Company registration number 05890611 (England and Wales)

INTU DEBENTURE PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

INTU DEBENTURE PLC

COMPANY INFORMATION

Directors	J Heller	
	B Cox	(Appointed 15 June 2022)
	P Cooper	(Appointed 14 April 2023)
	A Dixon	(Appointed 14 April 2023)
Secretary	Ocorian Administration (UK) Limited	
Company number	05890611	
Registered office	C/O Pradera Lateral Limited 5th Floor 20 Fenchurch Street London EC3M 3BY	
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 2022

The directors present the strategic report for Intu Debenture Plc ("the Company") for the year ended 31 December 2022.

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 2022 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, as well as economic and political uncertainty. Net rental income reducing from the impact of company voluntary arrangements (CVAs), administrations and renegotiations. This, together with yield expansion driven by weak market sentiment and limited transactional evidence, has affected the Group’s and Company’s valuation of property, which has further decreased in 2022.

The Group’s net rental income for the year was £8.3 million (2021 - £9.6 million). The Group’s loss before tax was £63.2 million (2021 - £37.2 million) after recording a property revaluation deficit in the year of £47.0 million (2021 - £23.0 million). The Group’s net liabilities increased from £417.5 million at 31 December 2021 to £480.7 million at 31 December 2022. There has been improvement in rent collection from 86.2% in 2021 to 97% of amounts billed.

The most significant property assets held by the Group are the Eldon Square shopping centre, Newcastle, with a 31 December 2022 market value of £71.2 million (2021 £93.2 million) and the Potteries shopping centre, Stoke-on-Trent, with a 31 December 2022 market value of £13.5 million (2021 £26.5 million). The occupancy rate for the year was 77% (2021 - 95%) and actual weighted average unexpired lease term fell slightly from 6 years in 2021 to 5.7 in 2022.

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. Net rental income was £8.3m in 2022 (2021 - £9.6m). The fall in net rental income is supported by the fall in occupancy rate as can be seen in the KPI mentioned below. KPIs used by the Board and reported to the stockholders on a quarterly basis include:

- Occupancy rate – actual occupancy rate for the year was 77% (2021 - 95%) on sq ft basis
- Percentage rent collected – rent collection rate for the year was 97% (2021 - 86.2%)
- WAULT – actual weighted average unexpired lease term was 5.7 (2021 - 6 years).

FUTURE DEVELOPENTS AND EVENTS AFTER THE REPORTING DATE
Continuing volatility in the UK retail market was further exacerbated by the continuing impact of Covid-19 during the year, with non-essential retail in the Group’s centres closed for part of the year in order to comply with measures put in place by the UK Government to limit virus transmissions. There was also some reluctance to by customers to return to enclosed town centre shopping centres.

Rent and service charge collections from tenants were significantly reduced as a result of the enforced closures and reduced footfall. Management is in discussions with tenants in relation to the outstanding rents. While good progress is being made full recovery is unlikely.

Whilst the easing of restrictions 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 as 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. The debenture stock is 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 up to 31 December 2022.

A restructuring of debt took place subsequent to the year end which is disclosed in note 34 of the financial statements. The administrators of Intu Properties Plc have released all intercompany balances due by the group to it and its associates, amounting to £251.2m, and the share capital of the Company was acquired by a new entity. Amendments were made to the terms of the debenture loans , which amounted to £348m at the balance sheet date and £10m including accrued interest at the transaction date. The terms include the ability to capitalise interest if cash is not available to make payment. A cash sweep has been put in place which identifies cash not required for use in the business for payment to stockholders. In practice cash repayments are likely only on the sale of assets for the foreseeable 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 important. Examples include

The Group:

- Considers and discusses information from across the organisation to help it understand the impact of its operations and the interests and views 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. Use is made of modern building materials in new projects.
- 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

....
A Dixon
Director

Date: 14.12.23

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their Annual Report and audited consolidated financial statements for the year ended 31 December 2022.

The Company was incorporated in and is registered in England and Wales (company number 5890611). The Company's registered office is C/O Pradera Lateral Limited 5th Floor, 20 Fenchurch Street, London, EC3M 3BY.

DIVIDENDS
The Directors do not recommend a dividend for the year (2021 £nil).

CAPITAL MANAGEMENT
The Directors consider the capital of the Company to be the ordinary share capital of £100.0 million (2021 £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 £417.5 million to net liabilities of £480.7 million, a movement of £63.2 million, representing the loss for the year.

CASH FLOW
The Group cash flow shows a net inflow from operating activities of £9.4 million (2021 £8.8 million).

FINANCIAL RISK MANAGEMENT
The Group’s approach to financial risk management and internal control is explained in note 26 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 over the period to 31 December 2025 and having carefully considered both the ongoing uncertainty in the retail and leisure sectors, the directors have formed the judgement that it is appropriate to prepare the financial statements on the going concern basis.

FINANCIAL COVENANTS
There were minimum capital cover and an interest cover condition covenants to the mortgage debenture, which were tested semi–annually. Both tests were failed during the year.

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. 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:

D Duggins	(Resigned 14 May 2023)
J Heller	
B Cox	(Appointed 15 June 2022)
P Cooper	(Appointed 14 April 2023)
A Dixon	(Appointed 14 April 2023)

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. Agreement has been reached with the stockholders to eliminate mandatory payments of interest and principal, and with the Administrators of Intu Properties Plc to settle all liabilities to the administrator of Intu Properties Limited 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 footfall, which would adversely impact tenant performance.	Operating costs are continually reviewed to minimise service charges to the occupiers. Many leases have been renegotiated to lower levels which will improve tenant affordability.	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.
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.	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 to 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

....

A Dixon

Director 14.12.23

Date: ....

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 2022 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 2022 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 in respect of the 2020 financial statements 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.

These issues did not recur in the year ended 31 December 2021. However, due to our disclaimer in respect of the 2020 financial statements we did not obtain sufficient audit evidence in respect of the opening balances as at 1 January 2021 and consequentially in respect of the group income statement, the group and company statements of changes in equity and the group and company statements of cash flow for the year ended 31 December 2021. In addition, the corresponding figures may not have been comparable. Our audit report was qualified for these reasons.

These issues did not recur in the year ended 31 December 2022. However due to our qualification in respect of the 2021 financial statements the corresponding figures in the group income statement, the group and company statements of changes in equity and the group and company statements of cash flow may not be comparable. If any adjustment to these balances were to be required, the strategic report and directors' report would also need to be amended in respect of the disclosure of corresponding figures.

Furthermore we have not been able to confirm the amount of the related party amounts payable as at 31 December 2022 or as at 31 December 2021. Related party amounts of £251.2 million (2021: £251.2m) owed by the Group and £246.1 million (2021: £246.1m) owed by the Parent company were not confirmed by the counterparties and no reconciliation was provided by either party to validate the amount due. Although all these amounts were waived in September 2023, the amounts confirmed by the related parties to the Group and Parent company as at the year end totalled £243.9 million (2021: £243.9m). 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 ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement is three years, covering the years ended 31 December 2020 to 31 December 2022 inclusive. 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.

Conclusions relating to going concern

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 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:

- Using our knowledge of the Group and its market sector together with the current economic environment to assess the Directors’ identification of the inherent risks to the Group’s business and how these might impact the Group’s ability to remain a going concern for the going concern period, being the period to 31 December 2025, which is at least 12 months from when the financial statements are authorised for issue;

- Obtaining an understanding of the Directors’ process for assessing going concern including an understanding of the key assumptions used;

- In light of the liabilities of £655.4m being significantly greater than the assets of £174.7m of the Group, we considered the ability of the Group and Parent company to refinance or repay its obligations, in particular in light of agreements reached subsequent to the year end. There amounted to £251.2 million due to Intu Properties plc and related entities and £348.0 million due in respect of the debentures as at 31 December 2022. In respect of these two obligations, we obtained evidence to support their deferral or waiver:

  - Confirmation of the principal terms of the debt renegotiation undertaken in September 2023, by reference to the transaction documentation, referred to in note 34 to the financial statements including consideration of the right of the Parent Company to defer payment of loan capital and interest if it has insufficient cash. The terms were confirmed with the legal documents constituting the transaction.

  - Confirmation of the terms of the agreement with Intu Properties plc in September 2023 that resulted in the waiver of all amounts due to Intu Properties plc and related entities. The terms were confirmed with the legal documents constituting the transaction.

- An assessment of Directors' cashflow forecast and related sensitivities for the period to 31 December 2025 prepared on a basis taking into account the effect of the renegotiation. The assessment included considering evidence obtained through the audit and challenging the Directors on the identification of any contradictory information in the forecasts and the resultant impact to the going concern assessment.

- Reviewing the disclosures in the financial statements relating to going concern to check that the disclosure is consistent with the circumstances.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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 company financial statements and on all of the components in both 2022 and 2021 and covered 100% of the group revenue, group loss before tax and group total assets.*		
Key audit matters		2022	2021
	Investment property valuation	X	X
	Revenue recognition	X	X
	Expected credit loss	X	X
	Impairment of amounts owed to the Parent company by subsidiaries	X	
Materiality	*Group financial statements as a whole* *£1.7m (2021: £2.0m) based on 1.0% (2021: 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 systems 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 all the components of the Group.

Climate change

Our work on the assessment of potential impacts on climate-related risks on the Group’s operations and financial statements included:

• Enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;

• Our own qualitative risk assessment taking into consideration the sector in which the Group operates and how climate change affects this particular sector; and

• Review of the minutes of Board and other papers related to climate change

We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments have been reflected, where appropriate, in management’s going concern assessment.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks.

Key audit matters

In addition to the matters described in the basis for qualified opinion, 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Valuation of the property portfolio

Refer to note 1.6 for accounting policy and key sources of estimation uncertainty and note 8 for disclosure.

The Group's Investment properties are a portfolio of shopping centres in the UK. The portfolio is valued at £113.6 million at 31 December 2022. During the year a revaluation deficit of £47.0 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, void assumptions and required capital spend on the properties.

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 for shopping centres in 2022 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 shopping centre properties and the required capital spend.

We noted that the valuer used his experience to determine the capital spend needed to achieve the estimated rental values rather than management's forecasts.

For the reasons set out above we considered valuation of the property portfolio to be a key audit matter.

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 and RICS regulations.

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 whether any limitations in scope had been imposed by management or whether there had been any other evidence of Management bias. They confirmed there had not been any limitations.

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 considered the consistency of the valuation with other valuation information provided to and prepared by management as part of the year end controls and procedures in preparing the financial statements.

Key audit matter	How our scope addressed this matter
	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 our expectations as well as in the discussions with Management's valuation expert. We assessed the adequacy of capital spend to achieve the estimated rental by comparing it with management forecasts including more detailed plans formed after the balance sheet date. **Key observations** Based on our work we have not noted any material instance which may indicate that the assumptions adopted by the Directors in the valuation were not reasonable or that the methodology applied was inappropriate.

Key audit 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 estimates concerning revenue recognition are Managements' assessment of the lease term over which the incentives are recognised and its assessment of the recognition of rental incentives and concessions over the term of the lease which includes lease modifications entered into during the financial year. 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 the related accounting impact.

For the reasons set out above we considered revenue recognition to be a key audit matter.

How our scope addressed this matter

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 a sample of the amount recognised as the rental income in the year to the underlying lease.

Our inspection of the latest rental agreement, included testing key amounts to the lease including rental amount, rent free period, lease duration and location of the property 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, agreeing to the carrying amount 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 obtained the latest agreements from external legal counsel to gain assurance over completeness of the rental agreements.

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 to confirm that income was deferred in accordance with the most recent underlying lease. This provided evidence of the completeness of modifications.

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

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.

Refer to note 16 in providing detailed information on aspects of ECL.

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 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 by

- creating categories as disclosed in note 16 and attributing a risk of loss to each category based on the Group's historic credit losses experience for the category.
- categorising tenancies based on based on a detailed examination of the status of tenants including agreements entered with them.

This process generated an expectation of the credit loss. To be provided for.

For the reasons set out above we considered ECL applied to trade debtors. to be a key audit matter.

How our scope addressed this matter

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 the ECL provisions.

We considered the appropriateness of the categorisation of tenants and sought any available contradictory evidence.

In relation to a sample of provisions in each of the Group's subsidiaries with trade debtors, we tested after date cash receipts for the period to September 2023 to determine the actual outcome of management's assessment against the provision raised.

We formed an expectation of reasonable provisions on a category basis. We compared this with Management's assessment as at 31 December 2022.

For those items in the samples which showed uncollected amounts, we considered the appropriateness of the specific individual provisions made and obtained appropriate supporting documentation.

We obtained evidence in relation to the amounts written off from the debtors ledger during the year to ensure that these related to insolvent tenants or were otherwise unrecoverable.

Key observations

We consider that the judgements that Management has made in the computation of the expected loss is reasonable.

Key audit matter	How our scope addressed this matter
Impairment of Amounts owed by subsidiary undertakings in the Parent company balance sheet Refer to note 1.8 for the accounting policy. Refer to note 17 in providing detailed information on the accounting treatment. Amounts owed by subsidiary undertakings in the Parent company statement of financial position are repayable to the extent that the relevant subsidiaries have sufficient resources available. As the Group is in a net liability position there is an indication that an impairment is required. Management assess this risk by applying the provisions of IFRS 9 in measuring a lifetime expected credit loss provision for amounts due from subsidiary undertakings. The expected loss rates are based on an estimation of the value present in the individual subsidiaries which would be available for settlement of the debt if the group were liquidated. An expected credit loss is recognised to reduce the carrying amount of the receivable in the Parent company's balance sheet to the amount to is expected to be recovered. Management's estimation is not complex but is significantly dependent on the fair value of investment properties because the recoverable amount largely consists of value of the investment properties as Management has assumed a crystallisation of the balance sheet of each subsidiary based on the carrying values at 31 December 2022. A reduction in the fair value of investment property is a key driver of the requirement to recognise an impairment of the debt. The amount of the impairment is therefore subject to the same sensitivities as disclosed in note 8 in relation to investment properties. The impairment of £45.5 million in the year affects the Parent company financial statements only as the expected credit loss is reversed on consolidation. For the reasons set out above we considered impairment of amounts owed by subsidiary undertakings in the Parent company balance sheet to be a key audit matter.	We obtained a breakdown of the expected credit loss recognised to record the impairment in relation to amounts owed to subsidiary undertakings. We obtained an understanding of Management's methodology relating to the creation of the expected credit loss. We recalculated the expected credit loss based on information derived from the accounting records of the individual subsidiaries. Our work on this was informed by our audit work in relation to investment properties, however we did not perform any further work on investment properties as a result of this risk. We considered the extent to which the net assets of the subsidiaries could be expected to be liquidated at book value. No significant adjustment arose as a result of this. We formed an expectation of a reasonable expected credit loss from this assessment and compared this with Management's assessment as at 31 December 2022. We ensured that the policy and method of assessing the impairment was disclosed adequately in the financial statements. We ensured that the dependency of the expected credit loss on the valuation of investment property and its associated sensitivities was adequately disclosed. **Key observations** We consider that the judgements that Management has made in the computation of the expected credit 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**	
	2022 £m	2021 £m	2022 £m	2021 £m
Materiality	1.7	2.0	1.6	1.7
Basis for determining materiality	1% of Total assets	1% of Total assets	90% of group materiality	85% of group materiality
Rationale for the benchmark applied	Relevance to the business of this investment property group.	Relevance to the business of this investment property group.	Percentage of group materiality given the assessment of aggregation risk.	Percentage of group materiality given the assessment of aggregation risk.
Performance materiality	1.0	1.2	0.9	1.0
Basis for determining performance materiality	60% This is consistent with the prior year.	60% This is a lower percentage due to the disclaimer in prior year.	60% This is consistent with the prior year.	60% Lower percentage due to disclaimer in prior year.

Component materiality

We set materiality for each significant component of the Group based on a percentage of between 1% and 2% of entity benchmark materiality dependent on the size of the component and our assessment of the risk of material misstatement of that component. The entity benchmark was total assets except in the case of non-assets holding companies where it was profit and loss before taxation or total liabilities. Materiality for significant components ranged from £0.13m to £1.6m (2021: £0.02m to £1.7m). 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 £34,000 (2021: £39,700). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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.

We have considered the impact of the matters referred to in the 'Basis for qualified opinion' paragraph on our assessment of the consistency of the other information with the financial statements and do not have anything to report in this regard.

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 matters 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 matters 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

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.

We considered the significant laws and regulations to be applicable accounting standards, the Companies Act 2006, and UK Listing Rules.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be UK VAT and Corporation tax regulations.

Our procedures in respect of the above included:

- Review of Board minutes for any instances of non-compliance with laws and regulations;
- Review of material produced by the Group’s VAT and Corporation tax advisors, dealing with the Group’s compliance with the regulations. With the assistance of our internal tax experts, this material was reviewed, and the assumptions challenged;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

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;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these;
- Carried out a fraud consultation with our internal experts.

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 which we have considered within the key audit matter section.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation; and
- Assessing significant estimates made by management for bias.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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: 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

Date: 15 December 2023

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

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £m	2021 £m
Revenue	**2**	43.3	31.5
Property operating expenses		(36.4)	(24.8)
Expected credit loss provision		1.4	2.9
Net rental income	**2**	8.3	9.6
Administrative expenses		(4.5)	(5.2)
Revaluation of investment property	**8**	(47.0)	(23.0)
Operating loss		(43.2)	(18.6)
Finance costs	**5**	(20.0)	(18.6)
Loss before tax		(63.2)	(37.2)
Taxation	**7**	-	-
Loss and total comprehensive loss for the year		(63.2)	(37.2)

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 2022

	Notes	2022 £m	2021 £m
Non-current assets			
Investment property	**8**	113.6	161.6
Current assets			
Trade and other receivables	**15**	29.8	26.5
Cash and cash equivalents	**13**	31.3	21.9
		61.1	48.4
Current liabilities			
Trade and other payables	**18**	289.0	279.7
Borrowings	**20**	348.0	329.4
Lease liabilities	**23**	1.0	1.0
		638.0	610.1
Net current liabilities		(576.9)	(561.7)
Non-current liabilities			
Lease liabilities	**23**	17.4	17.4
Net liabilities		(480.7)	(417.5)
Equity			
Called up share capital	**28**	100.0	100.0
Accumulated losses		(580.7)	(517.5)
Total equity		(480.7)	(417.5)

The financial statements were approved by the board of directors and authorised for issue on 13.12.23 and are signed on its behalf by:

....
A Dixon
Director

INTU DEBENTURE PLC

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 £m	2021 £m
Non-current assets			
Investments	**9**	190.1	190.1
Other receivables	**17**	112.3	160.2
		302.4	350.3
Current assets			
Trade and other receivables	**17**	0.4	0.4
Cash and cash equivalents	**14**	2.7	2.7
		3.1	3.1
Current liabilities			
Trade and other payables	**19**	438.2	438.2
Borrowings	**21**	348.0	329.4
		786.2	767.6
Net current liabilities		(783.1)	(764.5)
Net liabilities		(480.7)	(414.2)
Equity			
Called up share capital		100.0	100.0
Accumulated losses		(580.7)	(514.2)
Total equity		(480.7)	(414.2)

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 £66.5m (2021 - £36.7m).

The financial statements were approved by the board of directors and authorised for issue on 13.12.23 and are signed on its behalf by:

....
A Dixon
Director

Company Registration No. 05890611

INTU DEBENTURE PLC

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital £m	Accumulated losses £m	Total £m
Balance at 1 January 2021	100.0	(480.3)	(380.3)
Year ended 31 December 2021:			
Loss and total comprehensive loss for the year	-	(37.2)	(37.2)
Balance at 31 December 2021	100.0	(517.5)	(417.5)
Year ended 31 December 2022:			
Loss and total comprehensive loss for the year	-	(63.2)	(63.2)
Balance at 31 December 2022	100.0	(580.7)	(480.7)

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital £m	Accumulated losses £m	Total £m
Balance at 1 January 2021	100.0	(477.5)	(377.5)
Year ended 31 December 2021:			
Loss and total comprehensive loss for the year	-	(36.7)	(36.7)
Balance at 31 December 2021	100.0	(514.2)	(414.2)
Year ended 31 December 2022:			
Loss and total comprehensive loss for the year	-	(66.5)	(66.5)
Balance at 31 December 2022	100.0	(580.7)	(480.7)

INTU DEBENTURE PLC

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £m	2022 £m	2021 £m	2021 £m
Cash flows from operating activities					
Cash generated from operations	**29**		10.8		9.8
Interest paid			(1.4)		(1.0)
Net cash inflow from operating and financing activities			9.4		8.8
Investing activities					
Proceeds from disposal of investment property		-		2.1	
Net cash generated from investing			-		2.1
Net increase in cash and cash equivalents			9.4		10.9
Cash and cash equivalents at beginning of year			21.9		11.0
Cash and cash equivalents at end of year			31.3		21.9

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
Cash flows from operating activities					
Cash absorbed by operations	**31**		-		(0.2)
Net cash outflow from operating activities			-		(0.2)
Net increase/(decrease) in cash and cash equivalents			-		(0.2)
Cash and cash equivalents at beginning of year			2.7		2.9
Cash and cash equivalents at end of year			2.7		2.7

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 Pradera Lateral Limited 5th Floor, 20 Fenchurch Street, London, England, EC3M 3BY. 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 5. In addition, note 26 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.

Key sources of estimation uncertainty and judgements

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 including sensitivities in notes 16 and 17.
- Going concern – see going concern accounting policy in note 1.2.
- Impairment of amounts owed by subsidiary undertakings in the parent company balance.

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.

The Board has considered forecasts prepared over the period to 31 December 2025.

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 were events or conditions at the balance sheet date that indicated a material uncertainty existed, in relation to going concern. In particular the borrowings of £348m and the (subordinated) amounts owed to related parties of £246.1m (at balance sheet date) are due on demand. If demanded the Group did not have the ability to pay at the balance sheet date.

On 5 September 2023 the terms of the debenture bonds were varied, along with the terms of the balances with the former parent, Intu Properties Plc, and its associates. Through a connected series of transactions the Group now has a reduced debt burden with manageable payment terms and is no longer a member of the wider Intu group.

- Payment of principal and interest have been amended to 'Pay If You Can' basis. This is based on an agreed formula which identifies cash in excess of that required to run the business. Where interest is not paid it is accrued on a 'Payment In Kind' basis which leads to a new instrument being created with terms similar to the revised terms of the debenture bonds.
- Capital receipts will be used to pay down debt also subject to a formula which ensures that cash required by the business is retained.
- The interest rate on the bonds has been amended to 8.75%.
- All amounts due to Intu Properties Limited and its associates are released in return for nominal consideration, comprising the amount shown in the balance sheet at Amounts owed to Liberty International Group Treasury Limited (in administration) presented in the Group balance sheet at 31 December 2022 as £246.1 million and the amount of £5.1m due to its associates which is disclosed in note 18.
- Past and ongoing breaches of the Trust Deed are waived to the extent known.
- Ownership of the Group passes to Iris Bidco Limited, a Jersey incorporated company owned in turn by a Jersey purpose trust.Iris Bidco Limited has common directors with Intu Debenture PLC.
- The board considers that no tax charge will arise on the debt release by virtue of the application of the corporate rescue exemption.

Accrued interest on the debenture borrowings at the date of the transaction amounted to £10m. The effect of the transaction (which will be reflected in the next audited accounts) will result in the £246.1 million within current liabilities under 'Amounts owed to related parties' and £5.1m within current liabilities being removed as the amounts were released.

The above is also disclosed as a post balance sheet event in note 34.

These events or conditions indicate that the group has adequate resources to meet its liabilities as they fall due and on this basis the Directors consider that it is reasonable to prepare the accounts on a going concern basis.

1 Accounting policies **(Continued)**

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.

1.4 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 Accounting policies **(Continued)**

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.

1.8 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 Accounting policies **(Continued)**

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.

In relation to intercompany receivables in the parent company balance sheet, the company applies the simplified approach to measuring a lifetime expected credit loss provision for amounts due by subsidiary undertakings. The expected loss rates are based on an estimation of the amount of value present in the individual subsidiaries which would be available for settlement of the debt if the group were liquidated. A provision is made to reduce the carrying amount in the parent's balance sheet to the amount thus calculated.

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

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.

1 Accounting policies **(Continued)**

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.

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:

	2022 £m	2021 £m
Rent receivable	26.0	21.4
Service charge income	17.3	10.1
Revenue	43.3	31.5
Service charge costs	(23.8)	(13.7)
Other non-recoverable costs	(12.6)	(11.4)
Profit on disposal of investment property, less costs to sell	-	0.3
Expected credit loss provision	1.4	2.9
Net rental income	8.3	9.6

3 Employees

During the year the group and the company had no employees other than the three directors (2021 - three directors).

Their aggregate remuneration comprised:

	2022 £m	2021 £m
Wages and salaries	0.4	0.3
Social security costs	0.1	0.1
	0.5	0.4

4 Operating loss

The loss before tax of the group of £63.2 million (2021 - £37.2 million) includes fees in respect of the audit of the company and its subsidiaries of £220,000 (2021 - £270,000). No non-audit services were provided during the current or prior years.

5 Finance costs

	2022 £m	2021 £m
Interest on debenture loans	18.6	17.6
Interest on lease liabilities	1.4	1.0
Total interest expense	20.0	18.6

6 Directors' remuneration

	2022 £m	2021 £m
Short term benefits arising from qualifying services	0.5	0.4

7 Income tax expense

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

	2022 £m	2021 £m
Loss before taxation	(63.2)	(37.2)
Expected tax credit based on a corporation tax rate of 19.00% (2021: 19.00%)	(12.0)	(7.0)
Effect of expenses not deductible in determining taxable profit	1.7	0.9
Deferred tax credit not recognised on fair value movement of investment property	9.2	4.4
Corporate interest restriction disallowance	1.3	1.7
Unrecognised tax losses	0.3	0.5
Temporary differences not provided for	(0.5)	(0.5)
Tax expense	-	-

8 Investment property

	2022 £m	2021 £m
Fair value		
At 1 January	161.6	186.9
Disposals	-	(1.6)
Fair value adjustment	(47.0)	(23.0)
Movement in tenant incentives	(1.0)	(0.7)
At 31 December	113.6	161.6

Included within investment property are tenant lease incentive balances totalling £6.0 million (2021 £7.0 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 2022 the Board of Directors had approved £nil (2021 £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 2022 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 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.

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.

Sensitivity analysis

	Market value	Impact on valuations of 10% change in ERV		Impact on valuations of 50bp change in nominal equivalent yield		Impact on valuations of 10% change in CAPEX	
	£m	Increase £m	Decrease £m	Increase £m	Decrease £m	Increase £m	Decrease £m
Soar at Intu Braehead	10.5	£11.6	£9.6	£10.0	£11.2	£10.3	£10.8
Intu Eldon Square	71.2	£77.0	£65.5	£67.6	£75.3	£70.2	£72.2
Intu Potteries	13.5	£16.0	£11.5	£12.5	£14.5	£12.3	£14.7
	95.2						

While the sensitivities over the assumptions are included in an individual basis, the estimate would be affected if some or more of the assumptions are cumulated. We consider that a reasonably possible combination of the sensitivities reflecting a negative movement of half of the reasonable range of each, (a fall in ERV of 5%, an increase in yield of 25bp and an increase in capex of 5%), would yield a market value of £87m which would result in a further impairment of investment properties of £8.2m.

8 Investment property **(Continued)**

The table below provides details of the 31 December 2022 assumptions used in the valuation and key unobservable inputs for the most significant properties held by the Group:

2022	Market value £m	Net initial yield	Nominal equivalent yield	Annual property income £m	ERV £m
Soar at Intu Braehead	10.5	16.16%	11.17%	3.0	2.7
Intu Eldon Square	71.2	9.69%	10.00%	15.4	17.8
Intu Potteries	13.5	10.03%	13.26%	4.9	5.1
Total - independent external valuation	95.2				
Right of use asset - head lease	18.4				
Grand total	113.6				

2021	Market value £m	Net initial yield	Nominal equivalent yield	Annual property income £m	ERV £m
Soar at Intu Braehead	23.5	8.12%	9.89%	2.0	2.9
Intu Eldon Square	93.2	7.89%	8.49%	7.7	18.1
Intu Potteries	26.5	10.22%	12.61%	2.9	5.8
Total - independent external valuation	143.2				
Right of use asset - head lease	18.4				
Grand total	161.6				

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

9 Investments

	Current		Non-current	
	2022	2021	2022	2021
	£m	£m	£m	£m
Investments in subsidiaries	-	-	190.1	190.1

Movements in non-current investments

	Shares in subsidiaries £m
Cost	
At 1 January 2022 & 31 December 2022	389.2
Impairment	
At 1 January 2022	(199.1)
Carrying amount	
At 31 December 2022	190.1
At 31 December 2021	190.1

10 Subsidiaries

Name of undertaking	Registered office	Class of shares held	% Held Direct
Intu 2027 Limited (dormant)	C/O Pradera Lateral Limited 5th Floor, 20 Fenchurch Street, London, England, EC3M 3BY	Ordinary shares	100.00
Intu Eldon Square Limited (property)	C/O Pradera Lateral Limited 5th Floor, 20 Fenchurch Street, London, England, EC3M 3BY	Ordinary shares	100.00
Steventon Limited (property)	26 New Street, St Helier, Jersey, JE2 3RA	Ordinary shares	100.00
Potteries (GP) Limited (general partner)	C/O Pradera Lateral Limited 5th Floor, 20 Fenchurch Street, London, England, EC3M 3BY	Ordinary shares	100.00
The Potteries Shopping Centre Limited partnership (property)	5th Floor, 20 Fenchurch Street, London, England, EC3M 3BY	n/a	-
Intu Potteries Limited (limited partner)	C/O Pradera Lateral Limited 5th Floor, 20 Fenchurch Street, London, England, EC3M 3BY	Ordinary shares	100.00
Intu Braehead Leisure Limited (holding company)	C/O Pradera Lateral Limited 5th Floor, 20 Fenchurch Street, London, England, EC3M 3BY	Ordinary shares	100.00
Intu Braehead Limited (holding company)	C/O Pradera Lateral Limited 5th Floor, 20 Fenchurch Street, London, England, EC3M 3BY	Ordinary shares	100.00
Braehead Leisure Partnership (property)	C/O Pradera Lateral Limited 5th Floor, 20 Fenchurch Street, London, England, EC3M 3BY	n/a	-
Potteries (Nominee No.1) Limited (dormant)	C/O Pradera Lateral Limited 5th Floor, 20 Fenchurch Street, London, England, EC3M 3BY	Ordinary share	100.00
Potteries (Nominee No.2) Limited (dormant)	C/O Pradera Lateral Limited 5th Floor, 20 Fenchurch Street, London, England, EC3M 3BY	Ordinary share	100.00
Intu Bridlesmith Gate Limited (property)	C/O Pradera Lateral Limited 5th Floor, 20 Fenchurch Street, London, England, EC3M 3BY	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 table below includes a breakdown of the unrecognised deferred tax asset at the year end:

	2022 £m	2021 £m
Accelerated capital allowances	4.3	4.7
Tax losses	11.8	8.6
Revaluations	39.5	23.9
Total unrecognised deferred tax asset	55.6	37.2

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
Asset at 1 January 2021	0.2	0.2
Deferred tax movements in prior year		
Credit to profit or loss	(0.2)	(0.2)
Asset at 1 January 2022 and 31 December 2022	-	-

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:

	2022 £m	2021 £m
Tax losses	11.4	8.6
Total unrecognised deferred tax asset	11.4	8.6

13 Group cash and cash equivalents

Out of the total cash and cash equivalents balance of £31.3m, £2.7m is restricted (2021: £2.7m). 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

	Current		Non-current	
	2022	**2021**	**2022**	**2021**
	£m	**£m**	**£m**	**£m**
Trade receivables	13.0	18.2	-	-
Less: provision for impairment of trade receivables	(2.2)	(3.2)	-	-
	10.8	15.0	-	-
Service charge receivables	8.8	7.5	-	-
Less: provision for impairment of service charge receivables	(0.8)	(2.0)	-	-
	8.0	5.5	-	-
Other receivables	6.1	0.9	-	-
Prepayments and accrued income	4.9	5.1	-	-
	29.8	26.5	-	-

16 Group trade and other receivables - provisions

The group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. The expected loss rates are based on the Group's historic credit losses experience which are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

The lifetime expected loss provision for trade receivables is as follow:

Basis of expected loss provision on trade receivables

	Expected loss rate	Gross carrying amount	Loss provision
		£m	£m
Insolvent / Bad Debt	100%	1.4	1.4
Not Paying - Struggling	70%	0.3	0.2
Arrears in Query / Dispute	60%	0.2	0.1
Tactical / Deal Ongoing	50%	0.7	0.4
Payment Plan	40%	0.2	0.1
		2.8	**2.2**
No provision required	0%	10.2	-
Total		**13.0**	**2.2**

Basis of expected loss provision on service charge receivables

	Expected loss rate	Gross carrying amount	Loss provision
		£m	£m
Insolvent / Bad Debt	100%	0.5	0.5
Not Paying - Struggling	70%	0.2	0.1
Tactical / Deal Ongoing	50%	0.2	0.1
Payment Plan	40%	0.2	0.1
		1.1	**0.8**
No provision required	0%	7.7	-
Total		**8.8**	**0.8**

As at 31 December 2022 trade and service charge receivables of £1.9m had lifetime expected credit losses of the full value of the receivables.

If all trade and service charge receivables above which have expected loss rate of 40% to 70% were fully provided for, total loss provision would increase by £0.9m.

16 Group trade and other receivables - provisions **(Continued)**

Movements in the impairment allowance for trade receivables are as follow:

	2022 £m
At 1 January	3.2
Reduction in provision	(1.0)
At 31 December	2.2

Movements in the impairment allowance for service charge receivables are as follow:

	2022 £m
At 1 January	2.0
Reduction in provision	(1.2)
At 31 December	0.8

Reconciliation for expected credit loss provision credit recognised on face of group income statement:

	2022 £m
Movement in expected credit loss provision	2.2
Receivable written off during the year	(0.8)
At 31 December	1.4

17 Company trade and other receivables

	Current 2022 £m	Current 2021 £m	Non-current 2022 £m	Non-current 2021 £m
Amounts owed by subsidiary undertakings	-	-	112.3	160.2
Prepayments	0.4	0.4	-	-
	0.4	0.4	112.3	160.2

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

17 Company trade and other receivables (Continued)

Basis of expected loss provision on amounts owed by subsidiary undertakings
The company applies the simplified approach to measuring a lifetime expected credit loss provision for amounts due by subsidiary undertakings. The expected loss rates are based on an estimation of the amount of value present in the individual subsidiaries which would be available for settlement of the debt if the group were liquidated. A provision is made to reduce the carrying amount in the company's balance sheet to the amount thus calculated.

The estimation is significantly dependent on the fair value of investment properties because the recoverable amount largely consists of value deriving from those properties. A reduction in the fair value of investment property is a key driver of requiring impairment of the debt. The amount of the impairment is therefore subject to the same sensitivities as disclosed in note 8 in relation to investment properties.

	2022 £m	2021 £m
Gross amounts owed by subsidiary undertakings	313.2	315.6
Impairment brought forward	(155.4)	(139.1)
Impairment in year	(45.5)	(16.3)
Impairment carried forward	(200.9)	(155.4)
Amounts owed by subsidiary undertakings	112.3	160.2

18 Group trade and other payables

	Current 2022 £m	Current 2021 £m	Non-current 2022 £m	Non-current 2021 £m
Trade payables	2.8	2.8	-	-
Amounts owed to related parties (note 32)	246.1	246.1	-	-
Accruals	15.8	8.5	-	-
Social security and other taxation	1.4	2.1	-	-
Rents received in advance	3.4	4.5		
Service charges and other payables	14.4	10.6	-	-
Amounts owed to associates of Intu Properties Limited	5.1	5.1	-	-
	289.0	279.7	-	-

The amounts owed to related parties and associated parties of Intu Properties Limited were released in September 2023 as a result of the restructuring transaction disclosed in note 34.

19 Company trade and other payables

	2022 £m	2021 £m
Amounts owed to fellow group undertakings	190.1	190.1
Amounts owed to related parties (note 32)	246.1	246.1
Other payables	2.0	2.0
	438.2	438.2

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

20 Group borrowings

	2022 £m	2021 £m
Borrowings held at amortised cost:		
Debentures	348.0	329.4

	2022 £m	2021 £m
Secured borrowings included above:		
Debentures	348.0	329.4

The Group's borrowings are secured against its property assets, and are repayable on demand. Refer to note 33 for more details.

21 Company borrowings

	2022 £m	2021 £m
Borrowings held at amortised cost:		
Debentures	348.0	329.4

	2022 £m	2021 £m
Secured borrowings included above:		
Debentures	348.0	329.4

The Company's borrowings are secured against its property assets, and are repayable on demand. Refer to note 33 for more details.

22 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	
	2022 £m	2021 £m	2022 £m	2021 £m
Debentures	348.0	329.4	126.1	164.5
Amounts owed to related parties	246.1	246.1	-	-
	594.1	575.5	126.1	164.5

The group has a deficit and would be unable to meet all of its obligations in the event of liquidation. The primary charge is held by the debenture holders and all of the proceeds arising from a disposal of investment properties would be absorbed by the debentures. As a result, the amounts due to the related party is assessed as having a fair value of nil.

The fair value of the debentures has been based on the present value of future cashflows adjusted for own credit risk. As the group is unable to forsee paying the debt in full, this results in a fair value based on the expected proceeds of the group's investment property less anticipated costs of disposal. The inputs used to determine the disposal proceeds is the same as those used for the valuation of the investment property dealt with in notes 8 and 33.

23 Lease liabilities

Head leases on investment property are included within investment property on adoption of IFRS 16 and represent the right-of-use on certain investment property that has a head lease.

Minimum lease payments fall due	2022 £m	2021 £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	228.7	229.7
	233.7	234.7
Future finance charges on lease liabilities	(215.3)	(216.3)
Present value of finance lease liabilities	18.4	18.4

Present value of lease liabilities	2022 £m	2021 £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

24 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 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Wholly repayable within one year	348.0	329.4	348.0	329.4
	348.0	329.4	348.0	329.4

25 Controlling party

At the balance sheet date the immediate and ultimate parent company was 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 7RB.

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.

Following completion of the restructuring transaction explained in note 34 the ultimate parent company became Iris Bidco Limited, a company incorporated in Jersey.

26 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.

26 Financial risk management (Continued)

The ageing analysis of these trade receivables is as follows:

	Group 2022 £m	Group 2021 £m
Up to 3 months	3.9	11.2
Over 3 months	6.9	3.8
Trade receivables	10.8	15.0

At 31 December 2022 trade receivables are shown net of provisions totalling £2.2 million (2021 £3.2 million). Current year income statement 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 £8.0m (2021 £5.5m). The element of these amounts that are older than 3 months was £4.6m (2021 £1.8m).

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 2022	Carrying value £m	Fair value £m	Loss to income statement £m
Trade and other receivables	24.9	24.9	-
Cash and cash equivalents	31.3	31.3	-
Total financial assets - amortised cost	56.2	56.2	-
Trade and other payables	(289.0)	(37.8)	-
Borrowings	(348.0)	(126.1)	-
Lease liabilities	(18.4)	(18.4)	-
Total financial liabilities - amortised cost	(655.4)	(182.3)	-

26 Financial risk management (Continued)

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)	(28.5)	-
Borrowings	(329.4)	(164.5)	-
Lease liabilities	(18.4)	(18.4)	-
Total financial liabilities - amortised cost	(627.5)	(211.4)	-

There are no gains or losses arising on financial assets or liabilities recognised direct to equity (2021 £nil).

The group has a deficit and would be unable to meet all of its obligations in the event of liquidation. The primary charge is held by the debenture holders and all of the proceeds arising from a disposal of investment properties would be absorbed by the debentures. As a result the loan due to the related party, included in trade and other payables, is assessed as having a fair value of 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.
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 (2021 none).

27 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 2022. The directors have taken the practical expedient provided by paragraph 121 of IFRS 15 in respect of the service charge income.

27 Operating leases **(Continued)**

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

	2022 £m	2021 £m
Within one year	19.3	21.6
Later than one year and not later than five years	56.6	53.0
Over five years	62.1	64.2
	138.0	138.8

28 Called up share capital

Ordinary share capital	**2022 Number**	**2021 Number**	**2022 £m**	**2021 £m**
Issued and fully paid				
Ordinary shares of £1 each	100,000,000	100,000,000	100.0	100.0

29 Group cash generated from operations

	2022 £m	2021 £m
Loss for the year after tax	(63.2)	(37.2)
Adjustments for:		
Finance costs	20.0	18.6
Expected credit loss provision	(1.4)	(2.9)
Gain on disposal of investment properties	-	(0.5)
Revaluation of investment property	47.0	23.0
Lease incentives and letting costs	1.0	0.7
Movements in working capital:		
(Increase) in trade and other receivables	(1.9)	(6.6)
Increase in trade and other payables	9.3	14.7
Cash generated from operations	10.8	9.8

30 Group analysis of changes in net debt

	1 January 2022 £m	Interest £m	Cash flows £m	31 December 2022 £m
Liquid investments				
Cash and cash equivalents	21.9	-	9.4	31.3
Debt due within one year				
Borrowings	(329.4)	(18.6)	-	(348.0)
Lease liabilities	(1.0)	-	-	(1.0)
Debt due after one year				
Lease liabilities	(17.4)	(1.4)	1.4	(17.4)
Net debt	(325.9)	(20.0)	10.8	(335.1)

Prior year:	1 January 2021 £m	Interest £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				
Lease liabilities	(17.4)	(1.0)	1.0	(17.4)
Net debt	(319.2)	(18.6)	11.9	(325.9)

31 Company cash absorbed by operations

	2022 £m	2021 £m
Loss for the year after tax	(66.5)	(36.7)
Adjustments for:		
Taxation charged	-	0.2
Impairment of amounts owed by group undertakings	45.5	16.3
Finance costs	18.6	17.6
Movements in working capital:		
Decrease in trade and other receivables	2.4	3.5
Decrease in trade and other payables	-	(1.1)
Cash absorbed by operations	-	(0.2)

32 Related party transactions

Group

Significant balances outstanding are shown below:

Amounts due to related parties	**Amounts owed to 2022 £m**	**Amounts owed to 2021 £m**
Liberty International Group Treasury Limited	246.1	246.1

Included in other creditors in note 18 is an amount of £5.1m (2021 £5.1m) that is 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.

The balances have been released after the balance sheet date as a consequence of the restructuring transaction disclosed in note 34.

32 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:

	2022 £m	2021 £m
Amounts owed by subsidiary undertakings	112.3	160.2
Amounts owed to subsidiary undertakings	(190.1)	(190.1)

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

	Amounts owed to 2022 £m	Amounts owed to 2021 £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 within amounts owed to associates of Intu Properties Limited in note 18 is an amount of £1.9m (2021 £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.

33 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 2022 was Intu Eldon Square, Newcastle, Intu Potteries, Stoke on Trent and Xsite.

Capital cover requirements	Group 2022 £m	Group 2021 £m
Investment property held as collateral	126.6	165.0
Redemption value of external debt	(231.4)	(231.4)
Capital cover	54.7%	71.3%
Interest cover requirement		
Net rental income/ (loss)	8.3	7.5
Interest payable and redemption amounts	(22.9)	(22.9)
Interest cover	(36.2%)	(32.8%)

The capital cover covenant is 150% (2021: 150%) and the interest cover covenant is 100% (2021: 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.

34 Events after the reporting date

On 5 September 2023 the terms of the debenture bonds were varied, along with the terms of the balances with the former parent, Intu Properties Limited, and its associates. Through a connected series of transactions the Group now has a reduced debt burden with manageable payment terms and is no longer a member of the wider Intu group.

- Payment of principal and interest have been amended to 'Pay If You Can' basis. This is based on an agreed formula which identifies cash in excess of that required to run the business. Where interest is not paid it is accrued on a 'Payment In Kind' basis which leads to a new instrument being created with terms similar to the revised terms of the debenture bonds.
- Capital receipts will be used to pay down debt also subject to a formula which ensures that cash required by the business is retained.
- The interest rate on the bonds has been amended to 8.75%.
- All amounts due to Intu Properties Limited and its associates are released in return for nominal consideration, comprising the amount shown in the balance sheet at Amounts owed to Liberty International Group Treasury Limited (in administration) presented in the Group balance sheet at 31 December 2022 as £246.1 million and the amount of £5.1m due to its associates which is disclosed in note 18.
- Past and ongoing breaches of the Trust Deed are waived to the extent known.
- Ownership of the Group passes to Iris Bidco Limited, a Jersey incorporated company owned in turn by a Jersey purpose trust.Iris Bidco Limited has common directors with Intu Debenture PLC.
- The board considers that no tax charge will arise on the debt release by virtue of the application of the corporate rescue exemption.

Accrued interest on the debenture borrowings at the date of the transaction amounted to £10m. The effect of the transaction (which will be reflected in the next audited accounts) will result in the £246.1 million within current liabilities under 'Amounts owed to related parties' and £5.1m within current liabilities being removed as the amounts were released.