

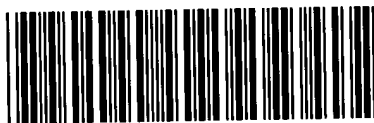
**Company Number: 08704179**

**Intu Metrocentre Finance Plc**

Annual report and financial statements

For the year ended 31 December 2016

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## **Intu Metrocentre Finance Plc**

### **Officers and professional advisers**

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#### **Directors**

Intertrust Directors 1 Limited  
Intertrust Directors 2 Limited  
Debra Parsall

#### **Company secretary and registered office**

Intertrust Corporate Services Limited  
35 Great St. Helen's  
London  
EC3A 6AP

#### **Company number**

08704179  
(England and Wales)

#### **Bankers**

HSBC Bank Plc  
8 Canada Square  
London  
E14 4QA

#### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London Riverside  
London  
SE1 2RT

**Strategic report for the year ended 31 December 2016**

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The directors present the strategic report on Intu Metrocentre Finance plc (the "Company" or the "Issuer") for the year ended 31 December 2016.

**Principal activities and business review**

The Company was incorporated on 24 September 2013 as a special purpose company to raise funding by the issue of £485,000,000 secured fixed rate notes (the "Notes"), issued at a discounted rate of 99.461 per cent with an annual interest rate of 4.125 per cent per annum; the final maturity date of the Notes being 6 December 2028. The Company advanced the proceeds of the Notes in the form of a loan (the "Loan") to The Metrocentre Partnership (the "Borrower") according to the terms of an intercompany loan agreement. The Loan made to the Borrower has been used by the Borrower for purposes stated in the intercompany loan agreement including general corporate purposes. The Company's obligation to pay interest and principal on the Notes is to be met primarily from payments of interest and principal on the Loan received from the Borrower. The Notes are listed on the Irish Stock Exchange. Both the Company and the Borrower are consolidated by Intu properties plc.

The Loan is secured over the Intu Metrocentre shopping centre (the "Property") located in Gateshead in the United Kingdom (the "UK") owned by the security group (which includes the Borrower and other obligors as defined in the prospectus issued on 14 November 2013 (the "Prospectus")). On 31 December 2016 the Property was revalued at £941,800,000 (2015: £949,000,000) by CBRE Limited, an independent valuer. The interest rate and principal redemption schedule of the Loan are exactly the same as that of the Notes. The Notes have an expected maturity date of 6 December 2023 and final maturity date of 6 December 2028 and the Loan will be repaid on the business day prior to the expected or final maturity date of Notes. After applying the accounting policies set out in note 1 to the financial statements, the carrying value of the Loan held by the Company at 31 December 2016 amounted to £483,032,716 (2015: £482,792,654) which was equal to the carrying value of the Notes. However, the notional balance of both at that date remained £485,000,000 (2015: £485,000,000).

**Results**

The statement of comprehensive income of the Company is set out on page 9 and shows the profit for the year.

**Key performance indicators, principal risks and uncertainties**

The directors consider the key performance indicators of the Company to be the loan to value ratio (adjusted for cash held within a debt service account) (the "LTV"), profit for the year, carrying value of the Loan and the rating of the Notes.

At 31 December 2016, the weighted average indexed LTV was 51% and at 31 December 2015 the weighted average indexed LTV was 51%. This percentage figure is considered to be the directors' best estimate of current LTV level. The profit for the financial year to 31 December 2016 of £944 (2015: £1,050) was principally attributable to the retention of £1,000 per annum before tax in accordance with the transaction documents. The carrying value of the Loans, a key performance indicator of the Company at 31 December 2016 amounted to £483,032,716 (2015: £482,792,654). The Notes continue to have a Standard & Poor's Rating Services of BBB+ (sf) and a Fitch rating of Asf and there have been no trigger events. No impairment losses were recognised during the year (2015: £nil).

The principal risks and uncertainties faced by the Company are reviewed below under Financial instruments.

**Financial instruments**

The Company's operations are financed by means of the Notes. The Company issued such financial instruments to finance the Loan made to the Borrower. It is not the Company's policy to trade in financial instruments. The Company's activities expose it to a number of risks and uncertainties as summarised below and discussed in more detail in the Prospectus under the section "Risk Factors". Risk management is predetermined based on the terms of the prospectus and is also summarised below.

The Company's financial instruments comprise the Loan, the Notes and cash and cash equivalents.

**Strategic report for the year ended 31 December 2016 (continued)**

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**Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's principal business objective rests on the provision of the Loan to the Borrower secured by first charges over the Property in the UK. Although the Loan is secured by first charges, the Company considered the evaluation of the Borrower's ability to service the Loan to be the principal factor in assessing the credit risk and the decision to lend.

As noted above the Loan is secured on the Property which was valued as at 31 December 2016 at a market value of £941,800,000 by an independent valuer. The value at which the Property will be realised in a scenario where the Property would have to be sold as a result of the Borrower not being able to discharge its obligations will depend on prevailing future property market conditions and as such, is uncertain. No impairment has been recognised against the Loan as at 31 December 2016.

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities. The Notes are limited recourse obligations of the Company and the assets of the Company are themselves limited. The ability of the Company to meet its obligations under the Notes will be principally dependent on the receipt of funds from the Borrower under the Loan agreement. The Company has entered into a Liquidity Facility Agreement with HSBC Bank plc where it is permitted to make drawings in the event of insufficient funds available to pay interest and/or principal on the Notes. In such case the Company is obliged to draw on the liquidity facility, in certain circumstances and to the extent funds are available, to meet its obligations to the Noteholders. During the year, the Company did not use the liquidity facility.

The Notes are subject to mandatory redemption in part on each interest payment date in an amount equal to the principal received or recovered in respect of the Loan. If not otherwise redeemed or purchased and cancelled the Notes will be redeemed at their principal amount outstanding on the interest payment date falling on 6 December 2028.

**Interest rate risk**

Interest rate risk exists where interest rates on assets and liabilities are set on different bases or reset at different times. Both the Loan and the Notes bear interest at the same fixed rate. Therefore, the Company is not deemed to be exposed to interest rate risk.

**Currency risk**

The Company is not exposed to currency risk as all its financial instruments are denominated in GBP.

**Capital management**

The Company considers its capital to comprise its ordinary share capital and its accumulated retained earnings. There have been no changes in what the Company considers to be its capital since the previous year.

The Company is not subject to any external capital requirements, except for the minimum requirement under the Companies Act 2006. The Company has not breached this minimum requirement. Financial instruments are set out in Note 13.

On behalf of the board



Vinoy Nursiah

per pro **Intertrust Directors 1 Limited**

**As Director**

27 April 2017

**Directors' report for the year ended 31 December 2016**

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The directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2016.

**Going concern**

In order to form a view as to the most appropriate basis of preparation of these financial statements, the directors have assessed the likelihood of whether the Company will be able to continue trading over the foreseeable future versus the likelihood of either intending to or being forced to cease trading and place the Company into liquidation.

The ability of the Company to meet its obligations on the Notes and to meet its operating and administrative expenses is dependent principally on the performance of the Loan. The Notes are limited recourse obligations of the Company.

The Company is obliged to redeem the Notes at their principal amount outstanding upon maturity. However, due to the limited recourse nature of the Notes, the Company's ability to pay amounts due on the Notes are, in substance, limited to the application of the receipts from the Loan under the terms of the priority of the payments as set out in the terms and conditions of the Notes. The security group (being companies within the intu properties plc group as defined in the prospectus) guarantee the Borrower's obligations to make payments on the Loan under the intercompany loan agreement. If on default by the Borrower and the other obligors following the exercise of all available remedies, the Issuer has insufficient funds to make payment of the full amount of the Notes after enforcement in full of the Property, then the Noteholders shall have no further claim against the Issuer in respect of any amount owing to them which remain unpaid and such amounts shall be deemed discharged in full and the Issuer's payment obligations will cease.

During the year and after the statement of financial position date, the Borrower has continued to meet its liabilities to the Company as they fall due. The market value of the security of the Loan decreased from £949,000,000 valued at 31 December 2015 to £941,800,000 valued at 31 December 2016 and at the balance sheet date the Company is in a net asset position.

Due to the above, the directors consider that the Company is able to meet its liabilities as they fall due, and accordingly, the financial statements have been prepared on a going concern basis.

**Future developments**

The directors do not anticipate any changes to the present level of activity or to the nature of the Company's business in the near future. The directors consider that the Company will continue to meet all its liabilities under the Notes using proceeds from the Loans.

**Financial risk management**

Information on financial risk management is included in the "Financial instruments" section of the Strategic report.

**Corporate governance**

The directors have been charged with governance in accordance with the transaction documents describing the structure and operation of the transaction. The governance structure of the Company is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the transaction documents.

The transaction documents provide for procedures that have been designed for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records, and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling them to comply with the regulatory obligations.

**Directors' report for the year ended 31 December 2016 (continued)**

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**Corporate governance (continued)**

Due to the nature of the securities which have been issued, the Company is largely exempt from the disclosure requirements of the Financial Conduct Authority pertaining to the Disclosure and Transparency Rules (DTR) as detailed in DTR 7.1 audit committees and 7.2 corporate governance statements (save for DTR 7.2.5 requiring a description of the features of the internal control and risk management systems), which would otherwise require the Company respectively, to have an audit committee in place and include a corporate governance statement in the report of the directors. The directors are therefore satisfied that there is no requirement for an audit committee or a supervisory body entrusted to carry out the functions of an audit committee or to publish a corporate governance statement.

**Issued share capital**

The issued share capital is £12,500.75 comprising 49,999 quarter paid ordinary shares of £1 each and 1 fully paid ordinary share of £1.

**Directors and their interests**

The directors of the Company during the year, and up to the date of signing the financial statements, were:

Intertrust Directors 1 Limited (previously SFM Directors Limited)  
Intertrust Directors 2 Limited (previously SFM Directors (No. 2) Limited)  
John Paul Nowacki (Resigned 27 January 2017)  
Debra Parsall (Appointed 27 January 2017)

On 9 December 2016, SFM Directors Limited changed its name to Intertrust Directors 1 Limited and SFM Directors (No.2) Limited changed its name to Intertrust Directors 2 Limited.

None of the directors have any beneficial interest in the ordinary share capital of the Company. None of the directors had any interest during the year in any material contract or arrangement with the Company. The directors do not recommend the payment of a dividend (2015: £nil).

**Third party indemnities**

Qualifying third party indemnity provisions for the benefit of the directors were in force during the year under review and remain in force as at the date of approval of the annual reports and financial statements.

**Company secretary**

Intertrust Corporate Services Limited (previously known as SFM Corporate Services Limited, name changed on 9 December 2016) acted as company secretary to the year end, and subsequently.

**Statements of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the financial statements, the directors are required to:

**Directors' report for the year ended 31 December 2016 (*continued*)**

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**Statements of directors' responsibilities (*continued*)**

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

**Statement of disclosure of information to auditors**

The directors confirm that:

- a) so far as the directors are aware, there is no relevant information of which the Company's auditors are unaware; and
- b) each director has taken all the steps that they ought to have taken as directors in order to make themselves 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 section 418(2) of the Companies Act 2006.

**Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office until the next annual general meeting. Pursuant to section 489 of the Companies Act 2006, a resolution for the re-appointment of PricewaterhouseCoopers LLP will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the board



Vinoy Nursiah  
per pro **Intertrust Directors 1 Limited**  
**As Director**  
27 April 2017



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTU METROCENTRE FINANCE PLC**

**Report on the financial statements**

**Our opinion**

In our opinion, Intu Metrocentre Finance Plc's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**What we have audited**

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the Statement of financial position as at 31 December 2016;
- Statement of comprehensive income for the year then ended;
- the Cash flow statement for the year then ended;
- the Statement of changes equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

**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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

**Other matters on which we are required to report by exception**

**Adequacy of accounting records and information and explanations received**

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

**Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTU METROCENTRE FINANCE PLC**  
**(continued)**

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

**Our responsibilities and those of the directors**

As explained more fully in the Statements of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Iain Wright (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
27 April 2017

**Intu Metrocentre Finance Plc**

**Statement of comprehensive income for the year ended 31 December 2016**

	<b>Note</b>	<b>Year ended 31 December 2016 £</b>	<b>Year ended 31 December 2015 £</b>
Interest income	2	20,253,807	20,228,864
Interest expense and similar charges	3	<u>(20,253,805)</u>	<u>(20,228,859)</u>
<b>Net interest income</b>		2	5
Other operating income	4	318,997	211,444
Other operating charges		<u>(317,754)</u>	<u>(210,298)</u>
<b>Profit before taxation</b>	5	1,245	1,151
Tax on profit	6	<u>(301)</u>	<u>(101)</u>
<b>Profit for the financial year</b>	10	944	1,050
<b>Other comprehensive income</b>		-	-
<b>Profit and total comprehensive income for the financial year</b>		<u>944</u>	<u>1,050</u>

All amounts relate to continuing activities.

The accompanying notes on pages 13 to 23 are an integral part of these financial statements.

**Intu Metrocentre Finance Plc****Statement of changes in equity for the year ended 31 December 2016**

	<b>Issued share capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Balance as at 1 January 2015	12,501	1,785	14,286
Profit and total comprehensive income for the financial year	-	1,050	1,050
<b>Balance as at 31 December 2015</b>	<b>12,501</b>	<b>2,835</b>	<b>15,336</b>
Profit and total comprehensive income for the financial year	-	944	944
<b>Balance as at 31 December 2016</b>	<b>12,501</b>	<b>3,779</b>	<b>16,280</b>

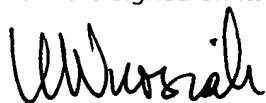
The accompanying notes on pages 13 to 23 are an integral part of these financial statements.

## Statement of financial position as at 31 December 2016

	Note	31 December 2016 £	31 December 2015 £
<b>Non-current assets</b>			
Loan	7	<u>483,032,716</u>	<u>482,792,654</u>
Total non-current assets		<u>483,032,716</u>	<u>482,792,654</u>
<b>Current assets</b>			
Trade and other receivables	8	<u>1,419,075</u>	<u>1,411,697</u>
Cash and cash equivalents		<u>16,480</u>	<u>15,437</u>
Total current assets		<u>1,435,555</u>	<u>1,427,134</u>
<b>Total Assets</b>		<u><u>484,468,271</u></u>	<u><u>484,219,788</u></u>
<b>Equity</b>			
Issued share capital	9	<u>12,501</u>	<u>12,501</u>
Retained earnings	10	<u>3,779</u>	<u>2,835</u>
Total equity		<u>16,280</u>	<u>15,336</u>
<b>Non-current liabilities</b>			
Borrowings	12	<u>483,032,716</u>	<u>482,792,654</u>
		<u>483,032,716</u>	<u>482,792,654</u>
<b>Current liabilities</b>			
Trade and other payables	11	<u>1,419,075</u>	<u>1,411,697</u>
Current tax liabilities		<u>200</u>	<u>101</u>
		<u>1,419,275</u>	<u>1,411,798</u>
<b>Total equity and liabilities</b>		<u><u>484,468,271</u></u>	<u><u>484,219,788</u></u>

The accompanying notes on pages 13 to 23 are an integral part of these financial statements.

The financial statements on pages 9 to 23 were approved and authorised for issue by the Board on 27 April 2017 and were signed on its behalf by:



Vinoy Nursiah  
per pro **Intertrust Directors 1 Limited**  
**As Director**

**Intu Metrocentre Finance Plc**

**Cash flow statement for the year ended 31 December 2016**

	Notes	31 December 2016 £	31 December 2015 £
<b>Cash generated from operations</b>	14	1,243	1,146
<b>Tax paid</b>		(202)	(215)
<b>Cash flows from operating activities</b>		<u>1,041</u>	<u>931</u>
<b>Cash flows from investing activities</b>			
Interest received on loans		20,006,250	20,006,250
Interest received on bank balances		2	5
<b>Net cash inflow from investing activities</b>		<u>20,006,252</u>	<u>20,006,255</u>
<b>Cash flow from financing activities</b>			
Interest paid on notes		<u>(20,006,250)</u>	<u>(20,006,250)</u>
<b>Net cash outflow from financing activities</b>		<u>(20,006,250)</u>	<u>(20,006,250)</u>
<b>Net increase in cash and cash equivalents</b>		1,043	936
<b>Cash and cash equivalents at start of the year</b>		<u>15,437</u>	<u>14,501</u>
<b>Cash and cash equivalents at end of the year</b>		<u><u>16,480</u></u>	<u><u>15,437</u></u>

The accompanying notes on pages 13 to 23 are an integral part of these financial statements.

## **1 Accounting policies**

### *Basis of accounting*

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRS IC Interpretations and the Companies Act 2006 as applicable to companies reporting under IFRS. The financial statements are prepared on a going concern basis and under the historical cost convention.

### *Basis of preparation - Going concern*

In order to form a view as to the most appropriate basis of preparation of these financial statements, the directors have assessed the likelihood of whether the Company will be able to continue trading over the foreseeable future versus the likelihood of either intending to or being forced to cease trading and place the Company into liquidation.

The ability of the Company to meet its obligations on the Notes and to meet its operating and administrative expenses is dependent principally on the performance of the Loan. The Notes are limited recourse obligations of the Company. The Company is obliged to redeem the Notes at their principal amount outstanding upon maturity. However, due to the limited recourse nature of the Notes, the Company's ability to pay amounts due on the Notes are, in substance, limited to the application of the receipts from the Loan under the terms of the priority of the payments as set out in the terms and conditions of the Notes. During the year and after the balance sheet date, the Borrower has continued to meet its liabilities to the Company as they fall due. The directors have recognised that the market value of the security of the Loan decreased from £949,000,000 valued at 31 December 2015 to £941,800,000 valued at 31 December 2016 and at the balance sheet date the Company is in a net asset position.

The directors have noted that, at the balance sheet date, the Company is in a net asset position and the credit rating of the Notes by Standard & Poor's rating services at the balance sheet date was BBB+.

Due to the above, the directors consider that the Company is able to meet its liabilities as they fall due, and accordingly, the financial statements have been prepared on a going concern basis.

### *Loan and the Notes*

The Loan is a non-derivative financial asset with fixed or determinable repayments and is not quoted in an active market. They are classified as loan and receivables. The Loan is measured at initial recognition at fair value, and is subsequently measured at amortised cost using the effective interest rate method.

The Notes issued by the Company are initially recognised at fair value on the date of their issuance and are subsequently measured at amortised cost using the effective interest rate method.

### *Loan and Notes discounts*

Discounts on the Loan and Notes are amortised into the profit and loss account using the effective interest rate method.

The Loans are subject to impairment reviews in accordance with IAS 39. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

**1 Accounting policies (*continued*)**

*Segmental analysis*

The whole of the Company's operations are carried out in the UK and the results and net assets are derived from its acquisition of the Loan and therefore only one segment is disclosed.

*Impairment*

The Company assesses at each statement of financial position date whether there is any objective evidence that a financial asset is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

If there is objective evidence that an impairment loss on a financial asset classified as loan and receivables has been incurred, the Company measures the amount of the loss as the difference between the carrying amount of the asset and the present value of estimated future cash flows from the asset discounted at the effective interest rate of the instrument at initial recognition.

Impairment losses are recognised in profit or loss and the carrying amount of the financial asset reduced by establishing an allowance for impairment losses. If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance. Once an impairment loss has been recognised on a financial asset, interest income is recognised on the carrying amount using the rate of interest at which estimated future cash flows were discounted on measuring impairment.

*Interest income and interest expense and similar charges*

The Company accounts for interest income and expense on an accruals basis. Interest income on financial assets that are classified as a loan and receivables and interest expense on financial liabilities is determined using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liabilities and of allocating the interest income or interest expense and any discount on issuance over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount.

*Other receivables*

Other receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash in hand and on demand deposits. "Cash and cash equivalents" can only be used to meet certain specific liabilities and is not available to be used with discretion; it is viewed as restricted cash.

*Other payables*

Other payables are initially measured at fair value and are subsequently valued at amortised cost using the effective interest rate method.

*Taxation*

Under the powers conferred by the Act, secondary legislation was enacted in 2006 which ensures that, subject to certain conditions being met and an election being made, for periods commencing on or after 1 January 2007, corporation tax for a 'securitisation company' will be calculated by reference to the profit of the securitisation company required to be retained in accordance with the relevant capital market arrangement.



## **1 Accounting policies (continued)**

### *Taxation (continued)*

The directors are satisfied that this Company meets the definition of a 'securitisation company' as defined by both the Act and the subsequent secondary legislation and that no incremental unfunded tax liabilities will arise. Additionally, no deferred tax amounts are recognised by the Company.

### *Use of estimates and judgments*

The preparation of the financial statements requires management to make judgments, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The judgments and estimates involved in the Company's accounting policies that are considered by the directors to be the most important to the portrayal of the Company's financial condition and that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

### **Future accounting developments**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below.

The Company intends to adopt these standards, if applicable, when they become effective.

- a) IFRS 9 'Financial Instruments' - IFRS 9 is the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39.
- b) IFRS 15 'Revenue from Contracts with Customers' - The Company has reviewed the requirements of the standard and it is not expected to have a significant impact, as all of the Company's revenue is generated from financial instruments.
- c) IFRS 16 'Leases' - The Company has reviewed the requirements of the standard and it is not expected to have a significant impact, as the Company does not hold or grant any leases.

The Company notes that there are new accounting standards on the horizon, including IFRS 9. IFRS 9 is effective for reporting periods beginning on or after 1 January 2018. Following EU endorsement in November 2016, the directors are monitoring developments and considering the associated impact on the Company's financial statements.

## **2 Interest Income**

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Interest receivable on the Loan	20,253,805	20,228,859
Bank interest income	<u>2</u>	<u>5</u>
	<u>20,253,807</u>	<u>20,228,864</u>

### 3 Interest expense and similar charges

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Interest payable on the Notes	<u>20,253,805</u>	<u>20,228,859</u>

### 4 Other operating income

Other operating income represents an amount charged during the year by the Company to the Borrower on each interest payment date, in accordance with the transaction documents which is equal to the Company's retained amount of £1,000 per annum and all the fees, costs and expenses incurred by the Company in respect of payment of the Notes interest and principal redemptions, in accordance with the Company priority of payments as defined in the transaction documents.

### 5 Profit before taxation

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
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Profit before taxation is stated after charging:

Auditors' remuneration - audit services	<u>20,054</u>	<u>22,680</u>
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The Company has no employees (2015: none) and services required are contracted from third parties (2015: none). The directors received no remuneration from the Company in respect of qualifying services rendered during the year (2015: £nil). No amounts were payable to the auditors for non-audit services (2015: Nil).

### 6 Tax on profit

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
<b>a) Analysis of the Company tax charge in the year</b>		
UK corporation tax on the profit for the year at the current tax rate of 20.00% (2015: 20.25%)	200	101
Prior year tax adjustments	<u>101</u>	<u>-</u>
Total charges	<u>301</u>	<u>101</u>

**6 Tax on profit (continued)**

**b) Factors affecting the Company current tax charge for the current year**

The tax charge in the year differs (2015: differs) from the rate of corporation tax in the UK of 20% (2015: 20.25%).

The difference is explained below:

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Profit before taxation	1,245	1,151
Expected tax charge at 20.00% (2015: 20.25%)	249	233
Effects of:		
Prior year tax adjustments	101	-
Accounting profits not taxed in accordance with SI 2006/3296	(249)	(233)
Cash retained profit taxed in accordance with SI 2006/3296	200	101
Total tax charge	301	101

For UK corporation tax purposes, the Company has been considered as a Securitisation Company under the 'Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296)'. Therefore, the Company is not required to pay corporation tax on its accounting profit or loss. Instead, the Company is required to pay tax on its retained profits. In accordance with the Prospectus the Company is expected to retain an amount of £1,000 per annum which is taxable at the above tax rate.

**7 Loan**

The Loan to The Metrocentre Partnership bears interest at a fixed rate of 4.125 per cent and is secured by first charges over the Property in Gateshead in the UK.

	31 December 2016 £	31 December 2015 £
Loan amount carried at amortised cost	483,032,716	482,792,654

The maturity profile of the Loan at was as follows:

	31 December 2016 £	31 December 2015 £
In one year or less	-	-
In more than one year	483,032,716	482,792,654
	483,032,716	482,792,654

**7 Loan (continued)**

The Notes have an expected maturity date of 6 December 2023 and a final maturity date of 6 December 2028 and the Loan will be repaid on the business day prior to the expected or final maturity repayment date of Notes.

**8 Trade and other receivables**

	<b>31 December 2016 £</b>	<b>31 December 2015 £</b>
Other receivables	25,164	24,000
Accrued interest on the Loans	1,373,708	1,366,215
Prepayments	20,203	21,482
	<u>1,419,075</u>	<u>1,411,697</u>

**9 Issued share capital**

	<b>31 December 2016 £</b>	<b>31 December 2015 £</b>
Issued, called up and allotted		
49,999 Ordinary shares of £1 each: 25 pence called and paid	12,500	12,500
1 Ordinary shares of £1 each: 1 fully paid	1	1
	<u>12,501</u>	<u>12,501</u>

The Company is not subject to any external capital requirements. The Company manages its ordinary share capital in order that there is sufficient capital in order to comply with the minimum requirement under the Companies Act 2006.

**10 Retained earnings**

	<b>31 December 2016 £</b>	<b>31 December 2015 £</b>
Opening balance	2,835	1,785
Profit for the financial year	944	1,050
Closing balance	<u>3,779</u>	<u>2,835</u>

The directors do not recommend the payment of a dividend (2015: nil).

**11 Trade and other payables**

	<b>31 December 2016 £</b>	<b>31 December 2015 £</b>
<b>Amounts falling due within one year</b>		
Other payables	45,367	45,482
Accruals and deferred income	<u>1,373,708</u>	<u>1,366,215</u>
	<u><u>1,419,075</u></u>	<u><u>1,411,697</u></u>

The tax charge for the current year was £200 (2015: £101), as per note 6.

**12 Borrowings**

	<b>31 December 2016 £</b>	<b>31 December 2015 £</b>
<b>Notes</b>		
Series 1	<u><u>483,032,716</u></u>	<u><u>482,792,654</u></u>

The Notes are secured over all the assets of the Company.

The Series 1 Notes bear interest at a fixed rate of 4.125 per cent per annum, issued at a discounted rate of 99.461 per cent with an expected maturity date of 6 December 2023 and a final maturity date of 6 December 2028.

**13 Financial instruments**

The narrative disclosure required by IFRS 7 in relation to the nature of the financial instruments used during the year to mitigate credit, market and liquidity risks exposures is included in the strategic report and included by reference in this note. The Company's exposure to risks on its financial instruments and the management of such risks are largely determined from the inception of the securitisation transaction. The Company's activities and the role of each party to the transaction are clearly defined and documented. Cash flow modelling, including multiple stress scenarios, is carried out as part of the structuring of the transaction, and as such is required by the rating agencies to establish the appropriate rating levels for the Notes.

Following initial set-up, the directors monitor the Company's performance, reviewing reports on the performance of the Property Portfolio. Such review is designed to ensure that the terms of the documentation have been met, that no unforeseen risks have arisen and that the noteholders have been paid on a timely basis.

### 13 Financial instruments (*continued*)

#### Credit risk

The maximum exposure to credit risk arising on the Company's financial assets at the reporting date is disclosed in the table below.

	Carrying Value 31 December 2016 £	Maximum Exposure 31 December 2016 £
<b>Assets</b>		
Loan	483,032,716	485,000,000
Other debtors	25,164	25,164
Cash at bank and in hand	16,480	16,480
Accrued Interest	1,373,708	1,429,018
	<u>484,448,068</u>	<u>486,470,662</u>
	Carrying Value 31 December 2015 £	Maximum Exposure 31 December 2015 £
<b>Assets</b>		
Loan	482,792,654	485,000,000
Other debtors	24,000	24,000
Cash at bank and in hand	15,437	15,437
Accrued Interest	1,366,215	1,374,056
	<u>484,198,306</u>	<u>486,413,493</u>

The table below sets out the carrying amount, impairment and the fair value of the collateral held against the credit risk exposures to the Loan. The estimate of the fair value of the collateral is based on a recent valuation performed on 31 December 2016.

31 December 2016	Carrying Value £	Impairment £	Fair value of Collateral £
<b>Loan</b>			
Individually impaired	-	-	-
Past due but not impaired	-	-	-
Neither past due nor impaired	483,032,716	-	941,800,000
	<u>483,032,716</u>	<u>-</u>	<u>941,800,000</u>

**Credit risk (*continued*)**

31 December 2015	Carrying Value £	Impairment £	Fair value of Collateral £
<b>Loan</b>			
Individually impaired	-	-	-
Past due but not impaired	-	-	-
Neither past due nor impaired	482,792,654	-	949,000,000
	<u>482,792,654</u>	<u>-</u>	<u>949,000,000</u>

The Loan is secured by first charge over the Property in the UK. Impairment to date has been nil as there have been no defaults on either the interest or principal repayments.

**Market risk**

Interest on the Loan and the Notes is set at a fixed rate and interest is payable on semi-annual basis in arrears at the following rates:

	31 December 2016 £	31 December 2015 £	Rate
Loan	483,032,716	482,792,654	4.1250%
Notes	(483,032,716)	(482,792,654)	4.1250%

The contractual interest rate on both the Loan and the Notes is set at fixed rate (see above) for the duration of the respective agreements and as such, give rise to no risk in respect of interest rates.

**Liquidity risk**

The table below reflects the undiscounted contractual cash flows of financial liabilities at the balance sheet date of non-derivative financial instruments.

As at 31 December 2016	Carrying value £	Gross cash flow £	In less than 1 month £	After 1 month but within 3 months £	After 3 months but within 1 year £	After 1 year but within 5 years £	After 5 years £
Notes	483,032,716	485,000,000	-	-	-	-	485,000,000
Interest payable on Notes	1,373,708	140,043,750	-	-	20,006,250	80,025,000	40,012,500
<b>Total</b>	<b>484,406,424</b>	<b>625,043,750</b>	<b>-</b>	<b>-</b>	<b>20,006,250</b>	<b>80,025,000</b>	<b>525,012,500</b>

As at 31 December 2015	Carrying value £	Gross cash flow £	In less than 1 month £	After 1 month but within 3 months £	After 3 months but within 1 year £	After 1 year but within 5 years £	After 5 years £
Notes	482,792,654	485,000,000	-	-	-	-	485,000,000
Interest payable on Notes	1,366,215	160,050,000	-	-	20,006,250	80,025,000	60,018,750
<b>Total</b>	<b>484,158,869</b>	<b>645,050,000</b>	<b>-</b>	<b>-</b>	<b>20,006,250</b>	<b>80,025,000</b>	<b>545,018,750</b>

**13 Financial instruments (continued)**

**Fair value of financial assets and liabilities**

The following table shows the book value and fair value of the Company's financial assets and liabilities:

	<b>31 December 2016 Book value £</b>	<b>31 December 2016 Fair value £</b>	<b>31 December 2015 Book value £</b>	<b>31 December 2015 Fair value £</b>
<b>Assets</b>				
Loan	483,032,716	533,965,600	482,792,654	503,963,500
	<u>483,032,716</u>	<u>533,965,600</u>	<u>482,792,654</u>	<u>503,963,500</u>
<b>Liabilities</b>				
Notes	483,032,716	533,965,600	482,792,654	503,963,500
	<u>483,032,716</u>	<u>533,965,600</u>	<u>482,792,654</u>	<u>503,963,500</u>

The Notes are listed on the Irish Stock Exchange. The fair value of the Notes is based upon available market prices. Market prices of the Notes depend on how the Loans are performing, therefore the fair value of the Loans has been calculated as being in line with the total fair value of the Notes.

Amendments to IFRS 7 in relation to the nature of the financial instruments that are measured in the statement of financial position at fair value requires them to be put into a fair value measurement hierarchy based on fair value measurement as detailed below:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Company has no financial instruments included in its statement of financial position that are measured at fair value. The fair value of the Loans and Notes are categorised as level 2.

**Capital management**

The Company considers its capital to comprise its ordinary share capital and its accumulated retained earnings. There have been no changes in what the Company considers to be its capital since the previous year.

The Company is not subject to any external capital requirements, except for the minimum requirement under the Companies Act 2006. The Company has not breached this minimum requirement.



**14 Cash generated from operations**

	<b>31 December 2016 £</b>	<b>31 December 2015 £</b>
Profit on ordinary activities before taxation	1,245	1,151
Interest income	(20,253,807)	(20,228,864)
Interest expense	20,253,805	20,228,859
Changes in working capital:		
Decrease/(increase) in debtors	115	(21,482)
(Decrease)/increase in creditors	(115)	21,482
Net cash flow from operating activities	<u>1,243</u>	<u>1,146</u>

**15 Ultimate Controlling party**

The entire issued capital of the Company is held by Intertrust Corporate Services Limited (previously SFM Corporate Services Limited) on a discretionary trust basis for the benefit of certain charities. Intertrust Corporate Services Limited (previously SFM Corporate Services Limited) is a wholly owned subsidiary of Intertrust Management Limited (Structured Finance Management Limited). Copies of the financial statements of Intertrust Corporate Services Limited may be obtained from 35 Great St Helen's, London, EC3A 6AP.

The controlling party is considered to be intu properties plc. The Company's financial statements are consolidated into the financial statements of intu properties plc on the basis of risks and rewards held. Copies of the consolidated financial statements of intu properties plc are available at its registered office at 40 Broadway London SW1H 0BT.

**16 Related party transactions**

During the year fees of £12,909 (2015: £22,886) were paid to Intertrust Management Limited (previously Structured Finance Management Limited) in respect of corporate services provided to the Company including the provision of directors. At the year-end corporate services fee of £nil (2015: £nil) were accrued.

Intertrust Corporate Services Limited (previously SFM Corporate Services Limited) is a wholly owned subsidiary of Intertrust Management Limited.

The carrying value of Loans on the balance sheet amounting to £483,032,716 (2015: £482,792,654), interest on Loans on the balance sheet amounting to £1,373,708 (2015: £1,366,215) and other operating income on the balance sheet amounting to £25,164 (2015: £24,000) is due from The Metrocentre Partnership. During the year interest received on the Loan amounted to £20,006,250 (2015: £20,006,250). Other operating income amounting to £316,554 (2015: £232,926) were received from The Metrocentre Partnership.

The controlling party of The Metrocentre Partnership is Metrocentre (GP) Limited which is wholly owned subsidiary within the intu properties plc group.