INTU DEBENTURE PLC

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

Company number 5890611

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their Strategic Report for Intu Debenture plc (“the company”) for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of Intu Debenture plc and its subsidiaries (“the group”) is the ownership and development of retail property. The company is the issuer of debenture stock due for repayment in 2027.

BUSINESS REVIEW

The group’s and company’s results and financial position for the year ended 31 December 2019 are set out in full in the consolidated income statement, the group and company balance sheets, the group and company statements of changes in equity, the group and company statements of cash flows and the related notes to the financial statements.

The group’s and company’s results for the year reflect the ongoing challenges facing retail and retail property, with net rental income reducing from the impact of company voluntary arrangements (CVAs) and administrations, as well as economic and political uncertainty. This, together with yield expansion driven by weak market sentiment, rather than any hard-transactional evidence, has affected the group’s and company’s valuation of property, which has further decreased in 2019.

The group’s net rental income for the year was £22.7 million (2018 £31.4 million). The group’s loss before tax was £106.0 million (2018 loss of £78.8 million) after recording a property revaluation deficit in the year of £109.6 million (2018 deficit of £93.3 million). The group also recognised expected credit losses of £2.4 million on amounts owed by group undertakings (2018 £nil). The group’s net liabilities increased from £94.8 million to £200.8 million. Net debt decreased by £6.3 million to £296.0 million at 31 December 2019.

The most significant investments held by the group are the intu Eldon Square shopping centre, Newcastle, with a 31 December 2019 market value of £213.0 million (2018 £279.0 million) and the intu Potteries shopping centre, Stoke-on-Trent, with a 31 December 2019 market value of £67.2 million (2018 £97.2 million).

The directors have considered the future activity of the business below and within the going concern section.

KEY PERFORMANCE INDICATORS

The performance of the business is monitored through a number of Key Performance Indicators (KPIs) including both financial and non-financial measures. The main KPIs used by the Board to monitor the business are net rental income and prime property assets which is the measure of capital return on property assets which is compared against the MSCI index, a recognised industry benchmark. Details of these KPIs can be found in the strategic report and additionally in the notes to these financial statements.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

FUTURE DEVELOPMENTS AND EVENTS AFTER THE REPORTING DATE

The ongoing volatility in the UK retail market has been further exacerbated by the impact of Covid-19 since the balance sheet date, with non-essential retail in intu's centres closed between 24 March and the 15 June 2020 in order to comply with measures put in place by the UK Government to limit virus transmissions.

Rents received from customers for the quarter beginning 25 March 2020 was significantly reduced with collections at 22 June 2020 totalling 36 per cent. Management are in discussions with customers on the outstanding rents but at this time it is unclear whether these rents will be fully recovered at a later date.

The directors expect there to be continued downward pressure on the group's property valuations and net rental income in the short term, as retailers adapt to new operating procedures with social distancing measures in place and the long-term effects of the pandemic on the wider UK economy become clear.

These factors have placed additional pressure on the company's ability to maintain specified financial ratios and comply with certain financial covenants. The debenture stock is currently secured on several properties including intu Eldon Square, intu Potteries and Soar at intu Braehead. Should the capital cover or interest cover test be breached, the company has three months from the date of delivery of the valuation or the latest certificate to the Trustees to make good any deficiencies. Subsequent to 31 December 2019, the company has placed £15.0 million of additional security in a charged account.

On 26 June 2020, following unsuccessful negotiations for a group-wide standstill with its lenders, intu properties plc (the ultimate parent company of the group and company), along with certain intu group entities that provide asset and facilities management services to several properties on which the debenture stock is secured, were placed into administration.

To enable continued uninterrupted delivery of asset and facilities management services to the above-mentioned properties, from the date of intu properties plc's administration, the individual Debenture property companies have entered into a 6-month Transition Services Arrangement (TSA) with intu properties plc's administrator. As part of the TSA, the property companies are required to pre-fund costs two months in advance to the administrators prior to delivery of services as well as settlement of existing arrears.

On behalf of the Board

Robert Allen
Director
30 June 2020

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their Annual Report and audited consolidated financial statements for the year ended 31 December 2019.

The company was incorporated in and is registered in England and Wales (company number 5890611). The company's registered office is 40 Broadway, London, SW1H 0BT.

DIVIDENDS
The directors do not recommend a final dividend for the year (2018 £nil).

CAPITAL MANAGEMENT
The directors consider the capital of the company to be the ordinary share capital of £100.0 million (2018 £100.0 million). Management of this capital is performed at a group level.

BALANCE SHEET
As noted in the Strategic Report the group's net liabilities attributable to shareholders increased from £94.8 million to net liabilities of £200.8 million, a movement of £106.0 million, representing the loss for the year.

CASH FLOW
The group cash flow shows a net inflow from operating activities of £11.3 million (2018 £7.0 million).

FINANCIAL RISK MANAGEMENT
The group's approach to financial risk management and internal control is explained in note 15 to the financial statements.

BUSINESS RELATIONSHIPS
The Board makes decisions for the long-term success of the company and its stakeholders and complies with the requirements of section 172 of the Companies Act 2006. As part of any decision-making processes, the directors will consider the need to foster the company's business relationships with suppliers, customers and others. The engagement with and consideration of such stakeholders is as set out below.

Our suppliers
As we rely on our suppliers to help our business run smoothly, from day-to-day operations through to the construction of major developments, we aim to have open, transparent and long-term relationships to ensure they maintain the same high standards we set ourselves. As such, a review of the supplier payment policy and compliance with Prompt Payment Code was undertaken at group level by the intu properties plc Audit Committee during 2018 and adherence to the revised policy continued through 2019.

Our customers
Building strong business relationships with our customers is considered a key part of our business model. Across the group, much activity to engage with customers has taken place and this in turn has driven positive change, including the creation of a customer performance team with insight, digital and sector specialist teams, enhancement of our customer understanding with a store-level affordability database and a multichannel-focused approach to align with retailers.

Our community and environment
As regards the impact of the company's operations on the community and the environment, we have a deeply ingrained culture of behaving responsibly and working with our stakeholders to address social and environmental issues. This is focused particularly on at group level via the Board Corporate Responsibility Committee which oversees our corporate responsibility.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

GOING CONCERN

Full detail in respect of going concern is set out in note 1. The going concern disclosure details that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

After reviewing the most recent projections and the sensitivity analysis and having carefully considered the material uncertainty, the directors have formed the judgement that it is appropriate to prepare the financial statements on the going concern basis.

FINANCIAL COVENANTS

There is a minimum capital cover requirement and an interest cover condition applicable to the mortgage debenture, which are tested semi–annually. Both tests were satisfied at 31 December 2019, the latest test date. Compliance with financial covenants is and will continue to be monitored. See note 15 for further details.

DIRECTORS

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

Robert Allen	appointed 15 April 2020
Sean Crosby	appointed 16 August 2019 & resigned 15 April 2020
David Fischel	resigned 26 April 2019
Hugh Ford	appointed 15 April 2020
Barbara Gibbes	resigned 16 August 2019
Minakshi Kidia	appointed 16 August 2019 & resigned 15 April 2020
Trevor Pereira	resigned 31 January 2020
Matthew Roberts	

DIRECTORS' INDEMNITY PROVISION

A qualifying third-party indemnity provision (as defined in S234 of the Companies Act 2006) was in force for the benefit of the directors of the company and its associated companies during the financial year and at the date of the approval of these financial statements. The company's parent, intu properties plc, maintains directors' and officers' insurance which is reviewed annually.

PRINCIPAL RISKS AND UNCERTAINTIES

The key risks and uncertainties facing the group are set out in the table below:

Risk and impact	Mitigation	Commentary
Financing - availability of funds Reduced availability of funds could limit liquidity, leading to restriction of investing and operating activities.	**Change: increased** To enable continued uninterrupted delivery of asset and facilities management services to the debenture assets from the date of intu properties plc's administration, the subsidiaries of the Company which own the debenture assets have entered into a 6-month Transition Services Arrangements (TSAs) with intu properties plc's administrator. As part of the TSA, each debenture asset is required to pre-fund costs two months in advance to the administrators prior to delivery of services as well as settlement of existing arrears.	For more detailed commentary, refer to going concern section in note 1.
Property market – macroeconomic Weakness in the macroeconomic environment could impact the intu group's ability to deliver its strategy, customer performance and our visitor's propensity to visit.	**Change: increased** We regularly review the economic outlook against the business plan, including the close monitoring and stress-testing of covenant headroom. We remain focused on maintaining high-quality shopping centres, attracting and retaining aspirational customers as well as portfolio-wide marketing events targeted at attracting footfall.	The economic outlook during 2019 weakened, with the annual growth of the UK economy reported to have slowed. The trend of administrations and CVAs of customers has continued, and investors have responded by remaining highly cautious. These trends have been exacerbated by the Covid-19 pandemic and could be further impacted if the UK fails to reach a trade deal with the EU by the end of 2020. This has resulted in lower transaction volumes and a corresponding reduction in property valuations.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

PRINCIPAL RISKS AND UNCERTAINTIES (continued)
The key risks and uncertainties facing the group are set out in the table below:

Property market – retail environment Structural and cyclical changes in the retail environment, including the rise in online shopping, could undermine the intu group's ability to attract customers and visitors and continue to put pressure on net rental income and property valuations.	**Change: increased** We will be collaborating more closely with customers, sharing data and other information so we can adapt better to their changing needs. The customer mix is proactively managed, and plans have been developed to diversify use of future vacant units.	Ongoing structural change is being experienced within the retail market with an increase in administrations and CVAs during the year, exacerbated by the Covid-19 pandemic and closure of non-essential retail during the UK government lockdown between 24 March 2020 and 15 June 2020.
Operations – pandemic Pandemic or virus outbreak leading to staff shortages, government interventions, significant reduction in footfall or part/full closure of centres, significant reduction in rental income	**Change: increased** Frequent crisis team meetings led by intu properties plc's CEO, later replaced by a Business Recovery Taskforce led by the Centre Performance Director working across functions to focus on the reopening of our centres. Liaison with Government, HMRC and external advisors regarding access to applicable financial support measures, including the furlough scheme for employees.	In respect of COVID -19, centres were successfully closed to non-essential retail during the lockdown period following well-rehearsed plans which were in place and had been reviewed in line with Public Health England's advice. Other corresponding mitigating factors have also been put into action.
Operations – health and safety Accidents, anti-social behaviour, violent crime or system failure leading to reputational loss	**Change: unchanged** There is a strong safety culture. Consistent health and safety management process and procedures across the portfolio, compliant with OHSAS 18001. Annual audits of operational standards and crisis management and business continuity plans are tested and in place.	Primary Authority audits for both health and safety and fire safety are being conducted. These provide assurances surrounding compliance. A slight increase in anti-social behaviour in the UK has influenced the implementation of new mitigators.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)
The key risks and uncertainties facing the group are set out in the table below:

Operations – cybersecurity Loss of data and information or failure of key systems resulting in financial and/or reputational loss	**Change: unchanged** We operate robust data and cybersecurity strategies, subject to continuous review and testing – including assessments performed by CREST-accredited external consultancies. A data committee and data protection officer oversees GDPR compliance. Management of third parties who hold data. Employee awareness campaigns and training.	Significant progress has been made in the year. An information security architect has been appointed to develop a sustainable cybersecurity framework. To reduce intu's threat exposure, new technical and logical security controls have been implemented.
Operations - terrorism Terrorist incident at an intu or other major shopping centre resulting in a decline in footfall and business disruption	**Change: unchanged** Robust processes and procedures in place, supported by regular training and exercises. We have strong relationships with police, NaCTSO, CPNI and other agencies. We are NaCTSO-approved to train staff in counter-terrorism awareness programme Action Counters Terrorism. Crisis management and business continuity plans in place and tested regularly. An embedded safety culture.	UK threat level reduced in 2019. Our group head of security was appointed as deputy chairman of the Crowded Places Information Exchange. This ensures that intu is abreast of the current threats and work undertaken by Counter Terrorism policing teams in the UK. Major multiagency security exercises have been held at all five super-regional centres within the last three years and learnings have been embedded into the security strategy. We invested in airport-style screening technology which can be deployed at any centre when required.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the consolidated 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 elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) 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 these financial statements, International Accounting Standard 1 requires that directors:

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

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

DIRECTORS' CONFIRMATIONS

Each of the directors, whose names are listed in the Directors' Report confirm that, to the best of their knowledge:

- the company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the company;
- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the group and company, together with a description of the principal risks and uncertainties that it faces.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

INDEPENDENT AUDITORS

Deloitte LLP succeeded PricewaterhouseCoopers LLP as the auditor for the financial year commencing 1 January 2019, further to the resolution passed at the AGM on 3 May 2019.

So far as the Directors are aware, there is no relevant audit information of which the auditor is unaware and each Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

On behalf of the Board

Matthew Roberts
Director
30 June 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTU DEBENTURE PLC

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of intu Debenture plc (the 'Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;

- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;

- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the consolidated income statement and statement of comprehensive income;
- the balance sheets;
- the consolidated and Company statements of changes in equity;
- the consolidated and Company statements of cash flow; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

2. 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 Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Company for the year are disclosed in note 5 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

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

3. Material uncertainty relating to going concern

We draw attention to note 1 in the financial statements which indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

On 26 June 2020, following unsuccessful negotiations for a intu properties plc group-wide standstill with its lenders, intu properties plc (the ultimate parent company of the Company), along with certain intu group entities that provide asset and facilities management services to the Group's assets, were placed into administration.

To enable continued uninterrupted delivery of asset and facilities management services to the Group's assets from the date of intu properties plc's administration, the subsidiaries of the Company which own the Group's assets have entered into a 6-month Transition Services Arrangement (TSA) with intu properties plc's administrator. As part of the TSA, the administrators require each Group asset to pre-fund any costs prior to delivery of services.

We identified the following areas which we considered to be the key risks giving rise to a material uncertainty in relation to the directors' going concern assessment and disclose our audit response. Should any of the risk factors discussed in note 1 or below occur, the Group may be unable to make payments as they fall due and may enter administration.

Risk area
Covenant compliance: 30 June 2020 is a calculation date in relation to the capital cover and interest cover ratio covenants under the terms of the debenture issued by the Company. It is expected that covenants may breach when calculated. In a breach scenario the debenture holders can enforce their security over the Group's assets, thus taking control.
Implications of the intu properties plc administration There is risk that with new directors, the future strategy is unknown. There could be forced sales of the Group's assets, at a significant discount to the 31 December 2019 market value, which would then provide insufficient funds to the Group to cover the repayment of liabilities as they fall due.
Commencing the TSA period: In order for the TSA to commence, pre-funding is required to pay the administrators of intu properties plc prior to the delivery of services. This pre-funding will be settled by means of unlocking up to £15 million of currently trapped cash. The unlocking of these funds requires an extraordinary resolution to be passed by the debenture holders. As of 30 June 2020, this resolution had not yet been passed and as such there is risk that consent is not given.
During the TSA period: There is further risk that additional funding or deferral of interest payments (£11.4 million interest paid bi-annually) required in order to meet all obligations as they fall due through the TSA period cannot be secured or agreed with the debenture holders.

After the TSA period:
In the period post the 6-month TSA, additional funding or consent to defer interest payments (£11.4 million interest paid bi-annually) is required. There is a risk that this is not secured or the debenture holders do not consent to this.

There is risk that terms cannot be agreed with a suitable third-party asset and facilities management service provider resulting in the closure of the Group's assets. This could result in a number of lease defaults as well as the Group having insufficient liquidity due to decreased rental income.

Covid-19:
Covid-19 has significantly decreased rent and service charge collection. There is a risk that there is a further spike in the Covid-19 pandemic in the United Kingdom resulting in varying levels of lockdown requiring the centres to close. This would result in decreases in rent and service charge collection, having an adverse effect on liquidity or the Group. The impact of decreasing rents and further uncertainty within the retail market could lead to further property valuation declines.

Response

- We challenged the forecast cash flows and assumptions made by Management with particular regard to the current market conditions.
- We have reviewed the TSA and through discussions with Management and their legal advisors understood the lender positions.
- We have reviewed the letter of intent from the debenture holders committee. We have reviewed the notice of stock-holder meeting, including the draft extraordinary resolution.
- We reviewed key loan and bond documentation to understand the principal terms, including financial covenants, and performed a review of the Company's existing and forecast compliance with debt covenants and any associated equity cures / cash traps.
- We have reviewed and challenged the adequacy of the disclosures being made by Management.

As stated in note 1, the events or conditions described above indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

4. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Going concern (see material uncertainty relating to going concern section); and • Valuation of the property portfolio. In the prior year, the previous auditors identified investment and development property as the only key audit matter.
Materiality	The materiality that we used for the Group financial statements was £3.4 million which was determined on the basis of 1% of total assets.
Scoping	Our Group audit scope comprises the audit of intu Debenture plc as well as the subsidiaries and is performed by one central Group audit team.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty relating to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

5.1. Valuation of the property portfolio

Key audit matter description	The Group's Investment and Development properties are a portfolio of prime shopping centres in the UK. The portfolio is valued at £327.7 million as at 31 December 2019 (2018: £432.8 million). During the year a revaluation deficit of £109.6 million (2018: £93.3 million deficit) was recorded (excluding acquisitions and disposals). The portfolio valuation was carried out by independent external valuers. The external valuers were engaged by the Directors, and were instructed to perform their work in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation – Global Standards 2017. The external valuers have extensive experience of the market in which the Group operates. The external valuers use factual information, such as lease agreements and data from the tenancy schedule, and apply their professional judgement relating to market conditions and factors impacting individual properties. The valuation of the portfolio is inherently subjective due to key unobservable inputs in the valuation requiring a significant level of estimation. These include property yields, forecast estimated rental values and void assumptions. In the UK there is an elevated level of risk in the property valuation due to the ongoing deterioration in the retail market. In addition, there has been a lack of comparable property transactions in 2019 to use as market evidence. Therefore the external valuers have had to exercise a greater level of judgment in the key estimates used in the valuation. This is particularly applicable to property yields, due to the limited transactional activity for super-prime and prime retail properties. Please see critical accounting judgements and key sources of estimation uncertainty accounting policy at in note 1 to the financial statements.
How the scope of our audit responded to the key audit matter	*Understanding* We obtained an understanding of key controls in the valuation process. We visited six of the largest properties to further develop our understanding of the portfolio to enhance our challenge of the assumptions made by the valuers.

	We met with the Asset Directors and Regional Directors, to enhance our knowledge of the portfolio and to assist in our ability to identify specific key assumptions for certain properties including property vacancies, leases nearing maturity or break clauses, significant ongoing tenant negotiations with existing and prospective tenants. *Data provided to the valuers and Management process* We assessed Management's process for providing data to the external valuers and their evaluation of the output. We attended and observed Management's meetings with the external valuers to assess the nature of their communications and evaluation. We verified the integrity of the tenancy schedule, a key input in the property valuations. This included verifying a sample of data to underlying lease agreements. *Valuations – Investment and Development Property* We assessed the competence, capabilities and objectivity of the external valuers. We obtained the external valuation certificates and assessed the overall approach to the valuation. We confirmed with the external valuer that the valuations had been prepared in accordance with RICS Valuation – Global Standards 2017. Our analysis included input from our internal valuation specialists who are chartered surveyors. We challenged the valuation process, portfolio performance and the significant estimates and assumptions applied, focusing on property yields, estimated rental values and voids assumptions. This included in respect of the impact of CVAs. Our challenge further included benchmarking the key assumptions to external industry data and comparable (albeit limited) transactional market evidence. Additionally we benchmarked the yields applied across the three UK external valuers used by intu Properties plc Group. We have verified the costs to complete for development properties. *Industry and market challenge* We have involved both restructuring and retail specialists to understand the potential impact of further CVA's and future tenant administrations will have on the overall the property valuation.
Key observations	We conclude that the valuation approach and methodology adopted by the external valuers is appropriate and aligned with standard market practice. We found the UK external valuers to have consistently reflected the ongoing structural issues in the retail sector in the estimations and assumptions used.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Materiality	£3.4 million (2018: £4.5 million was used by the previous auditors)	£3.23 million (2018: £6.1 million was used by the previous auditors)
Basis for determining materiality	1% of total assets (2018: 1% of total assets)	1% of total assets, capped at 95% of Group materiality (2018: 1% of total assets)
Rationale for the benchmark applied	The Group owns of investment property on which debenture stock issued by the Company is secured. Total assets approximate to total liabilities and are considered an appropriate benchmark.	The Group owns investment property on which debenture stock issued by the Company is secured. Total assets approximate to total liabilities and are considered an appropriate benchmark.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 65% of Group and Company materiality. In determining performance materiality we consider factors including our risk assessment and our assessment of the Group's overall control environment. As this is our first year as auditor and given the heightened risk due to material uncertainty relating to going concern detailed above, we determined that setting it at 65% of Group and Company materiality appropriately reflected these matters.

6.3. Error reporting threshold

We agreed that we would report all audit differences in excess of £171,975 (2018: £450,400 was used by the previous auditors), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. The Group audit team performed full scope audit procedures on the subsidiaries, this work was performed centrally by the Group audit team led by the Senior Statutory Auditor.

We also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

7.2. Our consideration of the control environment

From our understanding of the entity and after testing key controls, we relied on controls in performing our audit of rent receivable only.

8. Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

10. 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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

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

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and internal audit about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
    - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and involving relevant internal specialists, including tax, valuations, IT and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: valuation of the property portfolio. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified valuation of the property portfolio as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to those key audit matter.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. 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 the light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters

14.1. Auditor tenure

We were appointed by the Board on 2 April 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is one year, covering the year ended 31 December 2019.

14.2. Consistency of the audit report

Our audit opinion is consistent with the additional report to those charged with governance we are required to provide in accordance with ISAs (UK).

15. 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.

Claire Faulkner

Claire Faulkner, FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

30 June 2020

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £m	2018 £m
Revenue	2	53.0	55.8
Net rental income	2	22.7	31.4
Revaluation of investment and development property	9	(109.6)	(93.3)
Expected credit losses on amounts owed by group undertakings	11	(2.4)	-
Operating loss	5	(89.3)	(61.9)
Finance costs	6	(17.1)	(17.3)
Finance income	7	0.4	0.4
Net finance costs		(16.7)	(16.9)
Loss before tax		(106.0)	(78.8)
Taxation	8	-	-
Loss for the year		(106.0)	(78.8)

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

A loss of £101.8 million is recorded in the financial statements of the company in respect of the year (2018 £34.1 million). No income statement or statement of comprehensive income is presented for the company as permitted by Section 408 of the Companies Act 2006.

BALANCE SHEETS
AS AT 31 DECEMBER 2019

	Notes	Group 2019 £m	Group Re-presented* 2018 £m	Company 2019 £m	Company 2018 £m
Non-current assets					
Investment and development property	9	327.7	432.8	-	-
Investment in group companies	10	-	-	268.4	296.2
		327.7	432.8	268.4	296.2
Current assets					
Trade and other receivables	11	12.8	16.7	238.9	314.0
Cash and cash equivalents		1.0	0.9	-	-
		13.8	17.6	238.9	314.0
Total assets		341.5	450.4	507.3	610.2
Current liabilities					
Trade and other payables	12	(245.3)	(242.0)	(411.6)	(406.5)
Borrowings	13	(6.8)	(6.5)	(6.5)	(6.2)
		(252.1)	(248.5)	(418.1)	(412.7)
Non-current liabilities					
Borrowings	13	(290.2)	(296.7)	(288.5)	(295.0)
		(290.2)	(296.7)	(288.5)	(295.0)
Total liabilities		(542.3)	(545.2)	(706.6)	(707.7)
Net liabilities		(200.8)	(94.8)	(199.3)	(97.5)
Equity					
Share capital	16	100.0	100.0	100.0	100.0
Accumulated losses		(300.8)	(194.8)	(299.3)	(197.5)
Total equity		(200.8)	(94.8)	(199.3)	(97.5)

* See note 1 for details of re-presented amounts.

The notes on pages 24 to 50 form part of these consolidated financial statements.

The consolidated financial statements of Intu Debenture PLC (registration number: 5890611) were approved by the Board of Directors and authorised for issue on 30 June 2020 and were signed on its behalf by:

Robert Allen
Director

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

Group	Share capital £m	Accumulated losses £m	Total equity £m
At 1 January 2018	100.0	(116.0)	(16.0)
Loss for the year	-	(78.8)	(78.8)
Total comprehensive loss for the year	-	(78.8)	(78.8)
At 31 December 2018	100.0	(194.8)	(94.8)
At 1 January 2019	100.0	(194.8)	(94.8)
Loss for the year	-	(106.0)	(106.0)
Total comprehensive loss for the year	-	(106.0)	(106.0)
At 31 December 2019	100.0	(300.8)	(200.8)

Company	Share capital £m	Accumulated losses £m	Total equity £m
At 1 January 2018	100.0	(163.4)	(63.4)
Loss for the year	-	(34.1)	(34.1)
Total comprehensive loss for the year	-	(34.1)	(34.1)
At 31 December 2018	100.0	(197.5)	(97.5)
At 1 January 2019	100.0	(197.5)	(97.5)
Loss for the year	-	(101.8)	(101.8)
Total comprehensive loss for the year	-	(101.8)	(101.8)
At 31 December 2019	100.0	(299.3)	(199.3)

INTU DEBENTURE PLC

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Cash generated from operations	17	28.1	24.0	19.7	19.4
Interest paid		(16.8)	(17.0)	(16.7)	(17.0)
Interest received		-	-	3.2	3.5
Cash flows from operating activities		11.3	7.0	6.2	5.9
Purchase and development of property		(5.0)	(2.9)	-	-
Cash flows from investing activities		(5.0)	(2.9)	-	-
Borrowings repaid		(6.2)	(5.9)	(6.2)	(5.9)
Cash flows from financing activities		(6.2)	(5.9)	(6.2)	(5.9)
Net increase/(decrease) in cash and cash equivalents		0.1	(1.8)	-	-
Cash and cash equivalents at 1 January		0.9	2.7	-	-
Cash and cash equivalents at 31 December		1.0	0.9	-	-

1. Accounting convention, basis of preparation and accounting policies

Accounting convention and basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS), interpretations issued by the International Financial Reporting Standards Interpretations Committee and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention as modified by investment and development property and certain other assets and liabilities that have been measured at fair value. A summary of the accounting policies is set out below.

This is the group and company's first set of annual financial statements where IFRS 16 Leases has been applied. The standard requires lessees to recognise a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Revaluation of the right-of-use asset and finance costs on the lease liability will be recognised in the income statement. The standard does not affect the current accounting for rental income earned. The adoption of this standard has not had a material impact on the financial statements.

A number of standards and amendments to standards have been issued but are not yet effective for the current year. These are not expected to have a material impact on the group or company's financial statements

Re-presentation of information

- balance sheet

Amounts attributable to tenant lease incentives previously classified as trade and other receivables have been re-presented to investment and development property. Following the change in presentation, at 31 December 2018 investment and development property has increased by £20.4 million, non-current trade and other receivables have decreased by £17.8 million and current trade and other receivables have decreased by £2.6 million.

Accounting policies – group and company

The group's business activities and financial performance, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 and 2, and within the Directors' Report on pages 3 to 8. In addition, note 15 includes the group's risk management objectives, details of its financial instruments and hedging activities, its exposures to liquidity risk and details of its capital structure.

1. Accounting convention, basis of preparation and accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with the group's accounting policies requires the use of judgements and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these judgements and estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those judgements and estimates.

– key sources of estimation uncertainty

Valuation of investment and development property – see investment and development property accounting policy in note 1 as well as note 9 for details on estimates and assumptions used in the valuation process and sensitivities.

– critical accounting judgements

Going concern – when preparing the financial statements, management is required to make an assessment of the entity's ability to continue as a going concern and prepare the financial statements on this basis unless it either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. As set out in the going concern section, there are events or conditions that indicate a material uncertainty exists in relation to going concern.

After reviewing the most recent projections and having carefully considered the material uncertainty, the directors have formed the judgement that it is appropriate to prepare the financial statements on the going concern basis.

Going concern

– introduction

The company's business activities are set out in the Principal Activities section of the Strategic Report on page 1.

On 26 June 2020, following unsuccessful negotiations for a group-wide standstill with its lenders, intu properties plc (the ultimate parent company of the company), along with certain intu group entities that provide asset and facilities management services to the debenture assets, were placed into administration.

To enable continued uninterrupted delivery of asset and facilities management services to the debenture assets from the date of intu properties plc's administration, the subsidiaries of the company which own the debenture assets have entered into a 6-month Transition Services Arrangements (TSAs) with intu properties plc's administrator. As part of the TSA, each debenture asset is required to pre-fund costs two months in advance to the administrators prior to delivery of services as well as settlement of existing arrears.

The most recent forecasts used to assess going concern are based on the TSA cash flows which are for a 6-month period from the date of intu properties plc's administration. These cash flows have been extended through the going concern period; however, there is a material uncertainty (as discussed below) on the future strategic direction of the company and its subsidiaries beyond the 6-month TSA period. The TSA cash flows include assumptions in respect of net rental income, giving particular consideration to the impact of COVID-19 on future collections, as well as TSA costs, professional fees, and debt service costs.

1. Accounting convention, basis of preparation and accounting policies (continued)

Going concern (continued)

– material uncertainty

Due to the factors described as follows, a material uncertainty exists which may cast significant doubt on the company's ability to continue as a going concern.

The directors have considered the liquidity requirements of the company and their ability to meet their obligations as they fall due throughout the 6-month TSA period. Based on the TSA cash flows as discussed above, amounts currently inaccessible in a cash trap account will need to be unlocked in order to enable sufficient liquidity for the company and its subsidiaries to meet its obligations as they fall due through the TSA period. Unlocking this cash requires certain lender consents, which are outside of the control of the company and at the date of these financial statements have not yet been achieved.

In addition to unlocking the trapped cash, the directors will also need to seek to defer interest payments to its lenders. These measures would require consents to be received from the lenders, the achievement and timing of which are outside the control of the directors.

Beyond the 6-month TSA, the debenture assets will need to transition to a third-party asset and facilities management service provider. As part of their contingency planning, the directors of the relevant subsidiaries have begun meeting potential providers of asset and facilities management services providers that could be put in place at the end of a 6-month TSA period, or earlier if deemed suitable.

Along with this transition, it is likely new directors will be appointed to the company and its subsidiaries. This change could result in a different strategic direction for the debenture assets, which could include new funding being put in place or the sale of one or more assets.

Significant market uncertainty remains regarding the impact of Covid-19 on the operations of the debenture assets. The assets remained semi-closed from the end of March 2020 with essential stores the only ones permitted to trade. From 15 June 2020 non-essential stores have begun to trade, with the opening of leisure customers still to be confirmed. Additionally, at this time, the speed of recovery as the UK comes out of lockdown remains unclear. In the event lockdown measures were re-imposed, this could have a significant adverse effect on the future liquidity of the company and its subsidiaries, including negative impacts on rent and service charge collection.

The directors have considered the impact of financial covenant breaches which could create an event of default in the company. The lenders prospect of enforcement is outside of the control of the directors.

1. Accounting convention, basis of preparation and accounting policies (continued)

Going concern (continued)

If one or more of the events described in the material uncertainty above occur, the company is unable to achieve the necessary consents or secure them in a timely manner to ensure sufficient liquidity in the structure, this could result in the company and its subsidiaries entering administration. This could occur as soon as July 2020 as operating expenditure falls due. An administration for the company would likely also result in a period of closure for the debenture assets while additional funding and/or a third-party asset and facilities management provider is put in place.

– conclusion

The events or conditions described above indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

After reviewing the most recent projections and having carefully considered the material uncertainty, the directors have formed the judgement that it is appropriate to prepare the financial statements on the going concern basis.

The auditors' report refers to this material uncertainty surrounding going concern

Basis of consolidation

The consolidated financial information includes the company and its subsidiaries and their interests in joint ventures and associates.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation.

– subsidiaries

A subsidiary is an entity for which the company controls, that is when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is transferred to the group and are de-consolidated from the date that control ceases.

The company's investment in group companies is carried at cost less accumulated impairment losses.

Revenue recognition

Revenue comprises rental income receivable and service charge income.

Rental income receivable is recognised on a straight-line basis over the term of the lease. Directly attributable lease incentives (for example, rent-free periods or cash contributions for tenant fit-out) are recognised within rental income on the same basis as the underlying rental income received.

Contingent rents, being those lease payments that are not fixed at the inception of a lease, the most significant being rents linked to tenant revenues or increases arising on rent reviews, are recorded as income in the periods in which they are earned. In respect of rents linked to tenant revenues, where information is not available, management uses estimates based on knowledge of the tenant and past data. Rent reviews are recognised as income from the date of the rent review, based on management's estimates.

1. Accounting convention, basis of preparation and accounting policies (continued)

Revenue recognition (continued)

Estimates are derived from knowledge of market rents for comparable properties determined on an individual property basis and updated for progress of negotiations.

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

Interest income and expense

Interest income and expense is accrued on a time basis, by reference to the principal outstanding and the effective interest rate.

Taxation

Current tax is the expected tax payable on the taxable income for the year and any adjustment in respect of prior years. It is calculated using rates applicable at the balance sheet date.

Investment and development property

Investment and development property is owned or leased by the group and held for long-term rental income and capital appreciation.

The group has elected to use the fair value model. Property is initially recognised at cost and subsequently revalued at the balance sheet date to fair value as determined by professionally qualified external valuers on the basis of market value. Valuations conform with the Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards 2017 incorporating the International Valuation Standards and the UK National Supplement 2018 (the Red Book).

The main estimates and judgements underlying the valuations are described in note 10.

The cost of investment and development property includes capitalised interest and other directly attributable outgoings incurred during development. Interest is capitalised on the basis of the average rate of interest paid on the relevant debt outstanding. Interest ceases to be capitalised on the date of practical completion.

Gains or losses arising from changes in the fair value of investment and development property are recognised in the income statement.

Depreciation is not provided in respect of investment and development property.

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

Investments in subsidiaries

Investments in subsidiaries are carried on the balance share at cost less any provisions for impairment.

1. Accounting convention, basis of preparation and accounting policies (continued)

Impairment of assets

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

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

Trade receivables
Trade receivables are recognised initially at their transaction price and subsequently measured at amortised cost less loss allowance for expected credit losses.

When applying a loss allowance for expected credit losses, judgement is exercised as to the collectability of trade receivables and to determine if it is appropriate to impair these assets. When considering expected credit losses, management has taken into account days past due, credit status of the counterparty and historical evidence of collection.

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

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

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

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

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand, deposits with banks, whether restricted or unrestricted and other short-term liquid investments with original maturities of three months or less.

1. Accounting convention, basis of preparation and accounting policies (continued)

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

Borrowings
Borrowings are initially recognised at fair value taking into account attributable transaction costs and subsequently carried at amortised cost with any transaction costs, premiums or discounts recognised over the contractual life in the income statement using the effective interest method.

In the event of early repayment, all unamortised transaction costs are recognised immediately in the income statement.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

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

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

2. Segmental reporting

Operating segments are determined based on the strategic and operational management of the group. The group is a UK shopping centre focused business and has one reportable operating segment being UK shopping centres. Although certain areas of business performance are reviewed and monitored on a centre-by-centre basis, the operating segment is consistent with the strategic and operational management of the group.

The principal profit indicator used to measure performance is net rental income. An analysis of net rental income is given below:

	2019 £m	2018 £m
Rent receivable	38.8	41.8
Service charge income	14.2	14.0
Revenue	53.0	55.8
Rent payable	(7.6)	(4.1)
Service charge costs	(16.3)	(15.8)
Other non-recoverable costs	(6.4)	(4.5)
Net rental income	22.7	31.4

3. Operating leases

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

In the UK, the standard shopping centre lease is for a term of 10 to 15 years. Standard lease provisions include service charge payments, recovery of other direct costs and review every five years to market rent. Standard turnover based leases have a turnover percentage agreed with each lessee which is applied to a retail unit's annual sales and any excess between the resulting turnover rent and the minimum rent is receivable by the group and recognised as income in the period in which it arises. The group's secure rental income profile is underpinned by long lease lengths (as mentioned above), high occupancy and upward only rent reviews.

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

	2019 £m	2018 £m
Not later than one year	29.2	36.0
Later than one year and not later than five years	70.9	92.8
Later than five years	61.4	115.1
	161.5	243.9

4. Employees

During the year the group and company had no employees (2018 none).

5. Operating loss

The operating loss of the group of £89.3 million (2018 £61.9 million) did not include any fees in respect of the audit of the company and its subsidiaries of £42,954 (2018 £29,251), which was settled on their behalf by the ultimate parent intu properties plc and has not been recharged. No non-audit services were provided during the current or prior years.

The directors did not receive or waive any emoluments (2018 £nil) in respect of their services to the company.

6. Finance costs

	2019 £m	2018 £m
On bank loans and overdrafts	16.8	17.0
On lease liabilities	0.3	0.3
	17.1	17.3

7. Finance income

	2019 £m	2018 £m
Interest receivable on forward funding service charge projects	0.4	0.4
	0.4	0.4

8. Taxation

The tax expense for the year is higher (2018 higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2019 £m	2018 £m
Loss before tax	(106.0)	(78.8)
Loss before tax multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	(20.1)	(15.0)
Exempt property rental profits and revaluations in the year	17.6	13.4
	(2.5)	(1.6)
Effects of:		
UK transfer pricing adjustment	0.6	(1.5)
Group relief (without payment)	1.9	3.1
Tax expense	-	-

9. Investment and development property

Group	Freehold £m	Leasehold £m	Total £m
At 1 January 2018 (re-presented)	201.5	322.9	524.4
Additions	1.6	1.1	2.7
Deficit on revaluation	(51.4)	(41.9)	(93.3)
Movement in tenant incentives	0.1	(1.1)	(1.0)
At 31 December 2018 (re-presented)	151.8	281.0	432.8
At 1 January 2019	151.8	281.0	432.8
Additions	-	4.8	4.8
Deficit on revaluation	(43.3)	(66.3)	(109.6)
Movement in tenant incentives	0.2	(0.5)	(0.3)
At 31 December 2019	108.7	219.0	327.7

* See note 1 for details of re-presented amounts

9. Investment and development property (continued)

Group	2019 £m	2018 £m
Balance sheet carrying value of investment and development properties	327.7	432.8
Head leases included within lease liabilities in borrowings (note 13)	(2.0)	(2.0)
Market value of investment and development property	325.7	430.8

Included within investment and development property are tenant lease incentive balances totalling £20.2 million (2018 £20.4 million).

Investment and development property is measured at fair value in the consolidated balance sheet and categorised as Level 3 in the fair value hierarchy (see note 15 for definition) as one or more significant inputs to the valuation (including rent profiles and yields) are partly based on unobservable market data.

Transfers into and transfers out of the fair value hierarchy levels are recognised on the date of the event or change in circumstances that caused the transfer. There were no transfers in or out of Level 3 for investment and development property during the year.

The group has only one class of investment and development property asset. All the group's significant investment and development property relates to prime shopping centres which share similar nature, characteristics and risks.

Capital commitments

At 31 December 2019 the Board of Directors had approved £nil (2018 £nil) of future expenditure for the purchase, construction and enhancement of investment property.

Valuation process

It is the company's policy to engage an independent external valuer to determine the market value of its investment and development property at both 30 June and 31 December. This independent external valuer holds recognised and relevant professional qualifications and has recent experience in location and category of the investment and development property being valued. The company provides data to the valuer, including current lease and tenant data along with asset specific business plans. The valuer uses this and other inputs including market transactions for similar properties to produce valuations. These valuations and the assumptions they have made are then discussed and reviewed with the company's directors.

9. Investment and development property (continued)

Valuation methodology

The fair value of the company's investment and development property as at 31 December 2019 was determined by Cushman & Wakefield, an independent external valuer at that date. The valuations are in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Global Standards 2017 incorporating the International Valuation Standards and the UK National Supplement 2018 (the Red Book) and were arrived at by reference to market transactions for similar properties and rent profiles. Fair values for investment properties are calculated using the present value income approach. The main assumptions underlying the valuations are in relation to rent profile and yields as discussed below.

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

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

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

The valuation output, along with inputs and assumptions, are reviewed by management as well as members to ensure that they are in line with those of market participants.

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

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

	Nominal equivalent yield	
	+50bp	**-50bp**
	£m	**£m**
At 31 December 2019	(20.5)	29.4
At 31 December 2018	(33.1)	37.5

9. Investment and development property (continued)

The table below provides details of the 31 December 2019 assumptions used in the valuation and key unobservable inputs for the most significant properties held by the group:

2019	Market value £m	Net initial yield	Nominal equivalent yield	Annual property income £m
Soar at intu Braehead	40.5	7.4%	8.0%	3.6
intu Eldon Square	213.0	5.4%	6.2%	13.1
intu Potteries	67.2	10.9%	11.0%	10.1

2018	Market value £m	Net initial yield	Nominal equivalent yield	Annual property income £m
Soar at intu Braehead	53.5	5.4%	6.8%	3.4
intu Eldon Square	279.0	5.4%	5.5%	16.2
intu Potteries	97.2	8.6%	9.0%	10.9

10. Investment in group companies

Company	Cost £m	Accumulated impairment £m	Net £m
At 1 January 2018	389.2	(72.4)	316.8
Impairment charge	-	(20.6)	(20.6)
At 31 December 2018	389.2	(93.0)	296.2
At 1 January 2019	389.2	(93.0)	296.2
Impairment charge	-	(27.8)	(27.8)
At 31 December 2019	389.2	(120.8)	268.4

On 27 June 2019 the company acquired 100 per cent of the share capital of Intu Bridlesmith Gate Limited from Intu Shopping Centres plc for consideration of £1.

During the previous year the company sold its investment in Broadmarsh Retail (Nominee No. 3) Limited and Broadmarsh Retail (Nominee No. 4) Limited to Broadmarsh Retail General Partner Limited for £1 each. No gain or loss on disposal was recorded.

The company's subsidiary undertakings as at 31 December 2019 are listed below. All subsidiaries are wholly owned directly by the company and are registered in England and Wales unless otherwise stated. The registered office of the subsidiaries is 40 Broadway, London, SW1H 0BT unless otherwise stated. All subsidiary undertakings have been included in the consolidated results.

Company and principal activity	Class of share capital	% held
Intu 2027 Limited (dormant)	Ordinary shares of £1 each	100
Intu Eldon Square Limited (property)	Ordinary shares of £1 each	100
Steventon Limited (property)[3]	Ordinary shares of £1 each	100
Potteries (GP) Limited (general partner)	Ordinary shares of £1 each	100
The Potteries Shopping Centre Limited Partnership (property)	n/a	
Intu Potteries Limited (limited partner)	Ordinary shares of £1 each	100
Intu Braehead Leisure Limited (holding company)	Ordinary shares of £1 each	100
Intu Braehead Limited (holding company)	Ordinary shares of £1 each	100
Braehead Leisure Partnership (property)[1]	n/a	100
Potteries (Nominee No.1) Limited (dormant)[2]	Ordinary share of £1	100
Potteries (Nominee No.2) Limited (dormant)[2]	Ordinary share of £1	100
Intu Bridlesmith Gate Limited (property)	Ordinary share of £1	100

[1] Held by Intu Braehead Leisure Limited (50%) and Intu Braehead Limited (50%)
[2] Held by Potteries (GP) Limited
[3] Registered office is 1 Waverly Place, Union Street, St Helier, Jersey, JE1 1SG

11. Trade and other receivables

	Group 2019 £m	Group Re-presented* 2018 £m	Company 2019 £m	Company 2018 £m
Current:				
Trade receivables	4.0	4.4	-	-
Amounts owed from subsidiary undertakings	-	-	238.9	311.6
Amounts owed from related companies	-	2.4	-	2.4
Other receivables	0.1	0.1	-	-
Prepayments and accrued income	8.7	9.8	-	-
	12.8	16.7	238.9	314.0

* See note 1 for details of re-presented amounts

Amounts owed from related companies are unsecured, repayable on demand and, in certain cases as agreed with the counterparty, interest bearing. Amounts owed to the company from subsidiary undertakings are stated net of £58.1m loss allowance for expected credit losses. Amounts owed from related parties are stated net of £2.4m loss allowance for expected credit losses.

12. Trade and other payables

	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Current:				
Rents received in advance	8.7	11.1	-	-
Trade payables	0.3	0.1	-	-
Amounts owed to subsidiary undertakings	-	-	190.1	190.1
Amounts owed to related parties	222.1	217.9	221.5	216.4
Accruals and deferred income	10.3	9.6	-	-
Other payables	1.1	0.9	-	-
Other taxation and social security	2.8	2.4	-	-
	245.3	242.0	411.6	406.5

Amounts owed to related parties are unsecured, repayable on demand and, in certain cases as agreed with the counterparty, interest bearing.

13. Borrowings

Group

2019	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m
Current						
Debentures 2027	6.5	6.5	-	6.5	-	5.2
Lease liabilities	0.3	0.3	-	0.3	-	0.3
	6.8	6.8	-	6.8	-	5.5
Non-current						
Debentures 2027	288.5	288.5	-	288.5	-	178.3
Lease liabilities	1.7	1.7	-	1.7	-	1.7
	290.2	290.2	-	290.2	-	180.0
Total borrowings	297.0	297.0	-	297.0	-	185.5
Cash and cash equivalents	(1.0)					
Net debt	296.0					

Company

2019	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair Value £m
Current						
Debentures 2027	6.5	6.5	-	6.5	-	5.2
	6.5	6.5	-	6.5	-	5.2
Non-current						
Debentures 2027	288.5	288.5	-	288.5	-	178.3
	288.5	288.5	-	288.5	-	178.3
Total borrowings	295.0	295.0	-	295.0	-	183.5
Cash and cash equivalents	-					
Net debt	295.0					

13. Borrowings (continued)

Group	2018					
	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m
Current						
Debentures 2027	6.2	6.2	-	6.2	-	6.7
Lease liabilities	0.3	0.3	-	0.3	-	0.3
	6.5	6.5	-	6.5	-	7.0
Non-current						
Debentures 2027	295.0	295.0	-	295.0	-	240.5*
Lease liabilities	1.7	1.7	-	1.7	-	1.7
	296.7	296.7	-	296.7	-	242.2
Total borrowings	303.2	303.2	-	303.2	-	249.2
Cash and cash equivalents	(0.9)					
Net debt	302.3					

Company	2018					
	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m
Current						
Debentures 2027	6.2	6.2	-	6.2	-	6.7
	6.2	6.2	-	6.2	-	6.7
Non-current						
Debentures 2027	295.0	295.0	-	295.0	-	240.5*
	295.0	295.0	-	295.0	-	240.5
Total borrowings	301.2	301.2	-	301.2	-	247.2
Cash and cash equivalents	-					
Net debt	301.2					

* The amounts shown in 2018 have been restated to show the correct value, which was incorrectly reported in this note in the 2018 financial statements.

13. Borrowings (continued)

Movement in net debt

	Cash and cash equivalents £m	Current borrowings £m	Non-current borrowings £m	Net debt £m
Group				
At 1 January 2018	2.7	(6.2)	(302.9)	(306.4)
Borrowings repaid	-	5.9	-	5.9
Other non-cash movements	-	(6.2)	6.2	-
Other net cash movements	(1.8)	-	-	(1.8)
At 31 December 2018	0.9	(6.5)	(296.7)	(302.3)
At 1 January 2019	0.9	(6.5)	(296.7)	(302.3)
Borrowings repaid	-	6.2	-	6.2
Other non-cash movements	-	(6.5)	6.5	-
Other net cash movements	0.1	-	-	0.1
At 31 December 2019	1.0	(6.8)	(290.2)	(296.0)

	Cash and cash equivalents £m	Current borrowings £m	Non-current borrowings £m	Net debt £m
Company				
At 1 January 2018	-	(5.9)	(301.2)	(307.1)
Borrowings repaid	-	5.9	-	5.9
Other non-cash movements	-	(6.2)	6.2	-
At 31 December 2018	-	(6.2)	(295.0)	(301.2)
At 1 January 2019	-	(6.2)	(295.0)	(301.2)
Borrowings repaid	-	6.2	-	6.2
Other non-cash movements	-	(6.5)	6.5	-
At 31 December 2019	-	(6.5)	(288.5)	(295.0)

13. Borrowings (continued)

	Group 2019 £m	Group 2018 £m
(a) Minimum lease payments under lease liabilities fall due:		
Not later than one year	0.3	0.3
Later than one year and not later than five years	1.3	1.3
Later than five years	8.3	8.3
	9.9	9.9
Future finance charges on lease liabilities	(7.9)	(7.9)
Present value of lease liabilities	2.0	2.0

	Group 2019 £m	Group 2018 £m
(b) Present value of minimum lease liability obligations		
Not later than one year	0.3	0.3
Later than one year and not later than five years	1.3	1.3
Later than five years	0.4	0.4
	2.0	2.0

Lease liabilities are in respect of leasehold investment property. Many leases provide for payment of contingent rent, usually a proportion of net rental income, in addition to the rents above.

14. Debt profile

Certain borrowings are secured on properties of the subsidiaries of the group. The maturity profile of gross debt (excluding lease liabilities) is as follows:

	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Wholly repayable within one year	6.5	6.2	6.5	6.2
Wholly repayable in more than one year but not more than two years	6.9	6.5	6.9	6.5
Wholly repayable in more than two years but not more than five years	23.1	21.9	23.1	21.9
Wholly repayable in more than five years	258.7	266.8	258.7	266.8
	295.2	301.4	295.2	301.4

15. Financial risk management

The group is exposed to a variety of financial risks arising from the group's operations being principally market risk (including interest rate risk and market price risk), liquidity risk and credit risk.

The majority of the group's financial risk management is carried out by intu properties plc's treasury department and the policies for managing each of these risks and their impact on the results for the year are summarised below. Further details of intu properties plc's financial risk management are disclosed in the group's publicly available financial statements.

Market risk
Interest rate risk
Interest rate risk comprises of both cash flow and fair value risks.

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

There is minimal cash flow interest rate risk as the debenture is at a fixed rate of 5.562%.

Liquidity risk
Liquidity risk is managed to enable the company to meet future payment obligations when financial liabilities fall due. The intu properties plc treasury policy aims to meet this objective by maintaining adequate cash, marketable securities and committed facilities.

The intu properties plc treasury policy aims to meet this objective through maintaining adequate cash, marketable securities and committed facilities to meet these requirements. The group's policy is to seek to optimise its exposure to liquidity risk by balancing its exposure to interest rate risk and to refinancing risk. In effect the group seeks to borrow for as long as possible at the lowest acceptable cost.

15. Financial risk management (continued)

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

Group	2019				
	Within 1 year or on demand £m	1-2 years £m	3-5 years £m	over 5 years £m	Total £m
Borrowings (including interest)	(22.9)	(22.9)	(68.6)	(300.0)	(414.4)
Other financial liabilities	(1.4)	-	-	-	(1.4)
Amounts owed to related parties	(222.1)	-	-	-	(222.1)
Lease liabilities	(0.3)	(0.3)	(1.0)	(8.2)	(9.8)
	(246.7)	(23.2)	(69.6)	(308.2)	(647.7)

Group	2018				
	Within 1 year or on demand £m	1-2 years £m	3-5 years £m	over 5 years £m	Total £m
Borrowings (including interest)	(22.9)	(22.9)	(68.6)	(334.3)	(448.7)
Other financial liabilities	(1.0)	-	-	-	(1.0)
Amounts owed to related parties	(217.9)	-	-	-	(217.9)
Lease liabilities	(0.3)	(0.3)	(1.0)	(8.2)	(9.8)
	(242.1)	(23.2)	(69.6)	(342.5)	(677.4)

Company	2019				
	Within 1 year or on demand £m	1-2 years £m	3-5 years £m	over 5 years £m	Total £m
Borrowings (including interest)	(22.9)	(22.9)	(68.6)	(300.0)	(414.4)
Amounts owed to subsidiary undertakings	(190.1)	-	-	-	(190.1)
Amounts owed to related parties	(221.5)	-	-	-	(221.5)
	(434.5)	(22.9)	(68.6)	(300.0)	(826.0)

15. Financial risk management (continued)

Company

	2018				
	Within 1 year or on demand £m	**1-2 years £m**	**3-5 years £m**	**over 5 years £m**	**Total £m**
Borrowings (including interest)	(22.9)	(22.9)	(68.6)	(334.3)	(448.7)
Amounts owed to subsidiary undertakings	(190.1)	-	-	-	(190.1)
Amounts owed to related parties	(216.4)	-	-	-	(216.4)
	(429.4)	(22.9)	(68.6)	(334.3)	(855.2)

Credit risk

Credit risk is the risk of financial loss if a tenant or counterparty fails to meet an obligation under a contract. Credit risk arises primarily from trade receivables relating to tenants but also from the group's holdings of assets with counterparties such as cash deposits and loans.

Credit risk associated with trade receivables is actively managed; tenants are typically invoiced quarterly in advance and are managed individually by asset managers, who continuously monitor and work with tenants aiming, wherever possible, to identify and address risks prior to default.

Prospective tenants are assessed via a review process, including obtaining credit ratings and reviewing financial information which is conducted internally. As a result, deposits or guarantors may be obtained. The amount of deposits held as collateral at 31 December 2019 is £0.6 million (2018 £0.6 million).

When applying a loss allowance for expected credit losses, judgement is exercised as to the collectability of trade receivables and to determine if it is appropriate to impair these assets. When considering expected credit losses, management has taken into account days past due, credit status of the counterparty and historical evidence of collection.

The ageing analysis of these trade receivables is as follows:

	Group 2019 £m	**Group 2018 £m**
Up to three months	2.7	3.6
Three to six months	1.3	0.8
Trade receivables	4.0	4.4

At 31 December 2019 trade receivables are shown net of provisions totalling £1.5 million (2018 £0.6 million).

15. Financial risk management (continued)

The credit risk relating to cash and deposits is actively managed centrally by intu properties plc treasury department. Relationships are maintained with a number of tier one institutional counterparties, ensuring compliance with intu properties plc company policy relating to limits on the credit ratings of counterparties (between BBB+ and AAA). Excessive credit risk is avoided through adhering to authorised limits for all counterparties.

Classification of financial assets and liabilities
The tables below set out the group's accounting classification of each class of financial assets and liabilities, and their fair values.

The fair values of quoted borrowings are based on the asking price.

Group **2019**	**Carrying value £m**	**Fair value £m**	**Loss to income statement £m**
Trade and other receivables	4.1	4.1	-
Cash and cash equivalents	1.0	1.0	-
Total financial assets – amortised cost	5.1	5.1	-
Trade and other payables	(223.4)	(223.4)	-
Borrowings	(297.0)	(185.5)	-
Total financial liabilities – amortised cost	(520.4)	(408.9)	-

Group **2018**	**Carrying value £m**	**Fair value £m**	**Loss to income statement £m**
Trade and other receivables	6.9	6.9	-
Cash and cash equivalents	0.9	0.9	
Total financial assets – amortised cost	7.8	7.8	-
Trade and other payables	(218.9)	(218.9)	-
Borrowings	(303.2)	(249.2)*	-
Total financial liabilities – amortised cost	(522.1)	(468.1)	-

There are no gains or losses arising on financial assets or liabilities recognised direct to equity (2018 £nil).
* The amounts shown in 2018 have been restated to show the correct value, which was incorrectly reported in this note in the 2018 financial statements.

15. Financial risk management (continued)

Fair value hierarchy

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

Transfers into and transfers out of the fair value hierarchy levels are recognised on the date of the event or change in circumstance that caused the transfer. There were no transfers into or out of the fair value hierarchy levels for the above financial assets and liabilities during the year (2018 none).

16. Share capital

Company and group:	2019 £m	2018 £m
Issued and fully paid		
100,000,000 (2018 100,000,000) ordinary shares of £1 each	100.0	100.0

17. Cash generated from operations

	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Loss before tax	(106.0)	(78.8)	(101.8)	(34.1)
Adjustments for:				
Revaluation of investment and development property	109.6	93.3	-	-
Lease incentives and letting costs	0.6	0.8	-	-
Impairment of investments in subsidiaries	-	-	27.8	20.6
Finance costs	17.1	17.3	16.7	17.0
Finance income	(0.4)	(0.4)	(3.2)	(3.5)
Changes in working capital:				
Change in trade and other receivables	4.0	137.5	75.1	161.5
Change in trade and other payables	3.2	(145.7)	5.1	(142.1)
Cash generated from operations	28.1	24.0	19.7	19.4

18. Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation for the group.

Group
Significant transactions between the group and its related companies are shown below:

	Nature of transaction	2019 £m	2018 £m
Intu Retail Services Limited[4]	Cost of facilities management	11.0	11.4
Intu Shopping Centres plc	Acquisition of Intu Bridlesmith Gate Limited	-	-

Significant balances outstanding are shown below:

	Amounts owed by 2019 £m	Amounts owed by 2018 £m	Amounts owed to 2019 £m	Amounts owed to 2018 £m
Liberty International Group Treasury Limited	-	-	222.1	214.4
Intu Shopping Centres plc	-	-	-	3.5
Whitesun Limited[4]	-	2.4	-	-

Company
There were no significant transactions between the parent company and its subsidiaries during the current and previous year.

Balances outstanding between the parent company and its subsidiaries are shown below:

	2019 £m	2018 £m
Amounts owed by subsidiary undertakings	238.9	311.6
Amounts owed to subsidiary undertakings	(190.1)	(190.1)

Significant balances outstanding between parent company and related companies are shown below:

	Amounts owed by 2019 £m	Amounts owed by 2018 £m	Amounts owed to 2019 £m	Amounts owed to 2018 £m
Whitesun Limited	-	2.4	-	-
Liberty International Group Treasury Limited[4]	-	-	221.4	214.4
Intu Shopping Centres plc[4]	-	-	-	2.0

[4] The company's registered office is 40 Broadway, London, SW1H 0BT.

19. Ultimate parent company

The immediate and ultimate parent company is intu properties plc, a company incorporated and registered in England and Wales, copies of whose financial statements may be obtained from the Company Secretary, 40 Broadway, London, SW1H 0BT.

20. Capital structure and financial covenants (unaudited)

Capital structure

The group has a capital cover and an interest cover requirement as part of its ongoing obligations under the issuance of 5.562 per cent Fixed Mortgage Debenture Stock 2027. The capital cover test requires mortgaged property to have a value of at least 150% of the final redemption amount of the Debenture Stock of £231,432,383.40. The interest cover test requires income from the mortgaged property to be at least the amount required to cover scheduled interest and redemption amounts payable on the Stock. Included within investment property for the purposes of the capital cover test and the income for the interest cover measurement at 31 December 2019 was intu Eldon Square, Newcastle, intu Potteries, Stoke on Trent, Bridlesmith Gate, Nottingham and Soar at intu Braehead.

Capital cover requirement	Group 2019 £m	Group 2018 £m
Investment property held as collateral	347.2	429.7
Redemption value of external debt	(231.4)	(231.4)
Capital cover	150.0%	185.7%
Interest cover requirement		
Net rental income	23.4	25.3
Interest payable and redemption amounts	(22.9)	(22.9)
Interest cover	102.5%	110.5%

	Loan £m	Maturity	Capital cover covenant	Capital cover actual	Interest cover covenant	Interest cover actual
	231.4	2027	150.0%	150.0%	100.0%	102.5%

The debenture is currently secured on a number of the group's properties including intu Eldon Square, intu Potteries and Soar at intu Braehead.

Should the capital cover or interest cover test be breached, Intu Debenture plc (the 'Issuer') has three months from the date of delivery of the valuation or the latest certificate to the Trustees to make good any deficiencies. Subsequent to year end, the group has placed £15.0 million of additional security in a charged account.

The Issuer may withdraw property secured on the debenture by paying a sum of money or through the substitution of alternative property provided that the capital cover and interest cover tests are satisfied immediately following the substitution.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

21. Events after the reporting date

In Q1 2020, the existence of a global virus outbreak known as Covid-19 was confirmed. Non-essential retail in intu's centres closed between 24 March and the 15 June 2020 in order to comply with measures put in place by the UK Government to limit virus transmissions.

Rents received from customers for the quarter beginning 25 March 2020 was significantly reduced with collections at 22 June 2020 totalling 36 per cent. Management are in discussions with customers on the outstanding rents but at this time it is unclear whether these rents will be fully recovered at a later date.

The directors continue to monitor the impact of Covid-19 on the collection of rents and ongoing reviews of cash projections and sensitivity analysis are conducted.

On 26 June 2020, following unsuccessful negotiations for a group-wide standstill with its lenders, intu properties plc (the ultimate parent company of the group and company), along with certain intu group entities that provide asset and facilities management services to several properties on which the debenture stock is secured, were placed into administration.

To enable continued uninterrupted delivery of asset and facilities management services to the above-mentioned properties, from the date of intu properties plc's administration, the individual Debenture property companies have entered into a 6-month Transition Services Arrangement (TSA) with intu properties plc's administrator. As part of the TSA, the property companies are required to pre-fund costs two months in advance to the administrators prior to delivery of services as well as settlement of existing arrears.