continued)**

Revenue
Revenue comprises rental income receivable (consisting of base and turnover rents, lease incentive income recognition, income from advertising and kiosks and other rental income), plus service charge income.

Rental income and directly attributable lease incentives (for example, rent-free periods or cash contributions for tenant fit-out) are recognised on a straight-line basis over the term of the lease in accordance with IFRS 16 Leases. Lease incentives and rent-free periods associated with entering into tenant leases are amortised over the term of the leases. Rent waivers granted during the Covid-19 pandemic and subsequently, insofar as they relate to a waiver of specific operating lease receivables have been derecognised in accordance with IFRS 9 and do not affect revenue.

Contingent rents, being those lease payments that are not fixed at the inception of a lease, the most significant being rents linked to tenant revenues or increases arising on rent reviews, are recorded as income in the periods in which they are earned. In respect of rents linked to tenant revenues, estimated quarterly billing is completed with adjustments made on receipt of turnover confirmation. Rent reviews are recognised as income from the date of the rent review, based on management's estimates. Estimates are derived from knowledge of market rents for comparable properties determined on an individual property basis and updated for progress of negotiations.

Service charge income is recorded as income over time in the year in which the services are rendered and the performance obligations are satisfied.

Investment property
Investment property is leased by the Partnership and held for long-term rental income and capital appreciation.

The Partnership has elected to use the fair value model. Property is initially recognised at cost and subsequently revalued at the balance sheet date to fair value as determined by professionally qualified external valuers on the basis of market value. Gains or losses arising from changes in the fair value of investment property are recognised in the income statement. Valuations conform with the Royal Institution of Chartered Surveyors (RICS) Valuation - Global Standards 2020 incorporating the International Valuation Standards and the UK National Supplement (the Red Book).

The main estimates and assumptions underlying the valuations are described in note 6. Depreciation is not provided in respect of investment property.

All costs directly associated with the purchase and construction of a development property are capitalised.

Sales and purchases of investment property are recognised when control passes on completion of the contract. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the properly is derecognised.

1 Significant accounting policies **(Continued)**

Impairment of non-financial assets
The Partnership's assets are reviewed at each balance sheet date to determine whether events or changes in circumstances exist that indicate that their carrying amount may not be recoverable. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

At each balance sheet date, the Partnership reviews whether there is any indication that an impairment loss recognised in previous periods may have decreased. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss recognised in prior periods is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount. In this case the asset's carrying amount is increased to its recoverable amount but not exceeding the carrying amount that would have been determined had no impairment loss been recognised. The reversal of an impairment loss is recognised in the income statement.

Modification and derecognition of financial liabilities
A modification of a financial liability occurs when the contractual terms governing the cash flows of a financial liability are renegotiated or otherwise modified between initial recognition and maturity of the liability. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. When a financial liability is modified the Partnership assesses whether this modification should result in derecognition and rerecognition of the liability. The policy of the Partnership is to derecognise the liability when a modification gives rise to substantially different terms, using the following tests:

- First, the quantitative test is applied. A modification is classed as substantial if the present value of the modified cash flows is at least 10% different to the present value of the remaining original cash flows
- Secondly, if the quantitative test is not met, qualitative factors will be considered such as; cash flows after modification being no longer solely payments of principal and interest, a change in currency of the liability or a change in the counterparty. This is a non-exhaustive list and other factors may be considered
- If neither of these tests apply then the modification is a non-substantial modification

As a result of the Fourth Supplemental Master Amendment Agreement entered into by the Partnership on 22 October 2021, the cash coupon due on 6 Dec 2021 on the intercompany loan with Metrocentre Finance plc was agreed to be capitalised as PIK. By applying the qualitative test to the revised cashflows, it was determined that the present value of the modified cashflows was less than 10% different to that of the original remaining cashflows. Accordingly, a non-substantial contract modification has arisen as a result of the decision to capitalise the December 2021 cash interest payment. The amortised cost of the liability has been recalculated by discounting the modified contractual cash flows using the original effective interest rate, which gives rise to a gain of £70k, and the effective interest rate has been revised accordingly.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and include deposits with banks. The cash balance of £52.1 million (2020: £30.0 million) held within the business is subject to restrictions on its use under the finance documents which govern the operation of the business, and is not all freely available to be spent at the directors' discretion.

The bank accounts of the Partnership are required to be operated in accordance with the Obligor Cash Management Agreement dated 20 November 2013 (as restated 29 October 2020). This places restrictions on the nature of the payments that can be made from each of the bank accounts held by the Partnership. In addition, the Intercompany Loan Agreement of 20 November 2013 (as restated 29 October 2020) requires the Partnership to make payments in accordance with the Obligor Pre-Enforcement Priority of Payments at Schedule 7 of that agreement, which creates a preferential ranking order for creditors. The Metrocentre Partnership and other obligors are under an obligation to comply with the applicable priorities of payments at all times. All of the cash held within the business (other than cash in the restricted payments account, the balance of which is nil) is subject to security in favour of the Secured Participants, including the Issuer, Metrocentre Finance plc.

Tenant deposits are held in ring-fenced bank accounts and a liability for these is separately recognised within trade and other payables.

1 Significant accounting policies **(Continued)**

Trade payables
Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

Partner loan financial instrument
In 2007, Intu Metrocentre Limited (a Limited Partner) and Eurolieum S.a.r.l (a related entity of Euro Core Private Limited, a Limited Partner) contributed loan amounts of £600m to the Partnership. These met the definition of an off market financial instrument because of the interest arrangements. As a result, the loan amounts were split between a liability component which is subsequently amortised to nominal value, and an equity component. This initial split was applied to the initial loan amounts of £600m drawn in April 2007 as well as certain additional amounts drawn down of £47.5m which were contemplated in the original agreement. Subsequent amounts of £95.2m were contributed over the period 2012-2015 which have been treated as new loans, each of which has its own equity / debt split and its own effective interest rate. The total outstanding advance under the loans is £742.9m.

During 2018, the loan amounts contributed by Eurolieum S.a.r.l. were transferred to Euro Dinero II Private Limited, a related entity of Euro Core Private Limited.

Under the terms of the loan agreements between the Metrocentre Partnership and the Limited Partners, interest is payable at the rate of 7% of the Interest Bearing Advance. The Interest Bearing Advance (IBA) is a defined term within those loan agreements. The value of the IBA is currently calculated to be zero under the terms of those agreements, because the Intercompany Loan outstanding is greater than 80% of the most recent external property valuation. As a result, the partner loans are not accruing any interest. Interest calculated on the IBA in accordance with the loan agreement is taken to the income statement.

Leases
Partnership as lessee:
Leases of investment property are accounted for as a right-of-use asset and a lease liability. The investment property asset is included in the balance sheet at fair value, gross of the recognised lease liability. Contingent rents are recognised as they accrue.

Lease payments are allocated between the liability and finance charges so as to achieve a constant financing rate.

Partnership as lessor:
A lease that transfers substantially all the risks and rewards of ownership to the lessee is classified as a finance lease. All other leases are normally classified as operating leases.

Investment properties are leased to tenants under operating leases, with rental income being recognised on a straight-line basis over the lease term. For more detail see the revenue accounting policy.

Current/non-current classification
Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or consumption within one year of the reporting date. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes and expected to be settled within one year of the reporting date. All other liabilities are classified as non-current liabilities.

Taxation
No provision for tax is made in these financial statements as a limited partnership is not a taxable entity. Partners are instead taxed on their share of the profits of a limited partnership, according to their own circumstances.

2 Revenue

Revenue arose in the United Kingdom from continuing operations. The Partnership carries on only one class of business.

	2021 £m	2020 £m
Rent receivable	33.9	41.3
Service charge income	8.4	9.1
Revenue	42.3	50.4
Rent payable	(2.8)	(1.4)
Bad Debt	4.3	(16.7)
Service charge costs	(13.5)	(12.6)
Transitional services	1.2	(6.4)
Other non-recoverable costs	(1.6)	(3.1)
Net rental income	29.9	10.2

The bad debt was a credit in 2021 as opposed to a debit in 2020 because debt collection during 2021 exceeded expectations, leading to the release of part of the expected credit loss provision made at 31 December 2020.

3 Operating loss

The operating loss is stated after charging:

	2021 £m	2020 £m
Professional Fees	(3.2)	(7.9)
Property Management Fees	(1.5)	(1.1)
Auditors Remuneration	(0.4)	(0.0)
Other administrative expenses	(1.6)	(0.3)
Administrative expenses	(6.7)	(9.3)

Auditor's remuneration is the fee payable to the Partnership's auditor for the audit of the Partnership's annual accounts and the following companies, which are payable by the Partnership under the terms of the intercompany loan agreement and the partnership deed; Metrocentre Finance PLC, Metrocentre (GP) Ltd and Metrocentre Parent Ltd.

The fee payable in 2021 was £362,900 (2020: nil), £209,000 in respect of the 2020 audit and £153,900 in respect of the 2021 Audit. No non-audit services were provider by the auditors in the current or prior year. The fee payable solely in respect of the Partnership is £86,900 regarding the 2021 audit and £133,000 regarding the 2020 audit.

Professional Fees of £3.2m (2020: £7.9m) were in relation to the following matters:

- Fees payable to the noteholder ad-hoc committee (AHC) advisers
- Restructuring consultancy services supplied to the partnership
- Legal and accounting services supplied to the partnership, including advice in relation to noteholder consent solicitations.

4 Directors' remuneration and Key Management Personnel

Directors' remuneration was as follows:

	2021 £m	2020 £m
Remuneration for qualifying services	(0.8)	(0.7)
Of which was paid to the highest paid director	(0.6)	(0.6)

Key management personnel:

	2021 £m	2020 £m
Salaries and Fees	(0.8)	(0.7)
Accrual for contingent payment*	(0.2)	-
Pensions and other post-retirement benefits	-	-
Total	(1.0)	(0.7)

Key management personnel comprise the natural and corporate Directors of the General Partner, Metrocentre (GP) Ltd.

* In the event of a disposal of the business in the future, an additional payment may be due to certain directors. The value of any such payment would be dependent upon the valuation of the investment property at the time of a qualifying disposal. For the purposes of this calculation it is assumed that any such payment accrues over the period 2021 to 2024.

5 Finance costs and income

	2021 £m	2020 £m
Finance costs		
On partner loan amounts from Intu Metrocentre Limited and Euro Dinero II Private Ltd	38.4	12.7
Finance costs- partner loans**	38.4	12.7
On loan agreement with Intu Metrocentre Finance plc in respect of:		
8.75% bonds	45.5	25.3
Liquidity facility interest	0.3	0.2
New Money Notes interest	3.1	0.5
Other interest payable	0.1	0.4
Finance costs – other borrowings	49.0	26.4

5 Finance costs and income **(Continued)**

** The finance costs for partner loans in 2020 include the adjustment to the carrying value of the amortised cost of the partner loan financial instrument to reflect changes in expectations of future cashflows, as well as the accretion of the loans and the cash interest payable to the partners. For 2021 the finance costs for partner loans reflect only the accretion of the loans.

The finance cost on the 8.75% bonds increased due to the change in the coupon from 4.125% to 8.75% in October 2020.

The New Money Notes interest increased due to a full year of interest accruing in 2021, as opposed to just 2 months in 2020.

Refer to Note 10 (Borrowings) for details of changes to the existing loan agreements in the year to 31 December 2021.

Finance income

	2021 £m	2020 £m
Gain arising on loan modification	0.1	4.2
Interest receivable	-	0.1
Finance income	0.1	4.3

For details of the gain arising on loan modification see note 10.

6 Investment property

	Freehold £m
At 1 January 2020	673.3
Deficit on revaluation	(228.8)
Movement in tenant incentives	(6.2)
At 31 December 2020	438.3
Additions	4.2
Deficit on revaluation	(28.9)
Movement in tenant incentives	0.8
At 31 December 2021	414.4
Head leases included within finance leases in borrowings (see note 9)	(0.5)
Market value	413.9

Included within investment and development property are tenant lease incentive balances totalling £15.3m (2020: £16.8m), against which we are holding an expected credit loss provision of nil (2020: £2.3m).

6 Investment property **(Continued)**

Investment Property comprises the Metrocentre shopping centre and Metro Retail Park, Gateshead. The Metrocentre is held on a 100-year lease that expires in 2094, with contingent rent. The Metro Retail Park is a virtual freehold, held on a peppercorn lease expiring in 2994.

Investment property is measured at fair value and is categorised as Level 3 in the fair value hierarchy (see note 11 for definition) as one or more significant inputs to the valuation (including rent profiles and yields) are partly based on unobservable market data. Transfers into and transfers out of the fair value hierarchy levels are recognised on the date of the event or change in circumstances that caused the transfer. There were no transfers in or out of Level 3 for investment property during the year.

Valuation process and methodology

It is the Partnership's policy to engage independent external valuers to determine the market value of its investment property at both 30 June and 31 December each year. The fair value of the Partnership's investment property at 31 December 2021 was determined by CBRE, an independent external valuer holding recognised and relevant professional qualifications and with recent experience in location and category of the investment property being valued.

The Partnership provides data to the valuers, including current lease and tenant data along with asset specific business plans where appropriate. The valuations are in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation - Global Standards 2020 incorporating the International Valuation Standards and the UK National Supplement (the Red Book) and were arrived at by reference to market transactions for similar properties and rent profiles. Fair values for investment properties are calculated using the income approach. The main assumptions underlying the valuations are in relation to rent profile and yields as discussed below.

The key driver of the property valuations is the terms of the leases in place at the valuation date. These determine the majority of the cash flow profile of the property for a number of years and therefore form the base of the valuation. The valuation assumes adjustments from these rental values in place at the valuation date to current market rent (Expected Rental Value or ERV) at the time of the next rent review (where a typical lease allows only for upward adjustment) and as leases expire and are replaced by new leases. ERV is assessed based on evidence provided by the most recent relevant leasing transactions and negotiations. This is based on evidence available at the date of valuation and does not assume future increases in market rent.

The nominal equivalent yield is applied as a discount rate to the rental cash flows which, after taking into account other input assumptions such as vacancies and costs, generates the property valuation. The nominal equivalent yield applied is assessed by reference to market transactions for similar properties and takes into account, amongst other things, any risks associated with the rent uplift assumptions.

Annual property income as disclosed in the table overleaf reflects current annualised gross income.

The net initial yield is calculated as the current net income over the gross market value of the asset and is used as a sense check and to compare against market transactions for similar properties.

The valuation output, inputs and assumptions are reviewed by the experienced asset managers as well as the Metrocentre (GP) Ltd board to ensure that they are in line with those of market participants.

THE METROCENTRE PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

6 Investment property **(Continued)**

The table below provides details of the assumptions used in the valuation and key unobservable inputs:

Metrocentre and Retail Park

	Market value	Net initial yield	Nominal equivalent yield	Annual property income
	£m			£m
At 31 December 2021	413.9	5.7%	7.9%	33.9
At 31 December 2020	437.8	5.9%	7.6%	34.9

Sensitivity analysis
A significant change in nominal equivalent yield of investment property in isolation would result in a significant change in the value of investment property. In practice an inward shift in the nominal equivalent yield would likely cause a resulting increase in valuation, and vice versa. The table below illustrates the change in the total value of investment property when applying a +/- 50 basis point sensitivity to nominal equivalent yield:

	Nominal Equivalent Yield	
	+50bp	-50bp
	£m	£m
At 31 December 2021	(26.5)	29.7
At 31 December 2020	(30.5)	34.8

A significant change in Expected Rental Value (ERV) in isolation would result in a significant change in the value of the investment property. The table below illustrates the change in the total value of investment property that would be obtained by applying a +/- 10% sensitivity to the ERV, as determined by the valuer.

	ERV	
	+10%	-10%
	£m	£m
At 31 December 2021	41.4	(41.4)
At 31 December 2020	43.8	(43.8)

Capital commitments
At 31 December 2021, there was £7.0 million commitment (2020: nil) of future expenditure for the purchase, construction, development and enhancement of investment property.

7 Trade and other receivables

	2021	2020
	£m	£m
Trade receivables	0.9	6.1
Other receivables	9.1	6.3
Prepayments and accrued income	2.8	3.9
	12.8	16.3

The decrease in trade receivables is due to the normalisation of the debtor position; this built up during 2020 due to the lockdown and was largely resolved via negotiations with tenants during 2021, leading to waiver or collection of the debt.

The increase in other receivables includes a £2.0m increase in the funds held in the Savills client account and an additional £1.2m in respect of the Transitional Service Arrangements, see the paragraph below.

Transitional Service Arrangements - outstanding balance
Following the administration of Intu Properties plc and other intu group companies, the Partnership entered into a Transitional Services Agreement (TSA) with Intu Retail Services Ltd on 27 June 2020 to provide asset and facility management services to the Metrocentre Partnership. This agreement included the settlement of an initial invoice to cover two months of estimated TSA charges, along with the estimated value of all intercompany operating balances owed to the intu group companies by the Partnership ("Additional Receivables"). Estimated costs for the TSA services were then invoiced monthly to the Partnership between July and October 2020, until the TSA agreement in relation to the Partnership was terminated with the appointment of new property administrators.

The TSA agreement requires the administrators to carry out a true-up exercise at three-month intervals to compare actual costs incurred to the estimates originally used as the basis for charge, and then to either invoice for any additional charges incurred or refund any excess charges to the Partnership (subject to retention of a contingency). The most recent true-up exercise was concluded in late 2021, and now represents an agreed final position between the Partnership and the administrators of Intu. An amount of £1.6m (net of VAT) is contractually due under the terms of the TSA agreement and is included within other receivables (2020: £0.9m). In addition, a creditor claim for £0.5m has also been recognised within other receivables as a full distribution is expected from the entity concerned via a solvent liquidation.

THE METROCENTRE PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

8 Trade and other payables

	2021	2020
	£m	£m
Trade payables	1.5	1.5
Deferred income	7.4	5.8
Interest owed to Intu Metrocentre Limited	20.2	20.2
Interest owed to Euro Dinero II Private Limited	13.5	13.5
Accruals	6.9	4.6
Other taxes and social security	1.8	5.8
Other payables	1.4	0.4
	52.7	51.8

Interest on the loans owed to Intu Metrocentre Limited and Euro Dinero II Private Limited are charged at 7% (2020: 7%) on the Interest-Bearing Advance, refer to Note 10 Borrowings, section 'Partner Loan Financial Instrument' for more detail. These amounts are repayable on demand but rank behind all other borrowing facilities.

The balance payable for other taxes and social security has reduced by £2.6m due to the payment of the deferred VAT balance that built up during 2020, as the Partnership took advantage of the coronavirus VAT deferral scheme offered by HMRC in 2020.

9 Lease liabilities

The right-of-use asset relating to the head lease on the Metrocentre shopping centre is included within investment and development property on the balance sheet in accordance with IFRS 16, see note 6. The related lease liability is shown below.

	2021	2020
	£m	£m
Minimum lease payments fall due		
Not later than 1 year	0.1	0.1
1 - 2 years	0.1	0.1
2 - 3 years	0.1	0.1
3 - 4 years	0.1	0.1
4 - 5 years	0.1	0.1
5 - 6 years	0.1	0.1
Later than 6 years	3.4	3.4
Total *	3.7	3.7
Future finance charges on lease liabilities	(3.2)	(3.2)
Present value of finance lease liabilities	0.5	0.5
Present value of lease liabilities		
Not later than one year	0.1	0.1
Later than one year and not later than five years	0.1	0.1
Later than five years	0.3	0.3
	0.5	0.5

* These totals appear not to cast because the individual yearly amounts are all c. £50k and round up to £0.1m.

10 Borrowings

	2021 £m	2020 £m
Non-current		
Loan agreement with Intu Metrocentre Finance plc in respect of 8.75% bonds	516.9	481.5
Loan agreement with Intu Metrocentre Finance plc in respect of liquidity facility	20.0	10.2
New money notes	27.8	24.7
Compound financial instrument- liability component in respect of:		
Intu Metrocentre Limited	283.8	260.8
Euro Dinero II Private Limited	189.2	173.8
	1,037.8	951.0

Loan agreement with Metrocentre Finance Plc – modification
In 2013, Metrocentre Finance plc ("the lender") passed external bond financing to the Partnership following the issue of a £485,000,000 4.125% bond. The amounts owed are unsecured and have an anticipated repayment profile which matches the profile of the lender's borrowings in order for the lender to meet its external funds obligations. The bond financing in Metrocentre Finance plc is secured against the investment property of the Partnership.

Under the terms of the intercompany loan agreement, interest is due on the amounts owed to the lender at rates equal to those paid by the lender on its external borrowings. Fees and other costs incurred by the lender are also charged to the Partnership under the terms of the intercompany loan agreement between them.

On 29 October 2020 following the passing of a Noteholder Extraordinary Resolution implementing the Master Amendment Agreement of the same date, the coupon rate on the existing £485,000,000 4.125% notes was increased to 8.750%. This figure of 8.750% comprises a cash portion of 4.125% and a PIK portion of 4.625%. The existing intercompany loan agreement with the lender was amended on 29 October 2020 to incorporate this increase in the coupon rate. As a result, a substantial modification to this loan agreement was disclosed within the 2020 financial statements and a new liability was recognised.

During 2021, as a result of the Fourth Supplemental Master Amendment Agreement entered into by the Partnership on 22 October 2021, the cash coupon due on 6 December 2021 on the intercompany loan with the lender was agreed to be capitalised as PIK. By applying the qualitative test to the revised cashflows, it was determined that the present value of the modified cashflows was less than 10% different to that of the original remaining cashflows.

Accordingly, a non-substantial contract modification has arisen as a result of the decision to capitalise the December 2021 cash interest payment. The amortised cost of the liability has been recalculated by discounting the modified contractual cash flows using the original effective interest rate, which gives rise to a gain of £70k. The effective interest rate has been revised accordingly. The gain is included within finance income at note 5.

Liquidity facility
On 7 June 2021 the lender drew down a further £9.8m against the liquidity facility, increasing the total drawings to the maximum size of the facility (£20 million). This amount has been passed to the Partnership by adding it to the intercompany loan, hence it does not feature in the cashflow statement. The liquidity facility (and hence the intercompany loan relating to it) accrues interest at a rate of 175 basis points + SONIA. The amended and restated Liquidity Facility Agreement of 29 October 2021 amended the Liquidity Facility interest rate calculations to use SONIA plus a credit adjustment spread instead of LIBOR. The loan pricing (the margin) was left unchanged at 175 basis points as a result of these amendments. A step-up margin of 50 basis points per year applies to drawings that have been continuously outstanding for twelve months or longer.

New Money Notes
The Metrocentre Partnership issued £25m of New Money Notes (the "New Money") on 3 November 2020. These accrue PIK interest at the rate of 11% + SONIA, with a maturity date of 6 December 2023.

10 Borrowings **(Continued)**

Financial covenants under the intercompany loan agreement with Metrocentre Finance Plc
The covenant calculations are as follows:

	Covenant	Actual
Loan to Value	< 100%	126%
Interest Cover	> 1.25x	1.14x

The actual LTV and interest cover covenants are based on these financial statements, calculated in accordance with the loan calculation methodology as set out in the Master Definitions Agreement, which does not contemplate (i) the outstanding principal amount of the New Money Notes or (ii) the drawn amounts under the Liquidity Facility in the definition of "Net Debt". Including (a) the outstanding principal amount of the New Money Notes (together with accrued capitalised PIK amounts thereon) and (b) the drawn Liquidity Facility in the net debt calculation would result in an LTV calculation of 137%. For the avoidance of doubt Net Debt includes accrued PIK Interest amounts on the Notes as at the interest payment date of 6 Dec 2021.

There are no breaches of the financial covenants outstanding that have not been waived or forborne by the Noteholders, the current forbearances extend to 31 July 2022.

Partner loan financial instrument
In 2007, Intu Metrocentre Limited (a Limited Partner) and Eurolieum S.a.r.l (a related entity of Euro Core Private Limited, a Limited Partner) contributed loan amounts of £600m to the Partnership. These met the definition of an off market financial instrument because of the nature of the interest arrangements. As a result, the loan amounts were split between a liability component which is subsequently amortised to nominal value, and an equity component. This initial split was applied to the initial loan amounts of £600m drawn in April 2007 as well as certain additional amounts drawn down of £47.5m which were contemplated in the original agreement. Subsequent amounts of £95.2m were contributed over the period 2012-2015 which have been treated as new loans, each of which has its own equity / debt split and its own effective interest rate.

The total outstanding advance under the loans is £742.9m. Interest is not currently accruing on them and repayment is not scheduled until 2027 and cannot be made under the terms of the loan agreements if it would leave the Partnership in a net liability position.

During 2018, the loan amounts contributed by Eurolieum S.a.r.l. were transferred to Euro Dinero II Private Limited, a related entity of Euro Core Private Limited.

Under the terms of the loan agreements between the Metrocentre Partnership and the Limited Partners, interest is payable at the rate of 7% of the Interest Bearing Advance. The Interest Bearing Advance (IBA) is a defined term within those loan agreements and varies according to the performance of the Partnership as calculated based on a number of balances within the financial statements. The value of the IBA is currently calculated to be zero under the terms of those agreements, because the Intercompany Loan outstanding is greater than 80% of the most recent external property valuation. As a result, the partner loans are not accruing any cash pay interest. Interest calculated on the IBA in accordance with the loan agreement is taken to the income statement, along with the accretion of interest on the partner loans which are recorded at amortised cost.

Intercompany Loan: Embedded derivatives consideration
The intercompany loan agreement with Metrocentre Finance plc includes clauses relating to prepayments and changes of control. These provide for acceleration of the debt and make-whole payments on the occurrence of certain events, subject to the agreement of a majority of Noteholders. These clauses constitute embedded derivatives, which do not appear to be closely related to the host contract in accordance with IFRS 9; hence they are required to be recognised separately at fair value. The directors have considered various events that might occur during the lifetime of the intercompany loan which could lead to the clauses being triggered, and have determined that the probability of make-whole payments being triggered during this period is near-zero. Accordingly, no value is recognised for these embedded derivatives.

11 Financial risk management

The Partnership is exposed to a variety of financial risks arising from the Partnership's operations, being principally market risk (including interest rate risk and asset valuation risk), liquidity risk and credit risk. The policies for managing each of these risks and their impact on the results for the year are summarised below, with the exception of asset valuation risk which is addressed at note 6.

There is no foreign exchange rate risk as all receipts and payments for the Partnership are denominated in sterling, as are the values of all assets and borrowings.

Interest rate risk
Interest rate risk comprises both cash flow and fair value risks. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in market interest rates.

The majority of the debt within the Partnership is fixed rate, with some modest exposure to floating rate debt in respect of the £25m New Money notes and the drawn element of the Liquidity Facility within Metrocentre Finance plc which is passed through to the Partnership via the intercompany loan.

The Partnership does not have any protection against fluctuations in interest rates on these instruments because the values involved are currently too small to justify the cost of interest rate swaps. Should there be any significant movement in the interest rates applying to these financial instruments the position will be revisited. A rise of 1% in the base rate could be expected to increase interest costs for these two instruments by c. £450k p.a., of which £250k would be PIK interest.

The amended and restated Liquidity Facility Agreement of 29 October 2021 amended the Liquidity Facility interest rate calculations to use SONIA plus a credit adjustment spread instead of LIBOR. The loan pricing (the margin) was left unchanged at 175 basis points as a result of these amendments.

Liquidity risk
Liquidity risk is managed to enable the Partnership to meet future payment obligations when financial liabilities fall due. The Partnership aims to meet this objective through maintaining a substantial cash balance and/or available capacity in the liquidity facility, supplemented by additional financing where necessary. A regular cash reporting and forecasting process is in place to ensure that liquidity is closely monitored and managed.

Credit risk
Credit risk is the risk of financial loss if a tenant or counterparty fails to meet an obligation under a contract. Credit risk arises primarily from trade receivables relating to tenants but also from the Partnership's holdings of cash deposits with the counterparty bank. The credit risk relating to cash and deposits is managed by the exclusive use of a tier 1 bank for cash deposits. The long-term credit rating of HSBC bank plc as at December 2021 was A1 (Moody's) and A+ (S&P).

Trade receivables
Prospective tenants are assessed via a review process, including obtaining credit ratings and reviewing financial covenant strength, which is conducted internally. As a result, deposits or guarantors may be obtained. The value of deposits held as collateral at 31 December 2021 is £0.5m (2020: £0.5m).

A dedicated credit control team is in place to chase arrears on unpaid lease receivables. The business plan for the centre includes shifting the tenant base to sectors less affected (or even boosted) by the pandemic such as home and furniture and jewellery, improving the credit-worthiness of the tenants. The business plan is also targeted at diversifying the portfolio to include more leisure / services versus retail to compensate for the demographic shift to online retail.

11 Financial risk management **(continued)**

The table below sets out the maturity analysis of the Partnership's financial liabilities based on the undiscounted contractual obligations to make payments of interest and to repay principal.

	Repayable within 1 year or on demand	1-2 years	2-5 years	Greater than 5 years	Total
	£m	£m	£m	£m	£m
At 31 December 2021					
Borrowings (including interest)	(20.6)	(630.5)	(0.8)	(767.1)	(1,419.0)
		-	-	-	
Amounts due to related parties	(33.7)	-	-	-	(33.7)
Other financial liabilities	(2.9)	-	-	-	(2.9)
	(57.2)	(630.5)	(0.8)	(767.1)	(1,455.6)
At 31 December 2020					
Borrowings (including interest)	(20.2)	(20.2)	(618.3)	(755.3)	(1,414.0)
		-	-	-	
Amounts due to related parties	(33.7)	-	-	-	(33.7)
Other financial liabilities	(1.9)	-	-	-	(1.9)
	(55.8)	(20.2)	(618.3)	(755.3)	(1,449.6)

At 31 December 2021 trade receivables are shown net of provisions totalling £4.4 million (2020: £17.0 million).

The ageing of the trade receivables with respect to their due date is as follows:

	2021	2020
	£m	£m
Over 6 Months	0.3	1.4
3 to 6 months	0.1	0.8
Up to 3 months	0.5	3.9
Trade receivables	0.9	6.1

THE METROCENTRE PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

11 Financial risk management **(continued)**

The ageing of the provisions with respect to the due date of the related receivables is as follows:

	2021	2020
	£m	£m
Over 6 Months	4.3	11.7
3 to 6 months	0.1	4.3
Up to 3 months	-	1.0
Trade receivables	4.4	17.0

The expected credit losses in respect of trade receivables are determined using a matrix based on the age of the receivables. Overdue amounts are provided at between 5-100% of the value of the debt, depending on how long they have been overdue. The matrix has been updated from that applied for the 2020 financial statements, to reflect the improvements in current collection rates and evidence gathered during the course of 2021 as to the typical outcome of debt negotiations.

Tenants who were in administration, liquidation or CVA proceedings at the year end had their debt provided for in full. An expected credit loss of nil (2020: £2.3m) has been recognised for the lifetime losses of unamortised tenant lease balances (lease premiums and rent-free incentives).

Classification of financial assets and liabilities

The tables below set out the Partnership's accounting classification of each class of financial assets and liabilities, their fair values and their classification within the fair value hierarchy. The element of the borrowings relating to the intercompany loan that services the public notes are classified at level 1 of the fair value hierarchy.

	Carrying value	Fair value
2021	£m	£m
Trade and other receivables	10.0	10.0
Cash and cash equivalents	52.1	52.1
Total financial assets – amortised cost	62.1	62.1
Trade and other payables	(36.6)	(36.6)
Borrowings	(1,038.2)	(805.2)
Total financial liabilities – amortised cost	(1,074.8)	(841.8)

	Carrying value	Fair value
2020	£m	£m
Trade and other receivables	12.4	12.4
Cash and cash equivalents	30.0	30.0
Total financial assets – amortised cost	42.4	42.4
Trade and other payables	(35.6)	(35.6)
Borrowings	(951.4)	(664.5)
Total financial liabilities – amortised cost	(987.0)	(700.1)

11 Financial risk management (Continued)

Fair Value hierarchy	
Level 1:	Valuation based on quoted market prices traded in active markets
Level 2:	Valuation techniques are used, maximising the use of observable market data, either directly from market prices or derived from market prices
Level 3:	Where one or more inputs to valuation are unobservable. Valuations at this level are more subjective and therefore more closely managed, including sensitivity analysis of inputs to valuation models. Such testing has not indicated that any material difference would arise due to a change in input variables

Transfers into and transfers out of the fair value hierarchy levels are recognised on the date of the event or change in circumstance that caused the transfer. There were no transfers into or out of the fair value hierarchy for the above financial assets and liabilities during the year (2020: none).

12 Cash generated from operations

	2021 £m	2020 £m
Loss before tax	(93.0)	(262.7)
Adjustments for:		
Finance costs – partner loan	38.4	12.7
Finance costs – other borrowings	49.0	26.4
Finance income	(0.1)	(4.3)
Revaluation of investment property	28.9	228.8
Lease incentive and letting costs	(0.4)	5.6
Movements in working capital:		
Decrease/(increase) in trade and other receivables	3.4	(6.6)
Increase in trade and other payables	0.9	0.8
Cash generated from operations	27.1	0.7

12 Cash generated from operation **(Continued)**

Analysis of changes in net cash / (debt)

	2020	Cash flow	Non-cash movements	2021
	£m	£m	£m	£m
Cash and bank balances	30.0	22.1	-	52.1
Lease liability	(0.5)	-	-	(0.5)
Borrowings	(951.0)	-	(86.7)	(1,037.8)
Net cash / (debt)	(921.5)	22.1	(86.7)	(986.2)

Non-cash movements of £86.7m in the table above include; £3.1m of PIK interest on New Money notes, £9.8m for the addition to the intercompany loan in respect of the drawing of the liquidity facility by the Issuer at the 7 June 2021 interest payment date, £38.4m for the accretion of the partner loan financial instrument and £35.4m for the movement on the intercompany loan in respect of the public notes. The movement on the intercompany loan in respect of the public notes includes the impact of capitalising £10.0m of interest in respect of the December 2021 cash interest coupon.

Net cash / (debt) balances at 31 December 2021 comprise:

	Current assets	Current liabilities	Non-current liabilities	Total
	£m	£m	£m	£m
Cash and bank balances	52.1	-	-	52.1
Lease Liability	-	(0.1)	(0.4)	(0.5)
Borrowings	-		(1,037.8)	(1,037.8)
Net cash / (debt)	52.1	(0.1)	(1,038.2)	(986.2)

13 Operating leases

The Partnership earns rental income by leasing its investment properties to tenants under operating leases.

In the UK the standard shopping centre lease has recently decreased in term and is now typically for a term of 5 to 10 years. Standard lease provisions include service charge payments, recovery of other direct costs and review every five years to market rent. Standard turnover-based leases have a turnover percentage agreed with each lessee which is applied to the annual sales for the retail unit, and any excess between the resulting turnover rent and the minimum rent is receivable by the Partnership and recognised as income in the period in which it arises.

The future minimum lease amounts receivable under non-cancellable operating leases for continuing operations are as follows:

	2021 £m	2020 £m
Less than one years	27.9	31.2
One to two years	22.8	25.0
Two to three years	18.6	20.2
Three to four years	15.3	16.3
Four to five years	11.8	13.2
More than five years	43.9	49.5
	140.3	155.4

14 Ultimate parent company / ultimate controlling party

The ultimate controlling party of the Partnership is considered to be Intu Properties plc (in administration) which has confirmed that it will not be producing any consolidated accounts. The Partnership will not be consolidated into any set of accounts. Day-to-day management of the Partnership is carried out by the General Partner, Metrocentre (GP) Limited, in accordance with the Limited Partnership deed.

The Limited Partners are Intu Metrocentre Limited and Euro Core Private Limited whose ultimate parent companies are Intu properties plc and Government of Singapore Investment Corporation (Realty) Plc Ltd respectively.

Ownership of the Partnership is split as follows; 59.994% Intu Metrocentre Limited, 39.996% Euro Core Private Limited, 0.01% Metrocentre (GP) Limited.

15 Related party transactions

Significant transactions and balances outstanding between the Partnership and related parties are shown below.

During the year, the Partnership entered into the following transactions with the related companies below:

Related Party	Nature of transaction	2021 £m	2020 £m
Intu Metrocentre Property Management Limited*	Service charge management	-	0.6
Intu Metrocentre Property Management Limited*	Property management	(0.5)	1.1
Intu Retail Services Limited (in administration)**	Facilities management	-	1.0
Intu Retail Services Limited (in administration)**	Transitional services	(0.7)	6.7
Intu Metrocentre Limited*	Interest payable	-	1.1
Intu Metrocentre Limited*	Partner loan accretion	23.0	7.6
Euro Dinero II Private Limited***	Interest payable	-	0.8
Euro Dinero II Private Limited***	Partner loan accretion	15.4	5.1

Intu Metrocentre Property Management Limited and Intu Retail Services Limited are considered to be related parties by virtue of the fact they share common ownership by Intu Properties PLC (in administration).

Intu Metrocentre Limited is a limited Partner of the Partnership and is hence related.

Euro Dinero II Private Limited is a related entity of Euro Core Private Limited, which is a limited Partner of the Partnership.

Significant balances outstanding between the Partnership and other related companies are shown below:

		Amounts owed (to)/by	
Related Party	Nature of balance	2021 £m	2020 £m
Intu Metrocentre Limited	Partner loan and Interest accrual	(304.0)	(281.0)
Euro Dinero II Private Limited	Partner loan and Interest accrual	(202.7)	(187.3)
Intu Retail Services Limited	Other receivables (TSA)	1.6	0.9
Intu Metrocentre Property Management Limited	Other receivables (TSA)	0.5	-

* The company's registered office is 8 Sackville St, London, W1S 3DG
** The company's registered office is 10 Fleet Place, London, EC4M 7QS
*** The company's registered office is 168 Robinson Road, #37-01 Capital Tower, Singapore, 068912.

16 Events after the reporting date

Further consent solicitation processes were passed on 22 February 2022 and 26 May 2022 which extended the noteholder forbearance/waivers in respect of the financial covenants and other events of default for a further period of three and two months respectively on each occasion.

The cash pay interest coupon of £10.0 million that was due to be paid on 6 June 2022 in respect of the intercompany loan with Metrocentre Finance plc was capitalised in accordance with the terms of the Sixth Supplemental Master Amendment Agreement entered into by the Partnership on 26 May 2022, following the passing of the Sixth Supplemental Borrower Forbearance Proposal of the same date.