Company registration number 05890611 (England and Wales)

INTU DEBENTURE PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

INTU DEBENTURE PLC

COMPANY INFORMATION

Directors	D Duggins J Heller B Cox
Secretary	Ocorian Administration (UK) Limited
Company number	05890611
Registered office	c/o APAM Ltd 4th Floor 84 Grosvenor Street London W1K 3JZ
Auditor	BDO LLP 55 Baker Street London W1U 7EU

INTU DEBENTURE PLC

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INTU DEBENTURE PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report for Intu Debenture Plc ("the company") for the year ended 31 December 2021.

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 with a redemption date of 2027, or otherwise on demand if covenants are breached.

BUSINESS REVIEW
The group’s and company’s results and financial position for the year ended 31 December 2021 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 and limited hard-transactional evidence, has affected the group’s and company’s valuation of property, which has further decreased in 2021.

The group’s net rental income for the year was £9.6 million (2020 net rental loss of £5.4 million). The group’s loss before tax was £37.2 million (2020 - £179.5 million) after recording a property revaluation deficit in the year of £23.0 million (2020 - £154.5 million). The group’s net liabilities increased from £380.3 million at 31 December 2020 to £417.5 million at 31 December 2021.

The most significant property assets held by the group are the Eldon Square shopping centre, Newcastle, with a 31 December 2021 market value of £93.2 million (2020 £108.9 million) and the Potteries shopping centre, Stoke-on-Trent, with a 31 December 2021 market value of £26.5 million (2020 £31 million).

The directors have considered the future activity of the business, and its principal risks and uncertainties, within the Directors report.

KEY PERFORMANCE INDICATORS
The main KPI used by the Board to monitor the business is net rental income. Details of this KPI can be found in the group income statement. Other KPIs used by the Board and reported to the stockholders on a quarterly basis include:

- Occupancy rate – actual occupancy rate for the year was 95% (on sq ft basis), compared to business plan of 91%
- Percentage rent collected – rent collection rate for the year was 86.2%, up from 42% being the total collected in Q4 2020.
- WAULT – actual weighted average unexpired lease term was 6 years, up from 4.65 years at Q4 2020.

FUTURE DEVELOPENTS AND EVENTS AFTER THE REPORTING DATE
The ongoing volatility in the UK retail market was further exacerbated by the impact of Covid-19 during the year, with non-essential retail in the group’s centres closed for long periods in order to comply with measures put in place by the UK Government to limit virus transmissions.

Rent and service charge collections from tenants were significantly reduced as a result of the enforced closures. Management are in discussions with tenants on the outstanding rents but at this time it is unclear whether these rents will be fully recovered at a later date.

Whilst the easing of restrictions since the year end has resulted in a significant improvement in the collection of rent and service charge 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 clearer.

FUTURE DEVELOPENTS AND EVENTS AFTER THE REPORTING DATE (continued)

These factors have placed additional pressure on the company's ability to maintain specified financial ratios and comply with certain financial covenants, which remain non-compliant during the year. The debenture stock is currently secured on several properties including Intu Eldon Square, Intu Potteries and XSite at Braehead. As a consequence, the company placed £15.0 million of additional security in a charged account, which the stockholders agreed to make available to support the business during the period of difficulties created by Covid-19. £12.3 million has been drawn to date.

Subsequent to the year end, an agreement in principle has been reached with the administrators of Intu Properties Plc to settle all intercompany balances outside the Debenture group and acquire the share capital of the company (the "restructuring transaction"), which will include a waiver of all breaches and remove the breached covenants. The documentation required to formally approve and execute the restructuring transaction is at an advanced stage, and the transaction is expected to complete in the near future.

Promoting the success of the company

Section 172 of the Companies Act 2006 requires directors of a group to act in the way they consider, in good faith, would be most likely to promote the success of the group for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to -

a. the likely consequences of any decision in the long term,
b. the interests of the group's employees,
c. the need to foster the group's business relationships with suppliers, customers, and others,
d. the impact of the group's operations on the community and the environment,
e. the desirability of the group maintaining a reputation for high standards of business conduct, and
f. the need to act fairly between members of the group.

In certain circumstances, this duty is over-ridden by a duty to act in the interest of the group's creditors, which is the case for the group.

The group has no employees. All of its activities are outsourced to reputable third parties. Nonetheless, engagement with suppliers, customers, and others is an important aspect of our business. Examples of our efforts in these regards as follows.

The group -

- considers and discusses information from across the organisation to help it understand the impact of its operations and the interest and view of key stakeholders in both the short and long term. The group reviews strategy, financial and operational performance as well as information covering such areas as key risks and legal and regulatory compliance.
- recognises it has an obligation towards the environment and seeks to reduce the amount of energy and water consumed by the business activities. Use is made of modern building materials in new projects and certain lighting and heating replacements have been made
- behaves responsibly and in turn ensures that the third party asset and property managers operate the business in a responsible manner, with high standards of business conduct and good governance.

On behalf of the board

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David Duggins
Director

Date: 17 April 2023

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their Annual Report and audited consolidated financial statements for the year ended 31 December 2021.

The company was incorporated in and is registered in England and Wales (company number 5890611). The company's registered office is c/o APAM Ltd, 4th Floor, 84 Grosvenor Street, London, W1K 3JZ.

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

CAPITAL MANAGEMENT
The directors consider the capital of the company to be the ordinary share capital of £100.0 million (2020 £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 £380.3 million to net liabilities of £417.5 million, a movement of £37.2 million, representing the loss for the year.

CASH FLOW
The group cash flow shows a net inflow from operating activities of £8.8 million (2020 £10 million).

FINANCIAL RISK MANAGEMENT
The group’s approach to financial risk management and internal control is explained in note 24 to the financial statements.

GOING CONCERN
Full detail in respect of going concern is set out in note 1.2
After reviewing the most recent projections and the sensitivity analysis and having carefully considered both the ongoing uncertainty in the retail and leisure sectors and the material uncertainty created by the breach of financial and other covenants, 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 failed during the year. Compliance with financial covenants is and will continue to be monitored. See note 32 for further details.

CORPORATE GOVERNANCE STATEMENT
As the group has no employees, policy is set by the Board as a body and the control system is operated by service companies on a basis agreed and monitored by the board as a whole. The risk management system is based on the professional knowledge of the board members acting as a body, and the professional expertise of the service companies, whose performance is regularly monitored. Key elements of the control system are:

- Rental income collection and arrears are monitored monthly
- Annual service charge budgets are approved by the Board and actual service charge expenditure is monitored against budget on a quarterly basis and subject to annual external audit.
- Management accounts are produced and reviewed on a quarterly basis.

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

D Duggins	
J Heller	(Appointed 26 January 2021)
S Cooke	(Resigned 26 January 2021)
B Cox	(Appointed 15 June 2022)

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 but not at the date of the approval of these financial statements. The company 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.	A combination of the remaining charged funds and improved rent and service charge collections are considered to be adequate to finance the group's business plan over the coming years. Agreements in principle have been reached with the ad hoc group of stockholders to eliminate mandatory payments of interest and principal, and with the Administrators of Intu Properties Plc to settle all liabilities for a nominal sum.	For more detailed commentary, refer to going concern section in note 1.
Property market – macroeconomic Continued weakness in the macroeconomic environment could impact our visitors' propensity to visit, which would adversely impact tenant performance.	Operating costs are continually reviewed to minimise service charges to the occupiers.	The economic outlook improved strongly during 2021. After a strong start in 2022 and into Q1 2023, rising inflation and interest rates are expected to adversely impact consumer spending to a limited extent. The lower transaction volumes and corresponding reduction in property valuations seen during 2019, 2020, 2021 and 2022 are expected to stabilise in 2023 and reverse in subsequent years.
Property market – retail environment Structural and cyclical changes in the retail environment, including the rise in online shopping, could undermine the group's ability to attract customers and visitors and continue to put pressure on net rental income and property valuations.	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.	Footfall and new lettings continue to improve.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with UK adopted international accounting standards. 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 group and the company and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

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

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

DIRECTORS' 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 in UK, 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 in UK, 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.

INDEPENDENT AUDITOR

In accordance with the company's articles, a resolution proposing that BDO LLP be reappointed as auditor of the group will be put at a General Meeting.

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

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David Duggins
Director
Date: 17 April 2023

INTU DEBENTURE PLC

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INTU DEBENTURE PLC

Qualified opinion on the financial statements

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards 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.

We have audited the financial statements of Intu Debenture Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the group income statement, the group and company statements of financial position, the group and company statements of changes in equity, the group and company statements of cash flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for qualified opinion

During the course of our audit of the financial statements for the year ended 31 December 2020, we sought to obtain sufficient, appropriate audit evidence in respect of a number of material and pervasive areas of the financial statements and related notes but this information was not obtained.

Our audit report identified five specific areas where limitations on the scope of our audit were encountered which were pervasive and prevented us from forming an opinion. These were as follows:

- Rental income;
- Service charge income;
- Expected credit loss provisions;
- Related party loans; and
- Completeness of journals.

As a result of this we disclaimed our opinion on the 2020 financial statements.

In the current year these issues have not recurred. However, our prior year disclaimer means that we have not obtained sufficient audit evidence in respect of opening balances as at 1 January 2021. Any adjustment to these balances would result in an adjustment to the consolidated income statement, the consolidated and Company statements of changes in equity and the consolidated and company statements of cash flow for the current year. The comparative figures may also not be comparable. In addition, were any adjustment to these balances to be required, the strategic report and directors' report would also need to be amended.

Furthermore, we have not been able to confirm the value of the related party amounts payable as at 31 December 2021. Related party amounts of £251.2 million were not confirmed by the counterparties and no reconciliation was provided by either party to validate the amount due. The amount confirmed by the related parties totalled £243.9 million. We were unable to satisfy ourselves by alternative means concerning the balance of the related party amounts payable by using other audit procedures. Consequently, we were unable to determine whether any adjustment to this amount was necessary. In addition, were any adjustment to the related party amounts payable balance to be required, the strategic report and directors report would also need to be amended.

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

Independence

We were appointed by the board of directors on 18 March 2021 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement is two years, covering the years ended 31 December 2020 and 31 December 2021. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company. Our audit opinion is consistent with the additional report to the Directors.

Material uncertainty related to going concern

We draw attention to note 1.2 which indicates that the group's secured borrowings and amounts owed to a related party are due on demand and covenants have been breached entitling the loan holders to demand repayment. If loan holders were to demand payment, the group and Parent Company would be unable to satisfy the demand. As a result a material uncertainty exists which may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern. Our audit opinion is not modified in respect of this matter.

Because of the significance of this matter we consider going concern to be a key audit matter. Our response to this and our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included the following:

We evaluated the Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting. This included obtaining the most recent cashflow forecasts and comparing the rental income with past performance. We compared the recent cash balance with the most recent bank statements. We confirmed with management if there had been any changes to the financing structure of the group. The assessment of forecast cashflows was prepared for a period of more than one year from the date of signature of these accounts. It was prepared based on the expectation of no significant cashflows to be made in respect of either the group's secured borrowings or the amount owed to the related party. We also obtained a confirmation that no further interest payments had been made on the secured borrowings.

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

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

Overview

Coverage	*The group engagement team performed a full scope audit on the group and parent financial statements and on all of the components in both 2021 and 2020 and covered 100% of the group revenue, group loss before tax and group total assets.*		
Key audit matters		2021	2020
	Investment property valuation	X	X
	Revenue Recognition	X	
	Expected credit loss	X	
	Going concern	X	
Materiality	*Group financial statements as a whole* *£2.0m (2020: £2.4m) based on 1.0% (2020: 1.0%) of total assets*		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The significant components were determined as being the three property-owing subsidiary entities as well as the Parent Company.

The group audit engagement team performed a full scope audit on the group and company financial statements and on all the components of the group.

Key audit matters

In addition to the matters described in the basis for qualified opinion and material uncertainty related to going concern sections, we have determined the matters described below to be the key audit matters to be communicated in our report. 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, including 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. This matter was 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 this matter.

Key audit matter

Valuation of the property portfolio
Refer to note 1 for accounting policy and key sources of estimation uncertainty and note 11 for disclosure.

The Group's Investment and Development properties are a portfolio of shopping centres in the UK. The portfolio is valued at £161.6 million at 31 December 2021. During the year a revaluation deficit of £23.0 million 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 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 2021 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 retail properties.

How our scope addressed this matter

Experience of external valuer and relevance of its work

We obtained the valuation report prepared by management's independent external valuer and discussed the basis of the valuations with them, confirming that the approach was consistent with the requirements of accounting standards.

We assessed the competency, independence and objectivity of the valuer which included making enquiries regarding interests and relationships that may create a threat to the valuer's objectivity.

We discussed with the valuer any limitations in scope or for evidence of Management bias.

Data provided to the valuer

We checked that the underlying data provided to the valuer by Management was consistent with the data provided to us for our audit work. This data included inputs such as current rent and lease terms, which we agreed on a sample basis to executed lease agreements as part of our audit work.

We checked the completeness of the data by agreeing a sample of data from the tenancy schedule, which we obtained as part of our audit of revenue, to the data provided to the valuer.

Assumptions and estimates used by the valuer

We used our knowledge and experience to evaluate and challenge the valuation assumptions, methodologies and the unobservable inputs used in the valuation of the properties. This included establishing our own range of expectations for the yields used in assessing the valuation of each of the Group's properties based on externally available metrics, comparable organisations and wider economic and commercial factors.

We assessed the valuation of the properties against our own expectations and met with the valuer to challenge those valuations which fell outside of our range of expectations. We took advice from our internal valuation experts in both considering both our expectations as well as in the discussions with Management's valuation expert.

Key observations:
We did not identify any matters to suggest that the valuation of the Group's property portfolio was inappropriate

Key audit matter	How our scope addressed this matter
Revenue recognition Refer to note 1.4 for the accounting policy for revenue recognition. Refer to note 2 in relation to Revenue. Rental income is recognised on a straight-line basis over the lease term. The most significant accounting estimate concerning revenue recognition is Managements' assessment of the lease term over which the incentives are recognised and ensuring incentives are recognised correctly and then accounting for the rental incentives over the length of the lease. There is a presumption of fraud risk related to revenue recognition which may manifest itself through incorrect or inappropriate accounting for lease incentives and concessions. Consideration must be given to the nature of rent concessions granted during the year and whether these qualify as a lease modification under IFRS 16, and if so, should be treated as such.	We obtained a breakdown for all balances that form part of revenue (rental income, movement in lease incentives, deferred income, and turnover rent) and agreed the amount recognised as the rental income in the year to the underlying lease agreement. Our inspection of the latest rental agreement, included testing amounts to the key lease information including rental amount, rent free period, lease duration and location of the lease and the tenant. We compared our calculation of expected rental income based on the inputs and compared it to actual revenue recognised, including the assessment of the concessions granted as part of the lease. We obtained the lease incentive schedule and tested a sample reflective of the significance of the risk by comparing our computation of the expected balance of the incentive to the actual amount recorded to check that the revenue recognised in respect of the incentive was in line with the underlying lease agreement. We required Management to corroborate the differences over an agreed threshold with reference to most recent agreements to ensure that the amounts recorded were accurate. We obtained Management's deferred income schedule which contains the income received in advance, selected a sample and recalculated the deferred income based on the underlying lease agreed to check that income was deferred in accordance with the underlying lease. **Key observations** We found that the amounts reported by Management in respect of revenue were calculated in line with the most recent lease agreements.

Key audit matter	How our scope addressed this matter
Expected credit loss ("ECL") applied to Trade Debtors Refer to note 1.9 for the accounting policy trade debtors including recognition of the expected credit loss. ECL is a measure of losses arising from counterparty default in relation to financial instruments. It is an estimate based on Management's assessment of the risk of loss specific to particular types of instrument and categories of counterparty. The estimate relates to future losses but at times may be extrapolated from data relating to past losses. Management considered that data relating to past losses of trade debtors was unreliable as a basis for ECL estimates because of the impact of Covid 19 and of the administration affecting the group's parent. They therefore evaluated ECL provisions based on a detailed examination of the financial position of tenants and agreements entered with them to generate an expectation of the credit loss.	We obtained a breakdown of the accounting provisions created to record ECL in relation to trade debtors. We obtained an understanding of management's methodology relating to the creation of provisions. In relation to an increased sample of provisions in each of the group's subsidiaries with trade debtors, we tested after date cash receipts for the period to September 2022 to determine the actual outcome of management's assessment against the provision raised. For those items in the samples which showed uncollected amounts, we examined the reasons for the specific individual provisions made and obtained appropriate supporting documentation. In relation to these items we also examined accounting records for the period for September 2022 to February 2023 to determine the outcome of Management's assessment. We formed an expectation of reasonable provisions on a debtor by debtor basis based on the knowledge gained from our consideration of Management's methodology as well as audit evidence on after date cash receipts. We compared this with Management's assessment as at 31 December 2021. **Key observations** We consider that the judgements that Management has made in the computation of the expected loss is reasonable.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Group financial statements		**Parent company financial statements**	
	2021 £m	2020 £m	2021 £m	2020 £m
Materiality	2.0	2.0	1.7	1.8
Basis for determining materiality	1% of Total assets	1% of Total assets	85% of group materiality	1% of Total assets
Rationale for the benchmark applied	Relevance to business of this investment property group. Lower range due to disclaimer in prior year	Relevance to the business of this investment property group	Percentage of group materiality given the assessment of aggregation risk	Relevance to the business of this investment property group
Performance materiality	1.2	1.4	1.0	1.3
Basis for determining performance materiality	60% This is a lower percentage due to the disclaimer in prior year	70% of materiality to ensure aggregated material errors are reported	60% Lower percentage due to disclaimer in prior year	70% of materiality to ensure aggregated material errors are reported

Component materiality

We set materiality for each component of the Group based on a percentage of between 1% and 1.5% of entity benchmark materiality dependent on the size and our assessment of the risk of material misstatement of that component. The entity benchmark was total assets except in the case on non-assets holding companies where it was total profit and loss before taxation or liabilities. Component materiality ranged from £0.02m to £1.7m (2020: £0.05m to £1.5m). In the audit of each component, we further applied performance materiality levels of 60% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £39,700 (2020: £40,200). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF INTU DEBENTURE PLC

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. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the opening balances and consequential effect on the financial statements, in particular the trading in the current financial year. We also were not able to satisfy ourselves as the accuracy of the amounts owed to the related undertaking and whether there was any consequential effect on the other information presented in the Annual Report. We have concluded that where the other information refers to these balances, it may be materially misstated for the same reason.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	Except for the possible effects of the matter described in the basis for qualified opinion section of our report, 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. Except for the possible effects of the matter described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit performed, we have not identified material misstatements in the Strategic Report or the Directors' Report.
Matters on which we are required to report by exception	Arising from the limitation of our work referred to above: • we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and • the Parent Company has not kept adequate accounting records. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made.

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 Parent 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 Parent Company or to cease operations, or have no realistic alternative but to do so

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

We considered the significant laws and regulations to be the applicable accounting framework, UK tax legislation and Companies Act based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
    - Detecting and responding to the risks of fraud; and
    - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be the estimation in respect of revenue recognition and the investment property valuation for which we have considered the key audit matter above.

We addressed the risk of fraud through management override of controls, by 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.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it. In addition, the extent to which the audit was capable of detecting irregularities, including fraud was limited by the matter described in the basis for qualified opinion section of our report.

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

Use of our report
This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Charles Ellis
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Charles Ellis (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

17 April 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

INTU DEBENTURE PLC

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £m	2020 £m
Revenue	**2**	31.5	42.4
Property operating expenses		(24.8)	(36.0)
Expected credit loss provision		2.9	(11.8)
Net rental income/ (loss)	**2**	9.6	(5.4)
Administrative expenses		(5.2)	(1.8)
Revaluation of investment property	**8**	(23.0)	(154.5)
Operating loss		(18.6)	(161.7)
Finance costs	**6**	(18.6)	(17.8)
Net finance costs		(18.6)	(17.8)
Loss before tax		(37.2)	(179.5)
Taxation	**7**	-	-
Loss and total comprehensive income for the year		(37.2)	(179.5)

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.

INTU DEBENTURE PLC

GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 £m	2020 £m
Non-current assets			
Investment property	**8**	161.6	186.9
Current assets			
Trade and other receivables	**15**	26.5	17.0
Cash and cash equivalents	**13**	21.9	11.0
		48.4	28.0
Current liabilities			
Trade and other payables	**17**	279.7	265.0
Borrowings	**19**	329.4	311.8
Lease liabilities	**22**	1.0	1.0
		610.1	577.8
Net current liabilities		(561.7)	(549.8)
Non-current liabilities			
Lease liabilities	**22**	17.4	17.4
Net liabilities		(417.5)	(380.3)
Equity			
Called up share capital	**26**	100.0	100.0
Retained earnings		(517.5)	(480.3)
Total equity		(417.5)	(380.3)

The financial statements were approved by the board of directors and authorised for issue on 17 April 2023 and are signed on its behalf by:

D Duggins
Director

INTU DEBENTURE PLC

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 £m	2020 £m
Non-current assets			
Investments	**9**	190.1	190.1
Other receivables	**16**	160.2	180.4
		350.3	370.5
Current assets			
Deferred tax asset	**12**	-	0.2
Trade and other receivables	**16**	0.4	-
Cash and cash equivalents	**14**	2.7	2.9
		3.1	3.1
Current liabilities			
Trade and other payables	**18**	438.2	439.3
Borrowings	**20**	329.4	311.8
		767.6	751.1
Net current liabilities		(764.5)	(748.0)
Net liabilities		(414.2)	(377.5)
Equity			
Called up share capital		100.0	100.0
Accumulated losses		(514.2)	(477.5)
Total equity		(414.2)	(377.5)

As permitted by S408 Companies Act 2006, the company has not presented its own income statement and related notes. The company's loss for the year was £36.7m (2020 - £178.2m).

The financial statements were approved by the board of directors and authorised for issue on 17 April 2023 and are signed on its behalf by:

....

D Duggins
Director

Company Registration No. 05890611

INTU DEBENTURE PLC

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £m	Accumulated losses £m	Total £m
Balance at 1 January 2020	100.0	(300.8)	(200.8)
Year ended 31 December 2020:			
Loss and total comprehensive income for the year	-	(179.5)	(179.5)
Balance at 31 December 2020	100.0	(480.3)	(380.3)
Year ended 31 December 2021:			
Loss and total comprehensive income for the year	-	(37.2)	(37.2)
Balance at 31 December 2021	100.0	(517.5)	(417.5)

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £m	Accumulated losses £m	Total £m
Balance at 1 January 2020	100.0	(299.3)	(199.3)
Year ended 31 December 2020:			
Loss and total comprehensive income for the year	-	(178.2)	(178.2)
Balance at 31 December 2020	100.0	(477.5)	(377.5)
Year ended 31 December 2021:			
Loss and total comprehensive income for the year	-	(36.7)	(36.7)
Balance at 31 December 2021	100.0	(514.2)	(414.2)

INTU DEBENTURE PLC

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £m	2021 £m	2020 £m	2020 £m
Cash flows from operating activities					
Cash generated from operations	**27**		9.8		11.0
Interest paid			(1.0)		(1.0)
Net cash inflow from operating and financing activities			8.8		10.0
Investing activities					
Proceeds from disposal of investment property		2.1		-	
Net cash generated from/(used in) investing activities			2.1		-
Net increase in cash and cash equivalents			10.9		10.0
Cash and cash equivalents at beginning of year			11.0		1.0
Cash and cash equivalents at end of year			21.9		11.0

INTU DEBENTURE PLC

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	**29**		(0.2)		2.9
Net cash (outflow)/inflow from operating activities			(0.2)		2.9
Net (decrease)/increase in cash and cash equivalents			(0.2)		2.9
Cash and cash equivalents at beginning of year			2.9		-
Cash and cash equivalents at end of year			2.7		2.9

1 Accounting policies

Company information

Intu Debenture Plc is a private company limited by shares incorporated in England and Wales. The registered office is c/o APAM Ltd 4th Floor, 84 Grosvenor Street, London, W1K 3JZ. The company's principal activities and nature of its operations are disclosed in the directors' report.

The group consists of Intu Debenture Plc and all of its subsidiaries.

1.1 Accounting convention

The company and consolidated financial statements have been prepared in accordance with UK adopted international accounting standards and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, except as otherwise stated.

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

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.

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 6. In addition, note 24 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.

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 property – see investment property accounting policy in note 1.6 as well as note 8 for details on estimates and assumptions used in the valuation process and sensitivities.
- Expected credit loss provision – see accounting policy in note 1.9 and detail in note 24.
- Going concern – see going concern accounting policy in note 1.2.

1 Accounting policies **(Continued)**

1.2 Going concern

When preparing the financial statements, management is required to make an assessment of the group and company'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 a result of the ongoing uncertainty in the retail and leisure sectors, and the breach of financial and other covenants during the year, there are events or conditions that indicate a material uncertainty exists in relation to going concern. In particular the borrowings of £329.4m and the amounts owed to related parties of £246.1m are due on demand. If demanded the group does not have the ability to pay.

The directors do not expect that the loan stockholders will take enforcement action as a result of the covenant breaches before the restructuring transaction (which will include a waiver of all breaches and remove the breached covenants) is completed. They also expect that the parallel settlement agreement with the Administrators of Intu Properties Plc will be completed which will remove debt due to that group. In view of this and after taking into account the most recent projections, the directors have formed the judgement that it is appropriate to prepare the financial statements on the going concern basis. These cash flows extend beyond 12 months from the date of signing of these financial statements. The cash flows are based upon both existing contracted rents but also incorporate detailed knowledge of each Centre to include assumptions regarding re-negotiated rents in line with expected rental values or void periods, should tenants vacate. The cash flows assume a servicing of debt in line with proposed restructuring documents that are expected to be formalized in 2023.

These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the group and the company's ability to continue as a going concern and therefore they may be unable to realise its assets and discharge their liabilities in the normal course of business. The financial statements do not include the adjustments which would result if the group or company was unable to continue as a going concern.

1.3 Basis of consolidation

The consolidated financial information includes the company and its subsidiaries.
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.

1 Accounting policies **(Continued)**

1.4 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.

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.

1.5 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.

1.6 Investment property

Investment 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 8.

The cost of investment 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 property are recognised in the income statement.

Depreciation is not provided in respect of investment 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

1.7 Investments in subsidiaries

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

1 Accounting policies **(Continued)**

1.8 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.

1.9 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.

No security is held in respect of any trade and other receivables, and there were no other credit enhancements

1 Accounting policies **(Continued)**

1.10 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.

In addition, where the group has negotiated a concession (such as forgiveness of future rent) with a tenant, and terms of the concession are considered a lease modification under the scope of IFRS 16, the group has accounted for these as a new lease from the effective date of the modification.

Where there has been a change in the scope of a lease or the consideration for a lease that was not part of the original terms and conditions of the lease, this is accounted for as a lease modification. This treatment applies to cases where rent reductions have been agreed. Such modifications are accounted for as new leases from the effective date of the modification. Any prepaid or accrued lease payments relating to the original lease at the date of modification are treated as part of the lease payments for the new lease. Future anticipated rental income is spread over the term of the lease on a straight line basis, giving rise to a rent spreading adjustment in the event that rent is reduced for a period.

Also, where the group has negotiated a concession (such as forgiveness of rents already due) these are accounted for under IFRS 9 and the receivable is derecognised with the loss recognised in the P& L immediately.

1.11 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.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies (Continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Trade payables

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

1.14 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.

1.15 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.

1.16 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:

	2021 £m	**2020 £m**
Rent receivable	21.4	29.0
Service charge income	10.1	13.4
Revenue	31.5	42.4
Service charge costs	(13.7)	(17.4)
Other non-recoverable costs	(11.4)	(18.6)
Profit on disposal of investment property, less costs to sell	0.3	-
Expected credit loss provision	2.9	(11.8)
Net rental income/ (loss)	9.6	(5.4)

3 Employees

During the year the group and the company had no employees other than the three directors (2020 - three directors).

Their aggregate remuneration comprised:

	2021 £m	**2020 £m**
Wages and salaries	0.3	0.1
Social security costs	0.1	0.1
	0.4	0.2

The directors do not receive any employee benefits.

4 Operating profit

The loss before tax of the group of £37.2 million (2020 - £179.5 million) include fees in respect of the audit of the company and its subsidiaries of £160,000 (2020 - £300,000). No non-audit services were provided during the current or prior years.

The prior year Group Income Statement has been reclassified to show administrative expenses of £1.8 million separately from property operating expenses of £36.0 million and expected credit loss provision of £11.8 million.

5 Directors' remuneration

	2021	**2020**
	£m	**£m**
Short term benefits arising from qualifying services	0.4	0.1

6 Finance costs

	2021	**2020**
	£m	**£m**
Interest on bank overdrafts and loans	17.6	16.8
Interest on lease liabilities	1.0	1.0
Total interest expense	18.6	17.8

7 Income tax expense

The charge for the year can be reconciled to the loss per the income statement as follows:

	2021	**2020**
	£m	**£m**
Loss before taxation	(37.2)	(179.5)
Expected tax credit based on a corporation tax rate of 19.00% (2020: 19.00%)	(7.0)	(34.1)
Effect of expenses not deductible in determining taxable profit	0.4	0.4
Corporate interest restriction disallowance	1.7	1.6
Unrecognised tax losses	4.9	9.4
Partnership losses not taxable	-	9.7
Exempt property rental profits/losses in the year (REIT)	-	13.0
Tax expense	-	-

8 Investment property

	2021 £m	2020 £m
Fair value		
At 1 January	186.9	344.1
Disposals	(1.6)	-
Reversal of capex accrual	-	(0.4)
Fair value adjustment	(23.0)	(154.5)
Movement in tenant incentives	(0.7)	(2.3)
At 31 December	161.6	186.9

Included within investment property are tenant lease incentive balances totalling £17.2 million (2020 £17.9 million).

On 8 October 2021 the group sold the Intu Bridlesmith Gate investment property for £2.1 million, giving rise to a profit on disposal of £0.5 million

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

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

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

Capital commitments
At 31 December 2021 the Board of Directors had approved £nil (2020 £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 property at 31 December each financial year. This independent external valuer holds recognised and relevant professional qualifications and has recent experience in location and category of the investment 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.

8 Investment property **(Continued)**

Valuation methodology
The fair value of the company's investment property as at 31 December 2021 was determined by CBRE Limited, 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 basis 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, rent less attributable costs, 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 to ensure that they are in line with those of market participants.

The table below provides details of the 31 December 2021 assumptions used in the valuation and key unobservable inputs for the most significant properties held by the group:

2021	**Market value £m**	**Net initial yield**	**Nominal equivalent yield**	**Annual property income £m**
Soar at Intu Braehead	23.5	8.12%	9.89%	2.0
Intu Eldon Square	93.2	7.89%	8.49%	7.7
Intu Potteries	26.5	10.22%	12.61%	2.9
Total - independent external valuation	143.2			
Head lease asset	18.4			
Grand total	161.6			

8 Investment property (Continued)

2020

	Market value £m	Net initial yield	Nominal equivalent yield	Annual property income £m
Soar at Intu Braehead	27.0	7.45%	9.68%	2.3
Intu Eldon Square	108.9	5.99%	7.81%	6.9
Intu Potteries	31.0	8.9%	11.51%	2.9
Intu Bridlesmith Gate	1.6	12.77%	10.24%	0.2
Total - independent external valuation	168.5			
Head lease asset	18.4			
Grand total	186.9			

The market value above consists of the market value of the properties plus the capitalised head lease.

9 Investments

	Current 2021 £m	Current 2020 £m	Non-current 2021 £m	Non-current 2020 £m
Investments in subsidiaries	-	-	190.1	190.1

Movements in non-current investments

	Shares in subsidiaries £m
Cost	
At 1 January 2021 & 31 December 2021	389.2
Impairment	
At 1 January 2021 & 31 December 2021	(199.1)
Carrying amount	
At 31 December 2021	190.1
At 31 December 2020	190.1

10 Subsidiaries

Name of undertaking	Registered office	Class of shares held	% Held Direct
Intu 2027 Limited (dormant)	c/o APAM Ltd, 4th floor, 84 Grosvenor Street, London, W1K 3JZ	Ordinary shares	100.00
Intu Eldon Square Limited (property)	c/o APAM Ltd, 4th floor, 84 Grosvenor Street, London, W1K 3JZ	Ordinary shares	100.00
Steventon Limited (property)	1 Waverly Place, Union Street, St Helier, Jersey, JE1 1SG	Ordinary shares	100.00
Potteries (GP) Limited (general partner)	c/o APAM Ltd, 4th floor, 84 Grosvenor Street, London, W1K 3JZ	Ordinary shares	100.00
The Potteries Shopping Centre Limited partnership (property)	c/o APAM Ltd, 4th floor, 84 Grosvenor Street, London, W1K 3JZ	n/a	-
Intu Potteries Limited (limited partner)	c/o APAM Ltd, 4th floor, 84 Grosvenor Street, London, W1K 3JZ	Ordinary shares	100.00
Intu Braehead Leisure Limited (holding company)	c/o APAM Ltd, 4th floor, 84 Grosvenor Street, London, W1K 3JZ	Ordinary shares	100.00
Intu Braehead Limited (holding company)	c/o APAM Ltd, 4th floor, 84 Grosvenor Street, London, W1K 3JZ	Ordinary shares	100.00
Braehead Leisure Partnership (property)	c/o APAM Ltd, 4th floor, 84 Grosvenor Street, London, W1K 3JZ	n/a	-
Potteries (Nominee No.1) Limited (dormant)	c/o APAM Ltd, 4th floor, 84 Grosvenor Street, London, W1K 3JZ	Ordinary share	100.00
Potteries (Nominee No.2) Limited (dormant)	c/o APAM Ltd, 4th floor, 84 Grosvenor Street, London, W1K 3JZ	Ordinary share	100.00
Intu Bridlesmith Gate Limited (property)	c/o APAM Ltd, 4th floor, 84 Grosvenor Street, London, W1K 3JZ	Ordinary share	100.00

11 Deferred taxation

Unrecognised deferred tax asset

No deferred tax asset has been recognised in the accounts as, in accordance with recognition criteria under paragraph 24 of IAS 12, it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised. The below table includes a breakdown of the unrecognised deferred tax asset at the year end:

	2021 £m	2020 £m
Accelerated capital allowances	4.7	3.0
Tax losses	8.6	3.0
Revaluations	23.9	13.6
Total unrecognised deferred tax asset	37.2	19.6

12 Company deferred taxation

The following are the major deferred tax assets recognised by the company and movements thereon during the current and prior reporting period.

	Tax losses £m	Total £m
Balance at 1 January 2020	-	-
Deferred tax movements in prior year		
Credit to profit or loss	0.2	0.2
Asset at 1 January 2021	0.2	0.2
Deferred tax movements in current year		
Charge to profit or loss	(0.2)	(0.2)
Liability at 31 December 2021	-	-

Unrecognised deferred tax asset

No deferred tax asset has been recognised in the accounts as, in accordance with recognition criteria under paragraph 24 of IAS 12, it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised. The below table includes a breakdown of the unrecognised deferred tax asset at the year end:

	2021 £m	2020 £m
Tax losses	8.6	3.0
Total unrecognised deferred tax asset	8.6	3.0

13 Group cash and cash equivalents

Out of the total cash and cash equivalents balance of £21.9m, £2.7m is restricted (2020: £2.9m). This balance is held as security on behalf of the Trustee over the First Mortgage Debenture Stock, pursuant to a Supplemental Deed of Charge dated 7 Feb 2020.

14 Company cash and cash equivalents

This £2.7m balance is held as security on behalf of the Trustee over the First Mortgage Debenture Stock, pursuant to a Supplemental Deed of Charge dated 7 Feb 2020.

15 Group trade and other receivables

	2021 £m	2020 £m
Trade receivables	13.0	9.6
Other receivables - including service charge	8.4	0.6
Prepayments and accrued income	5.1	6.8
	26.5	17.0

16 Company trade and other receivables

	Current		Non-current	
	2021 £m	2020 £m	2021 £m	2020 £m
Amounts owed by fellow group undertakings	-	-	160.2	180.4
Prepayments	0.4	-	-	-
	0.4	-	160.2	180.4

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

17 Group trade and other payables

	Current		Non-current	
	2021 £m	2020 £m	2021 £m	2020 £m
Trade payables	2.8	2.8	-	-
Amounts owed to related parties (note 30)	246.1	246.1	-	-
Accruals	8.5	2.4	-	-
Social security and other taxation	2.1	3.0	-	-
Rents received in advance	4.5	4.6		
Other payables - including service charge	15.7	6.1	-	-
	279.7	265.0	-	-

18 Company trade and other payables

	2021 £m	2020 £m
Trade payables	-	1.0
Amounts owed to fellow group undertakings	190.1	190.1
Amounts owed to related parties (note 30)	246.1	246.1
Other payables	2.0	2.1
	438.2	439.3

Amounts owed to related parties are unsecured and repayable on demand.

19 Group borrowings

	2021 £m	2020 £m
Borrowings held at amortised cost:		
Debentures	329.4	311.8

	2021 £m	2020 £m
Secured borrowings included above:		
Debentures	329.4	311.8

The group's borrowings are secured against its property assets, and are repayable on demand. Refer to note 32 for more details.

20 Company borrowings

	2021 £m	2020 £m
Borrowings held at amortised cost:		
Debentures	329.4	311.8

	2021 £m	2020 £m
Secured borrowings included above:		
Debentures	329.4	311.8

The company's borrowings are secured against its property assets, and are repayable on demand. Refer to note 30 for more details.

21 Fair value of financial liabilities

The fair value of the items classified as loans and borrowings is disclosed below and is classified as Level 3 in the fair value hierarchy.

	Carrying value		Fair value	
	2021 £m	2020 £m	2021 £m	2020 £m
Debentures	329.4	311.8	164.5	209.9
	329.4	311.8	164.5	209.9

Determining the fair value of financial liabilities

The fair value for disclosure purposes has been based on the fair value of the investment property less anticipated costs of disposal. It was previously based the net present value at an appropriate discount rate of the future loan payments due under the loan agreement but it is now considered that the loan will not be repaid in full. The inputs used for this valuation and the techniques used are the same as those used for the valuation of the investment property dealt with in notes 8 and 32.

22 Lease liabilities

Head leases on investment property are included within investment property on the balance sheet and represent the right-of-use on certain investment property that has a head lease.

Minimum lease payments fall due	**2021 £m**	**2020 £m**
Not later than one year	1.0	1.0
Later than one year and not later than five years	4.0	4.0
Later than five years	229.7	230.7
	234.7	235.7
Future finance charges on lease liabilities	(216.3)	(217.3)
Present value of finance lease liabilities	18.4	18.4

Present value of lease liabilities	**2021 £m**	**2020 £m**
Not later than one year	1.0	1.0
Later than one year and not later than five years	4.0	4.0
Later than five years	13.4	13.4
	18.4	18.4

23 Debt profile

The external borrowings are secured on the properties of the subsidiaries of the group. The amount pledged as security is therefore the carrying value of the investment property before head lease liability. No assets are pledged as security on any other liabilities.

	Group 2021 £m	**Group 2020 £m**	**Company 2021 £m**	**Company 2020 £m**
Wholly repayable within one year	329.4	311.8	329.4	311.8
	329.4	311.8	329.4	311.8

24 Financial risk management

The group and company are exposed to a variety of financial risks arising from the group's operations being principally market risk, liquidity risk and credit risk.

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. Although the loan stock is technically repayable on demand as a result of covenant breaches during the year, no demand for repayment is expected before the original maturity date in 2027.

Intercompany recoverability risks
The intercompany receivables have been impaired down to the amount expected to be recoverable based on the relevant company's net asset value, which eliminates the risk of recoverability.

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 and service charge 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.

When applying a loss allowance for expected credit losses, judgement is exercised as to the collectability of trade and other 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 2021 £m	**Group 2020 £m**
Up to 3 months	9.2	9.6
Over 3 months	3.8	-
Trade receivables	13.0	9.6

At 31 December 2021 trade receivables are shown net of provisions totalling £5.2 million (2020 £14.1 million). Current year P&L movement consists of release of provisions, addition of service charge receivable provisions and utilisation of provision.

Service charge receivables less provisions are disclosed in other debtors and amount to £5.5m (2020 £ nil). The element of these amounts that are older than 3 months was £1.8m (2020 £ nil).

24 Financial risk management **(Continued)**

The credit risk relating to cash and deposits is managed by restricting relationships to tier one institutional counterparties. 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 **2021**	**Carrying value £m**	**Fair value £m**	**Loss to income statement £m**
Trade and other receivables	21.4	21.4	-
Cash and cash equivalents	21.9	21.9	-
Total financial assets - amortised cost	43.3	43.3	-
Trade and other payables	(279.7)	(279.7)	-
Borrowings	(329.4)	(164.5)	-
Lease liabilities	(18.4)	(18.4)	
Total financial liabilities - amortised cost	(627.5)	(462.6)	-

Group **2020**	**Carrying value £m**	**Fair value £m**	**Loss to income statement £m**
Trade and other receivables	17.0	17.0	-
Cash and cash equivalents	11.0	11.0	-
Total financial assets - amortised cost	28.0	28.0	-
Trade and other payables	(265.0)	(265.0)	-
Borrowings	(311.8)	(209.9)	-
Lease liabilities	(18.4)	(18.4)	
Total financial liabilities - amortised cost	(595.2)	(493.3)	-

There are no gains or losses arising on financial assets or liabilities recognised direct to equity (2020 £nil).

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.

24 Financial risk management **(Continued)**

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 (2020 none).

25 Operating leases

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

Historically in the UK, the standard shopping centre lease was 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. Such leases are increasingly being replaced by turnover based leases which 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 (where applicable) is receivable by the group and recognised as income in the period in which it arises. The typical lease length is also shortening, and most lessees require the right to terminate the lease before its expiry.

Service charges are invoiced to tenants on a nil margin basis except for an agents fee. The annual cost budget is agreed prior to the charging year and is invoiced and paid on a quarterly basis. After external audit any difference between the budget and actual cost for the year is invoiced or credited. There were no contract assets or unsatisfied performance obligations at 31 December 2021. The directors have taken the practical expedient provided by paragraph 121 of IFRS 15 in respect of the service charge income.

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

	2021 £m	2020 £m
Within one year	21.6	24.8
Later than one year and not later than five years	53.0	58.9
Over five years	64.2	53.2
	138.8	136.9

26 Share capital

Ordinary share capital	**2021 Number**	**2020 Number**	**2021 £m**	**2020 £m**
Issued and fully paid				
Ordinary shares of £1 each	100,000,000	100,000,000	100.0	100.0

27 Group cash generated from operations

	2021 £m	2020 £m
Loss for the year after tax	(37.2)	(179.5)
Adjustments for:		
Finance costs	18.6	17.8
Gain on disposal of investment property	(0.5)	-
Revaluation of investment property	23.0	154.5
Lease incentives and letting costs	0.7	2.7
Movements in working capital:		
Increase in trade and other receivables	(9.5)	(4.2)
Increase in trade and other payables	14.7	19.7
Cash generated from operations	9.8	11.0

28 Group analysis of changes in net debt

	1 January 2021 £m	Interest £m	Reclass £m	Cash flows £m	31 December 2021 £m
Liquid investments					
Cash and cash equivalents	11.0	-	-	10.9	21.9
	-	-	-	-	-
Debt due within one year					
Borrowings	(311.8)	(17.6)	-	-	(329.4)
Lease liabilities	(1.0)	-	-	-	(1.0)
Debt due after one year					
Borrowings	-	-	-	-	-
Lease liabilities	(17.4)	(1.0)	-	1.0	(17.4)
Net debt	(319.2)	(18.6)	-	11.9	(325.9)

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

28 Group analysis of changes in net debt **(Continued)**

Prior year:	1 January 2020 £m	Interest £m	Reclass £m	Cash flows £m	31 December 2020 £m
Liquid investments					
Cash and cash equivalents	1.0	-	-	10.0	11.0
Debt due within one year					
Borrowings	(6.5)	(16.8)	(288.5)	-	(311.8)
Lease liabilities	(1.0)	-	-	-	(1.0)
Debt due after one year					
Borrowings	(288.5)	-	288.5	-	-
Lease liabilities	(17.4)	-	-	-	(17.4)
Net debt	(312.4)	(16.8)	-	10.0	(319.2)

29 Company cash (absorbed by)/generated from operations

	2021 £m	2020 £m
Loss for the year after tax	(36.7)	(178.2)
Adjustments for:		
Taxation charged/(credited)	0.2	(0.2)
Impairment of investments in subsidiaries	-	78.3
Impairment of amounts owed by group undertakings	16.3	-
Finance costs	17.6	16.8
Movements in working capital:		
Decrease in trade and other receivables	3.5	58.5
(Decrease)/increase in trade and other payables	(1.1)	27.7
Cash (absorbed by)/generated from operations	(0.2)	2.9

30 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 transactions	2021 £m	2020 £m
Intu Retail Services Limited	Costs of facilities management	-	15.1

Intu Retail Services is a subsidiary of Intu Properties Plc and therefore was a fellow subsidiary of the group prior to the administration

Significant balances outstanding are shown below:

Amounts due to related parties	Amounts owed to 2021 £m	Amounts owed to 2020 £m
Liberty International Group Treasury Limited	246.1	246.1

Liberty International Group Treasury Limited is a subsidiary of Intu Properties Plc and therefore was a fellow subsidiary of the group prior to the administration. The terms of this debt are unknown, though accounted for as non-interest bearing and repayable on demand.

Included in other creditors in note 17 is an amount of £5.1m (2020 £5.1m) that consists of related party balances due to other subsidiaries of Intu Properties Plc. The nature of these balances and their terms are unknown, though accounted for as non-interest bearing and repayable on demand.

30 Related party transactions **(Continued)**

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:

	2021 £m	2020 £m
Amounts owed by subsidiary undertakings	160.2	180.4
Amounts owed to subsidiary undertakings	(190.1)	(190.1)

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

	Amounts owed to 2021 £m	Amounts owed to 2020 £m
Liberty International Group Treasury Limited	246.1	246.1

Liberty International Group Treasury Limited is a subsidiary of Intu Properties Plc and therefore was a fellow subsidiary of the group prior to the administration. The terms of this debt are unknown, though accounted for as non-interest bearing and repayable on demand.

Included in other creditors in note 18 is an amount of £2m (2020 £2m) that is also a related party balance due to Intu Payments Limited. Intu Payments Limited is a related party due to the relationship via Intu Properties Plc. The nature of this balance and its terms are unknown, though accounted for as non-interest bearing and repayable on demand.

31 Controlling party

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, whose registered office is 10 Fleet Place, London, EC4M 7QS.
Intu Properties Plc is in Administration. Its Administrators have not relinquished any of the company's rights in respect of its shareholding, but have not sought to exercise them.

32 Capital structure and financial covenants

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 2021 was Intu Eldon Square, Newcastle, Intu Potteries, Stoke on Trent and Xsite.

Capital cover requirements	**Group 2021 £m**	**Group 2020 £m**
Investment property held as collateral	165.0	179.5
Redemption value of external debt	(231.4)	(231.4)
Capital cover	71.3%	77.6%
Interest cover requirement		
Net rental income/ (loss)	7.5	(7.2)
Interest payable and redemption amounts	(22.9)	(22.9)
Interest cover	32.8%	(31.4%)

The capital cover covenant is 150% (2020: 150%) and the interest cover covenant is 100% (2020: 100.0%). In 2020 these covenants were breached and as a result, the debt is now repayable on demand.

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

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.