Company Registration No. 11069278

CANNOCK DESIGNER OUTLET (NOMINEE 1) LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2022

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS
G Bond
M Borello (Appointed 1 March 2023)
D D Freed (Appointed 1 March 2023 and resigned 2 June 2023)
R P Booth (Resigned 1 March 2023)
P Harvey
A M Coles (Resigned 1 March 2023)
S J Johnston
C Wilkinson (Appointed 2 June 2023)

SECRETARY
L Meister

REGISTERED OFFICE
Nations House, 3rd Floor
103 Wigmore Street
London, England WIU 1QS

BANKERS
Barclays Bank PLC
London Corporate Banking Group
54 Lombard Street
PO Box 544
London, EC3V 9EX

AUDITORS
Ernst & Young LLP
1 More London Place
London, SE1 2AF

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2022. This report has been prepared in accordance with the provisions applicable to companies subject to FRS 102 Section 1A - Small Entities.

PRINCIPAL ACTIVITIES

The principal activity of the Cannock Designer Outlet (Nominee 1) Limited ("the Company") is to be the legal title holder (alongside Cannock Designer Outlet (Nominee 2) Limited) of the property held on trust for the Cannock Designer Outlet Limited Partnership ("the Limited Partnership") as the McArthurGlen West Midlands Designer Outlet Centre beneficial owner.

RESULTS AND DIVIDENDS

The Company made a loss of £28,081 before taxation for the year (2021 loss: £27,582).

The directors have paid no dividend during the year (2021: £nil).

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The directors consider that the results of the Company are satisfactory. The Company will continue to act as the legal title holder of the McArthurGlen West Midlands Designer Outlet Centre property for the foreseeable future.

The directors consider that the Company will continue to perform its principal activity for the foreseeable future. The directors will monitor the impacts of the macroeconomic risks currently facing the Company due to the conflict in Ukraine as well as inflationary pressures, and will take appropriate action as necessary to ensure the Company continues to operate as a going concern.

GOING CONCERN

The Directors believe that the Company will continue as a going concern over the going concern review period that runs from the date of approval of the year ended 31 December 2022 financial statements until 31 December 2024. This assumes that the Company will be able to meet its liabilities as and when they fall due for the foreseeable future. As at 31 December 2022, the Company is in a net (and net current) asset position of £16,397 (2021 net assets: £24,478). As at 31 December 2022, the Partnership is in a net current liability position of £51,329,531 (2021 asset position: £10,697,490) and a net liability position of £14,824,886 (2021: £13,527,861), arising predominantly from the Partners' loan accounts of £86,632,696 (2021: £80,603,710) and bank loans of £64,000,000 (2021: £61,274,772). The Partners' loans have fixed repayment dates with maturity dates in 2028 to 2032, whilst the bank loan matured on 26 February 2023. The bank loan was subsequently refinanced post year end. Refer to note 10 for further details.

Management have prepared base forecast cashflows for the Company for the going concern review period. The basis for the Company's forecasted operational expenses was the Company's current fees, along with an appropriate inflationary increase throughout the going concern review period. The cashflows for the Company are predictable given the nature of the entity's operations and as such, management consider these assumptions to be appropriate for the assessment. Based on this forecast, management notes that the Company could be in a position whereby it is generating negative cashflows by the end of April 2024 and onwards. This is a result of the forecast assuming ongoing administrative fees without any corresponding expectation of cash inflows.

Following the maturity of the Partnership's £64m loan with Deutsche Bank in February 2023 (as well as an extension to this loan to June 2023), it signed a net £65m loan facility on 6 June 2023 with Norddeutsche Landesbank Girozentrale and Sumitomo Mitsui Banking Corporation. This loan was used to repay the previous £64m, with the additional £1m used to partially repay accrued interest amounts and cover additional fees, costs, and expenses incurred in relation to the new facility. The loan is for a term of 3 years, with a maturity date of 5 June 2026. The Company acted as a guarantor on the loan, as per the terms of the loan agreement.

DIRECTORS' REPORT (CONTINUED)

GOING CONCERN (CONTINUED)

On 24 February 2022, Russia invaded Ukraine. The ongoing war has led to inflationary pressures, increasing interest rates, slowdown in economic growth, as well as supply chain disruptions. This has naturally had an adverse impact on both UK businesses and consumers and in the context of the Partnership, can lead to pressures on the performance of the McArthurGlen West Midlands Designer Outlet Centre, as well as on the turnover of the brands in the Centre. Based on latest sales results and key performance indicators, such as footfall and average spend per visitor, the Centre is trading ahead of the financial year ended 31 December 2022. Management have considered the specific impact of these events on the Centre and do not believe that they have led to a significant impact on the Partnership's sales, nor on the turnover of its brand partners. Given that the conflict is ongoing at the date of approval of these financial statements, there remains a level of unpredictability, and therefore management will continue to monitor the situation closely to determine if there is any impact of the conflict on the future viability of the Partnership taking necessary steps to mitigate these effects proactively.

Management prepared a base cash flow forecast for the Partnership for the going concern review period. The forecasted figures until the end of 2023 were based on the approved budget, whilst 2024 figures were based on the estimated profit and loss figures included as part of an overall 10 year plan prepared by management. This assumes an increased total income by the end of 2024 compared to 2023 by 9.3% as well a projected increase in net operating profit by 14.5%. Based on this forecast, management noted that the Partnership will generate positive cash flows and will not breach any bank covenants during the going concern review period. However, after applying downside sensitivities to this base forecast, management notes that the Partnership could be in a position whereby it is generating negative cashflows by the end of August 2024 and onwards. The key downside sensitivities applied in this forecast are to align rental income, service charges, and marketing income for the forecast period to be in line with the year ended 31 December 2022 . Management considers this to be a worst case scenario given that the centre opened in April 2021 and therefore was still in its relative infancy during 2022. In addition to this the Centre was recovering from the impact of Covid during this period. Average void unit levels were 20.3% during 2022 whereas the Centre was 100% occupied (including signed contracts) as at 31 October 2023.

Under the terms of the bank loan agreement in place for the Partnership, it must comply with an Interest Cover covenant, as well as a Debt Yield ratio covenant throughout the loan term and up until the loan maturity date. As at the signing date of the financial statements, no breach in the covenants on the bank loan facility has occurred, and management's base cashflow forecast indicates that there are no covenant breaches in the forecasted cashflows over the going concern review period. However, after applying the downside sensitivities already highlighted earlier, management notes that the Partnership may breach the Interest Cover and Debt Yield ratio loan covenants for the quarters ending March 2024 onwards.

Management have also received an external valuation for the McArthurGlen West Midlands Designer Outlet Centre that notes the fair value of the outlet centre to be £129,800,000 (2021: £124,400,000) as at 31 December 2022, a 4.3% increase in value from 31 December 2021. Based on the same, there are no Loan-to-Value ("LTV") covenant breaches in the forecasted cashflows over the going concern review period, with this valuation being management's best estimate of the fair value of the McArthurGlen West Midlands Designer Outlet Centre as at the date of signing of these financial statements.

Based on the above, management have identified a material uncertainty with respect to the going concern assumption which resulted in:

1. The Company's base forecast cashflow reaching a negative value by the end of April 2024 and thereafter, caused by the assumption of ongoing administrative fees without any corresponding expectation of cash inflows throughout the going concern review period.

Based on the above, given that the Company is an obligor on the Partnership's bank loan and so its assets are included as part of the security for the financing, management has identified a material uncertainty with respect to the going concern assumption arising from the downside sensitivity analysis which resulted in:

2. The Qualifying Partnership's forecast with the Interest Cover and Debt Yield ratio covenants related to its bank debt secured against the assets of the Qualifying Partnership, including the McArthurGlen West Midlands Designer Outlet Centre, caused by potential uncertainty associated with the future trading performance as a result of macro-economic factors.

DIRECTORS' REPORT (CONTINUED)

GOING CONCERN (CONTINUED)

The aforementioned conditions constitute a material uncertainty that may cast significant doubt upon the ability of the Company to continue as a going concern. Going forward, management will continue to routinely monitor both the Company's cashflow position and if necessary, will curtail any discretionary expenditures which are not committed to over the going concern period, such as non-essential capital expenditure, asset management initiatives, and discretionary marketing expenditure. Management also believe that funding calls can be made to investors in scenarios where cash is required. Furthermore if any challenges arise in meeting the loan covenants, management believe that there would be potential to seek waiver letters, given the existing relationship in place with the bank. Management therefore have a reasonable expectation that both the Qualifying Partnership and the Company will be able to operate in line with the base case cash flow scenario and continue its operations for the foreseeable future. Accordingly, management believes that it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not reflect any adjustments that would be required should the Company be unable to continue as a going concern.

POST BALANCE SHEET EVENTS

Following the maturity of the £64m loan with Deutsche Bank in February 2023 (as well as an extension to this loan to June 2023), the Company's parent, Cannock Designer Outlet (GP) Limited, signed a new £65m loan facility on 6th June 2023 with Norddeutsche Landesbank Girozentrale and Sumitomo Mitsui Banking Corporation. The Company, along with Cannock Designer Outlet (Nominee 2) Limited, acted as nominees for this transaction. The loan is for a term of 3 years, with a maturity date of 5th June 2026.

BOARD OF DIRECTORS

The directors who served throughout the year and since the year end are as follows:

G Bond

M Borello (Appointed 1 March 2023)

D D Freed (Appointed 1 March 2023 and resigned 2 June 2023)

R P Booth (Resigned 1 March 2023)

P Harvey

A M Coles (Resigned 1 March 2023)

S J Johnston

C Wilkinson (Appointed 2 June 2023)

STRATEGIC REPORT

The financial statements have been prepared in accordance with the special provisions applicable to companies subject to the small companies regime. The Company has taken the exemption under section 414B of the Companies Act 2006 for the requirements to prepare a Strategic Report for the financial period.

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

- the director has taken all 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.

DIRECTORS' REPORT (CONTINUED)

AUDITORS

In accordance with s485 of the Companies Act 2006, a resolution is to be proposed at the Board Meeting for reappointment of Ernst & Young LLP as auditor of the Company.

The financial statements have been prepared in accordance with the special provisions relating to the small companies regime.

Approved by the Board of Directors
and signed on behalf of the Board

DocuSigned by:
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S J Johnston
Director
21 December 2023

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 ("FRS 102"), 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies in accordance with Section 10 of FRS 102 and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- provide additional disclosures when compliance with specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- in respect of the company financial statements, state whether applicable UK Accounting Standards, included FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will not 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 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.

Under applicable law and regulations, the directors are also responsible for preparing a directors report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANNOCK DESIGNER OUTLET (NOMINEE 1) LIMITED

Opinion

We have audited the financial statements of Cannock Designer Outlet (Nominee 1) Limited (the 'company') for the year ended 31 December 2022 which comprise Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 10, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities 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 FRC's Ethical Standard and the provisions available for small entities, in the circumstances set out in note 1 to the financial statements, 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 uncertainties relating to going concern.

We draw attention to Note 1 in the financial statements that disclose material uncertainties about the Company's ability to continue as a going concern. The material uncertainties relate to the Company's forecast cash deficit balance and the Group's forecast breach of the Interest Cover and Debt Yield loan covenants related to its bank debt secured against the assets of the Group, including the McArthurGlen West Midlands Designer Outlet Centre, caused by the sensitivities applied on the assumptions of the base case cash flow forecast over the going concern period.

As stated in Note 1, these events or conditions indicate that material uncertainties exist 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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 this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANNOCK DESIGNER OUTLET (NOMINEE 1) LIMITED (CONTINUED)

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 has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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.

Explanation as to what extent 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANNOCK DESIGNER OUTLET (NOMINEE 1) LIMITED (CONTINUED)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)
Our approach was as follows:

• We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are: (1) those that directly affect the financial statements, in particular the financial reporting framework (including related companies legislation), and any relevant direct and indirect tax compliance regulation in the United Kingdom; and (2) those that indirectly affect the financial statements where non-compliance would have a material effect on the financial statements.

• We understood how the company is complying with those frameworks through inquiry with management, in particular those responsible for regulatory and legal compliance, and by identifying the entity's policies and procedures regarding compliance with laws and regulation. We corroborated our inquiries through:

 ◦ Inquiring of management and those charged with governance regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements;

 ◦ Reading minutes of Board meetings and other meetings of those charged with governance as well as validating how policies and procedures in these areas are communicated and monitored;

 ◦ Reading correspondence from legal and regulatory bodies and reviewing legal expenses incurred;

 ◦ Considering the results of our other audit procedures to either corroborate or provide contrary evidence.

• We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, in particular (1) the risk that management may be in a position to make inappropriate accounting entries, and (2) the risk of bias in accounting estimates and judgements.

Our fraud risk assessment included enquiring of management, and inspection of documentation, as to the Company's policies and procedures to prevent and detect fraud, as well as to whether they have any knowledge of suspected or alleged fraud together with reading Board minutes and using analytical procedures to identify unusual or unexpected relationships in the financial information.

Our procedures in respect of identified fraud risks included:

• Challenging, and using specialists where appropriate, the methods and key inputs into key estimates;

• Journal entry testing, with a focus on unusual entries or transactions based on our understanding of the business, including post year-end closing journals.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

LLP

David Wilson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 21 December 2023

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Notes	2022 £	2021 Restated* £
Administrative expenses		(28,014)	(27,551)
OPERATING LOSS		(28,014)	(27,551)
Interest payable and similar charges		(67)	(31)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(28,081)	(27,582)
Tax on loss on ordinary activities	3	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(28,081)	(27,582)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(28,081)	(27,582)

*Prior period comparatives have been restated to reflect the correction of the prior year accounting treatment of the forgiven loan from Cannock Designer Outlet (GP) Limited. Refer to Note 1 for further details.

All results are derived from continuing operations in the United Kingdom.

The notes on pages 13 to 21 form an integral part of the financial statements.

BALANCE SHEET
31 December 2022

	Note	2022 £	2021 £
CURRENT ASSETS			
Cash at bank and in hand		38,543	43,822
		38,543	43,822
CREDITORS: amounts falling due within one year	4	(22,146)	(19,344)
NET CURRENT ASSETS		16,397	24,478
TOTAL ASSETS LESS CURRENT LIABILITIES		16,397	24,478
CREDITORS: amounts falling due after one year	5	-	-
NET ASSETS		16,397	24,478
CAPITAL AND RESERVES			
Called up share capital	6	-	-
Profit and loss account		16,397	24,478
SHAREHOLDERS' FUNDS		16,397	24,478

These financial statements have been prepared in accordance with the special provisions relating to the small companies' regime.

These financial statements were approved by the Board of Directors and authorised for issue on 21 December 2023 and are signed on behalf of the Board of Directors.

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S Johnston
Director

Company Registration No. 11069278

The notes on pages 13 to 21 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Called up share capital	Profit and loss account	Total
	£	£	£
Balance as at 31 December 2020	-	17,060	17,060
Capital contribution*	-	35,000	35,000
Total comprehensive loss for the year*	-	(27,582)	(27,582)
Balance as at 31 December 2021	-	24,478	24,478
Capital contribution	-	20,000	20,000
Total comprehensive loss for the year	-	(28,081)	(28,081)
Balance as at 31 December 2022	-	16,397	16,397

*Prior period comparatives have been restated to reflect the correction of the prior year accounting treatment of the forgiven loan from Cannock Designer Outlet (GP) Limited. Refer to Note 1 for further details.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

1. *ACCOUNTING POLICIES*

Basis of accounts preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards. The financial statements are prepared in sterling which is the functional and presentation currency of the Company and rounded to the nearest £.

Statement of compliance

Cannock Designer Outlet (Nominee 1) Limited ("the Company") is a private company limited by shares registered in England and Wales. Its registered office is 103 Wigmore Street, Nations House, 3rd Floor, London, England, W1U 1QS.

The financial statements have been prepared in compliance with the provisions of FRS 102 Section 1A small entities. The particular accounting policies adopted are described below. They have all been applied consistently throughout the current and prior year.

Cash flow

The Company has taken advantage of the exemption available to small companies under FRS 102 and has not prepared a cash flow statement.

Going concern

The Directors believe that the Company will continue as a going concern over the going concern review period that runs from the date of approval of the year ended 31 December 2022 financial statements until 31 December 2024. This assumes that the Company will be able to meet its liabilities as and when they fall due for the foreseeable future. As at 31 December 2022, the Company is in a net (and net current) asset position of £16,397 (2021 net assets: £24,478). As at 31 December 2022, the Partnership is in a net current liability position of £51,329,531 (2021 asset position: £10,697,490) and a net liability position of £14,824,886 (2021: £13,527,861), arising predominantly from the Partners' loan accounts of £86,632,696 (2021: £80,603,710) and bank loans of £64,000,000 (2021: £61,274,772). The Partners' loans have fixed repayment dates with maturity dates in 2028 to 2032, whilst the bank loan matured on 26 February 2023. The bank loan was subsequently refinanced post year end. Refer to note 10 for further details.

Management have prepared base forecast cashflows for the Company for the going concern review period. The basis for the Company's forecasted operational expenses was the Company's current fees, along with an appropriate inflationary increase throughout the going concern review period. The cashflows for the Company are predictable given the nature of the entity's operations and as such, management consider these assumptions to be appropriate for the assessment. Based on this forecast, management notes that the Company could be in a position whereby it is generating negative cashflows by the end of April 2024 and onwards. This is a result of the forecast assuming ongoing administrative fees without any corresponding expectation of cash inflows.

Following the maturity of the Partnership's £64m loan with Deutsche Bank in February 2023 (as well as an extension to this loan to June 2023), it signed a net £65m loan facility on 6 June 2023 with Norddeutsche Landesbank Girozentrale and Sumitomo Mitsui Banking Corporation. This loan was used to repay the previous £64m, with the additional £1m used to partially repay accrued interest amounts and cover additional fees, costs, and expenses incurred in relation to the new facility. The loan is for a term of 3 years, with a maturity date of 5 June 2026. The Company acted as a guarantor on the loan, as per the terms of the loan agreement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

1. ACCOUNTING POLICIES (CONTINUED)

Going concern (continued)

On 24 February 2022, Russia invaded Ukraine. The ongoing war has led to inflationary pressures, increasing interest rates, slowdown in economic growth, as well as supply chain disruptions. This has naturally had an adverse impact on both UK businesses and consumers and, in the context of the Partnership, can lead to pressures on the performance of the McArthurGlen West Midlands Designer Outlet Centre, as well as on the turnover of the brands in the Centre. Based on latest sales results and key performance indicators, such as footfall and average spend per visitor, the Centre is trading ahead of the financial year ended 31 December 2022. Management have considered the specific impact of these events on the Centre and do not believe that they have led to a significant impact on the Partnership's sales, nor on the turnover of its brand partners. Given that the conflict is ongoing at the date of approval of these financial statements, there remains a level of unpredictability, and therefore management will continue to monitor the situation closely to determine if there is any impact of the conflict on the future viability of the Partnership taking necessary steps to mitigate these effects proactively.

Management prepared a base cash flow forecast for the Partnership for the going concern review period. The forecasted figures until the end of 2023 were based on the approved budget, whilst 2024 figures were based on the estimated profit and loss figures included as part of an overall 10 year plan prepared by management. This assumes an increased total income by the end of 2024 compared to 2023 by 9.3% as well a projected increase in net operating profit by 14.5%. Based on this forecast, management noted that the Partnership will generate positive cash flows and will not breach any bank covenants during the going concern review period. However, after applying downside sensitivities to this base forecast, management notes that the Partnership could be in a position whereby it is generating negative cashflows by the end of August 2024 and onwards. The key downside sensitivities applied in this forecast are to align rental income, service charges, and marketing income for the forecast period to be in line with the year ended 31 December 2022. Management considers this to be a worst case scenario given that the centre opened in April 2021 and therefore was still in its relative infancy during 2022. In addition to this the Centre was recovering from the impact of Covid during this period. Average void unit levels were 20.3% during 2022 whereas the Centre was 100% occupied (including signed contracts) as at 31 October 2023.

Under the terms of the bank loan agreement in place for the Partnership, it must comply with an Interest Cover covenant, as well as a Debt Yield ratio covenant throughout the loan term and up until the loan maturity date. As at the signing date of the financial statements, no breach in the covenants on the bank loan facility has occurred, and management's base cashflow forecast indicates that there are no covenant breaches in the forecasted cashflows over the going concern review period. However, after applying the downside sensitivities already highlighted earlier, management notes that the Partnership may breach the Interest Cover and Debt Yield ratio loan covenants for the quarters ending March 2024 onwards.

Management have also received an external valuation for the McArthurGlen West Midlands Designer Outlet Centre that notes the fair value of the outlet centre to be £129,800,000 (2021: £124,400,000) as at 31 December 2022, a 4.3% increase in value from 31 December 2021. Based on the same, there are no Loan-to-Value ("LTV") covenant breaches in the forecasted cashflows over the going concern review period, with this valuation being management's best estimate of the fair value of the McArthurGlen West Midlands Designer Outlet Centre as at the date of signing of these financial statements.

Based on the above, management have identified a material uncertainty with respect to the going concern assumption which resulted in:

1. The Company's base forecast cashflow reaching a negative value by the end of April 2024 and thereafter, caused by the assumption of ongoing administrative fees without any corresponding expectation of cash inflows throughout the going concern review period.

Based on the above, given that the Company is an obligor on the Partnership's bank loan and so its assets are included as part of the security for the financing, management has identified a material uncertainty with respect to the going concern assumption arising from the downside sensitivity analysis which resulted in:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

1. ACCOUNTING POLICIES (CONTINUED)

Going concern (continued)

2. The Qualifying Partnership's forecast with the Interest Cover and Debt Yield ratio covenants related to its bank debt secured against the assets of the Qualifying Partnership, including the McArthurGlen West Midlands Designer Outlet Centre, caused by potential uncertainty associated with the future trading performance as a result of macro-economic factors.

The aforementioned conditions constitute a material uncertainty that may cast significant doubt upon the ability of the Company to continue as a going concern. Going forward, management will continue to routinely monitor both the Company's cashflow position and if necessary, will curtail any discretionary expenditures which are not committed to over the going concern period, such as non-essential capital expenditure, asset management initiatives, and discretionary marketing expenditure. Management also believe that funding calls can be made to investors in scenarios where cash is required. Furthermore if any challenges arise in meeting the loan covenants, management believe that there would be potential to seek waiver letters, given the existing relationship in place with the bank. Management therefore have a reasonable expectation that both the Qualifying Partnership and the Company will be able to operate in line with the base case cash flow scenario and continue its operations for the foreseeable future. Accordingly, management believes that it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not reflect any adjustments that would be required should the Company be unable to continue as a going concern.

Significant accounting policies

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation is provided in full on all timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Basic financial assets

Basic financial assets, including cash at bank and in hand, are initially recognised at transaction price excluding transaction costs, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting year, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income. Financial assets are derecognised when; (a) the contractual rights to the cash flows from the asset expire or are settled; or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or; (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

1. ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (continued)

Basic financial liabilities

Basic financial liabilities, including creditors and loans payable including accrued interest payable are initially recognised at transaction price including attributable transaction costs, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expired.

Capital Contribution

Capital contributions have been recognised within equity in instances where loans have been issued to the Company by its parent and have been subsequently forgiven. These loans have been treated as a capital injection to fund the Company's day to day operations with no expectation of repayment.

During the year the Company has been forgiven the shareholder loans payable to Cannock Designer Outlet (GP) Limited.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates.

In the event such estimates and assumptions, which are based on the best judgement of the directors as at the balance sheet date, deviate from the actual circumstances in the future the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

The 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 directors consider that there are no areas requiring significant judgement in the preparation of the financial statements for the Company during either the current or prior financial years ended. The directors also consider that there are no significant key sources of estimation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

1. ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (continued)

Correction of an error

During the year ending 31st December 2021, the Company was provided a loan by Cannock Designer Outlet (GP) Limited totalling £35,000. The loan was forgiven in full in the year and the amount was recognised in other income. This is also in line with the accounting treatment carried out for loans which were forgiven prior to 2021.

As there was no underlying expectation for these loans to be repaid to Cannock Designer Outlet (GP) Limited, and the loans were forgiven. During the year, it was noted that these transactions should have been recorded as capital contributions rather than other income. As such the error has been corrected by restating each of the affected financial statement line items for the prior period as follows:

Restated line items within income statement

	31-Dec-21	31-Dec-21	
	Restated	As previously stated	Net increase / (decrease)
	£	£	£
Other income	-	35,000	(35,000)
Net impact on income statement	-	35,000	(35,000)

Restated line items within statement of changes in equity

	Profit and loss account		
	31-Dec-21	31-Dec-21	
	Restated	As previously stated	Net increase / (decrease)
	£	£	£
Balance as at 31 December 2020	17,060	17,060	-
Capital contribution	35,000	-	35,000
Total comprehensive loss for the year	(27,582)	7,418	(35,000)
Balance as at 31 December 2021	24,478	24,478	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

2. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit /(Loss) on ordinary activities before taxation is stated after recognising the following:

	2022	2021
	£	£
Fees payable to auditors for audit of Company's annual accounts	6,941	5,946
Non-audit tax compliance fees paid to the auditors	4,177	4,055
Bank charges	67	31

No staff were employed by the Company during the year (2021: nil).

Directors remuneration is £nil (2021: £nil). There are no management charges to Cannock Designer Outlet (Nominee 1) Limited for the services rendered by the directors and directors are remunerated through other undertakings for which no remuneration relates to the Company.

The level of qualifying services of the directors of the Company is considered to be incidental and negligible compared to the services provided to the other undertakings.

3. TAXATION

a) Tax on loss on ordinary activities

	2022	2021
	£	£
Current tax:		
Current corporation tax charge	-	-
Deferred tax:		
Charge for the year	-	-
Total tax (credit)/charge	-	-

b) Factors affecting the current tax charge/ (credit) for the period

The tax assessed for the period is different from the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are:

	2022	2021 Restated*
	£	£
Loss on ordinary activities before tax	(28,081)	(27,582)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2021:19%)	(5,335)	(5,241)
Effect of:		
Losses generated for which deferred tax not recognised	5,335	5,241
Total tax credit for the period	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

3. TAXATION (CONTINUED)

*Prior period loss has been restated to reflect the correction of the prior year accounting treatment of the forgiven loan with Cannock Designer Outlet (GP) Limited. Refer to Note 1 for further details.

c) Unrecognised deferred tax asset

Deferred tax assets have not been recognised totalling £31,694 (2021: £24,674) in relation to tax losses carried forward of £126,775 (2021: £98,694), as the directors believe it more likely than not that it will not be recovered through attributable profits in the near future.

d) Factors affecting future tax charge

On 5 March 2021, the Chancellor announced that the corporation tax rate will increase to 25% in the UK for financial years from 1 April 2023. There have been no further changes since this announcement. The increase will be factored into the tax charge in the financial statements for the year ended 31 December 2023 accordingly. There is no direct impact for the financial statements for the year ended 31 December 2022.

4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022	2021
	£	£
Trade creditors	-	709
Amounts owed to McArthurGlen UK Limited	4,500	4,500
Accruals	17,646	14,135
	22,146	19,344

The Company is related to McArthurGlen UK Limited by virtue of the fact that McArthurGlen UK Limited is a joint venture of Simon Mac LLC, and the Company is an associate of Simon Mac LLC.

Amounts owed to McArthurGlen UK Limited represent administrative expenses payable to the entity owing to their services rendered as management entity to the Company. These amounts are unsecured, interest-free and payable on demand.

5. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2022	2021
	£	£
Amounts owed to group undertakings	-	-
	-	-

During the current year ended, the Company was provided a loan by Cannock Designer Outlet (GP) Limited, which is the immediate parent company to Cannock Designer Outlet (Nominee 1) Limited. The loan was unsecured, had a fixed term of 10 years maturing in 2032 and was interest free. The loan was forgiven in full in the year and a capital contribution was recognised within equity for £20,000.

During the year ending 31st December 2021, the Company was provided a loan by Cannock Designer Outlet (GP) Limited totalling £35,000. The loan was forgiven in full in the year and the amount was recognised in other income. This was an error and has resulted in a prior year restatement to reclassify the amount from other income to capital contribution. Refer to note 1 for further details.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

6. CALLED UP SHARE CAPITAL

	2022	2021
	£	£
Authorised		
1 ordinary share of £0.01 each	-	-
	-	-
Called up, allotted and fully paid:		
1 ordinary share of £0.01 each	-	-
	-	-

All shares were issued at par, and cash consideration was received.

7. COMMITMENTS

The Company provided a guarantee in respect of the £64,000,000 bank loan facility with Deutsche Bank (which matured on 26 February 2023) held by the Cannock Designer Outlet Limited Partnership via a fixed and floating charge on its assets.

The Company has provided a guarantee in respect of the new £65,000,000 bank loan facility with Norddeutsche Landesbank Girozentrale and Sumitomo Mitsui Banking Corporation held by the Cannock Designer Outlet Limited Partnership via a fixed and floating charge on its assets.

8. RELATED PARTY TRANSACTIONS

During the year, the Company was charged administration fees from McArthurGlen UK Limited amounting to £18,000 (2021: £18,000). These amounts are unsecured, interest-free and payable on demand. At the year end, the Company owed McArthurGlen UK Limited £4,500 (2021: £4,500). The Company is related to McArthurGlen UK Limited by virtue of the fact that McArthurGlen UK Limited is a joint venture of Simon Mac LLC, and the Company is an associate of Simon Mac LLC.

During the year, the Company received loans from Cannock Designer Outlet (GP) Limited amounting to £20,000 (2021: £35,000). The loan was unsecured, had a fixed term of 10 years and was interest free. During the year the loan was forgiven totalling £20,000 (2021: £35,000) and recognised as a capital contribution within equity. At the year end, the Company owed Cannock Designer Outlet (GP) Limited £nil (2021: £nil).

During the year ending 31st December 2021, the Company was provided a loan by Cannock Designer Outlet (GP) Limited totalling £35,000. The loan was forgiven in full in the year and the amount was recognised in other income. This was an error and has resulted in a prior year restatement to reclassify the amount from other income to capital contribution. Refer to note 1 for further details.

9. CONTROLLING PARTY

The Company is a subsidiary undertaking of Cannock Designer Outlet (GP) Limited. The ultimate controlling party is Cannock Consortium LLP. There is no ultimate controlling party of Cannock Consortium LLP.

The smallest and largest group in which the results of the Company are consolidated is that headed by Cannock Consortium LLP, whose registered address is Nations House, 3rd Floor, 103 Wigmore Street, London, England W1U 1QS. The financial statements of Cannock Consortium LLP are publically available. No other group financial statements include the results of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

10. POST BALANCE SHEET EVENTS

Following the maturity of the £64m loan with Deutsche Bank in February 2023 (as well as an extension to this loan to June 2023), the Company's parent, Cannock Designer Outlet (GP) Limited, signed a new £65m loan facility on 6th June 2023 with Norddeutsche Landesbank Girozentrale and Sumitomo Mitsui Banking Corporation. The Company, along with Cannock Designer Outlet (Nominee 2) Limited, acted as nominees for this transaction. The loan is for a term of 3 years, with a maturity date of 5th June 2026. The Company acted as a guarantor on the loan, as per the terms of the loan agreement.