

**Intu Metrocentre Finance Plc**

Annual report and financial statements

For the year ended 31 December 2019

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## **Intu Metrocentre Finance Plc**

### **Officers and professional advisers**

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#### **Directors**

Intertrust Directors 1 Limited  
Intertrust Directors 2 Limited  
Susan Abrahams

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

Intertrust Corporate Services Limited  
1 Bartholomew Lane  
London  
EC2N 2AX

#### **Company number**

08704179  
(England and Wales)

#### **Independent auditor**

Deloitte LLP  
1 New Street Square  
London  
EC4A 3HQ

**Strategic report for the year ended 31 December 2019**

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The directors present the strategic report on Intu Metrocentre Finance plc (the "Company" or the "Issuer") for the year ended 31 December 2019.

**Principal activities and business review**

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

The Loan is secured over the Intu Metrocentre shopping centre (the "Property") located in Gateshead in the United Kingdom (the "UK") owned by the security group (which includes the Borrower and other obligors as defined in the prospectus issued on 14 November 2013 (the "Prospectus"). On 31 December 2019 the Property was valued at £672,800,000 (2018: £838,300,000) by CBRE Limited, an independent valuer. The interest rate and principal redemption schedule of the Loan are exactly the same as that of the Notes. The Notes have an expected maturity date of 6 December 2023 and final maturity date of 6 December 2028 and the Loan will be repaid on the business day prior to the expected or final maturity date of Notes. After applying the accounting policies set out in note 1 to the financial statements, the carrying value of the Loan held by the Company at 31 December 2019 amounted to £161,132,840 (2018: £483,412,252) after recognising expected credit loss of £322,545,136 (2018: £nil). However, the notional balance of both at that date remained £485,000,000 (2018: £485,000,000).

The directors recognise the existence of material uncertainties affecting present level of activity and the nature of the Company's business in the near future as explained within the Directors report.

**Results**

The statement of comprehensive income of the Company is set out on page 16 and shows the loss for the year.

**Future developments and events after the reporting date**

The ongoing volatility in the UK retail market has been further exacerbated by the impact of Covid-19 since the balance sheet date, with non-essential retail at the Intu Metrocentre shopping centre closed between 24 March and the 15 June 2020 in order to comply with measures put in place by the UK Government to limit virus transmissions. From 15 June 2020 non-essential stores have begun to trade and from 4 July 2020 catering has begun to re-open, with the opening of leisure facilities permitted from 25 July 2020.

Rents received from tenants at the Intu Metrocentre shopping centre for the quarter beginning 25 March 2020 were significantly reduced, with collections at 10 July 2020 totalling 39 per cent. Management are in discussions with customers on the outstanding rents but at this time it is unclear whether these rents will be fully recovered at a later date. Rents received from tenants for the quarter beginning 25 June 2020 were 21 per cent as at 10 July 2020.

The directors expect there to be continued downward pressure on property valuations and net rental income in the short term, as retailers adapt to new operating procedures with social distancing measures in place and the long-term effects of the pandemic on the wider UK economy become clear. The latest independent property valuation for the Metrocentre shopping centre as at 30 June 2020 shows a decrease of 21 per cent in market value against the December 2019 position.

These factors have placed additional pressure on the Company's ability to maintain specified financial ratios and comply with certain financial covenants, with the Company's loan finance currently secured against the Property. Should these covenants be breached it may have wider implications for the Company and other Intu group entities, as discussed in the going concern section of note 1 to the financial statements.

On 26 June 2020, following unsuccessful negotiations for a group-wide standstill with lenders to group entities and a resulting inability to agree a standstill with its lenders, Intu properties plc (the ultimate parent company of the Company), along with certain Intu group entities that provide asset and facilities management services to the Intu Metrocentre shopping centre, entered administration.

To enable continued uninterrupted delivery of asset and facilities management services to the Intu Metrocentre shopping centre from the date of Intu properties plc's administration, the Borrower has entered into a 6-month Transitional Services Arrangement (TSA) with Intu Retail Services Limited (in administration). As part of the TSA, the Borrower is required to pre-fund costs two months in advance to the service providers prior to the delivery of services as well as the settlement of existing arrears.

**Strategic report for the year ended 31 December 2019 (continued)**

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

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

At 31 December 2019, the weighted average indexed LTV was 72% and at 31 December 2018 the weighted average indexed LTV was 58%. This percentage figure is considered to be the directors' best estimate of current LTV level. The loss for the financial year to 31 December 2019 of £322,543,924 (2018: £810) was principally attributable to the expected credit losses of £322,545,136 (2018: £nil) recognised during the year. The carrying value of the Loan, a key performance indicator of the Company at 31 December 2019 amounted to £161,132,840 (2018: £483,412,252). The Notes have a Standard & Poor's Rating Services of BBB+(sf) (2018:A (sf)) and a Fitch rating of Asf (2018: Asf) and there have been no trigger events. Impairment losses were recognised during the year was £322,545,136 (2018: £nil).

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

**Financial instruments**

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

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

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

**Credit risk**

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

As noted above the Loan is secured on the Property which was valued as at 31 December 2019 at a market value of £672,800,000 (2018: £838,300,000) by an independent valuer. The value at which the Property will be realised in a scenario where the Property would have to be sold as a result of the Borrower not being able to discharge its obligations will depend on prevailing future property market conditions and as such, is uncertain.

There has been an increase in expected credit losses in the year due to ongoing structural issues within the retail sector which have led to a deterioration in the results of certain intu group entities and the intu properties plc group as a whole. As a result, a loss allowance of £322,545,136 has been recognised in the current year while £nil expected credit loss was recognised in previous years.

**Liquidity risk**

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

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

**Strategic report for the year ended 31 December 2019 (continued)**

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**Section 172(1) of the companies Act 2016**

As a special purpose vehicle the governance structure of the Company is such that the key policies have been predetermined at the time of issuance. The Directors have had regards to the matters set out in section 172(1) of the Companies Act 2006 as follows:

- with reference to subsection (a) concerning the likely consequences of any decision in the long term: the Transaction Documents have been formulated to achieve the Company's purpose and business objectives, safeguard the assets and promote the success of the Company with a long term view and as disclosed in Note 6 in accordance with relevant securitisation legislation the Company is only permitted to retain minimal profit.
- the matters set out in subsections (b)–(f) have limited or no relevance to the Company and therefore they are not strategically important.

In accordance with s. 426B Companies Act 2006 a copy of this statement is available at <https://www.intertrustgroup.com/our-services/capital-markets-services/public-transactions>.

**Interest rate risk**

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

**Currency risk**

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

**Capital management**

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

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

On behalf of the board



Sue Abrahams  
per pro **Intertrust Directors 1 Limited**  
**As Director**  
28 July 2020

**Directors' report for the year ended 31 December 2019**

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The directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2019.

**Going concern**

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

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

**Financial risk management**

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

**Corporate governance**

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

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

Due to the nature of the securities which have been listed on the Euronext Dublin, the directors are satisfied that there is no requirement to publish a corporate governance statement and no requirement for an audit committee or supervisory body entrusted to carry out the functions of an audit committee as that the Company is exempt from the disclosure requirements of The Irish Corporate Governance Annex and the provisions of the UK Corporate Governance Code.

**Issued share capital**

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

**Directors and their interests**

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

Intertrust Directors 1 Limited  
Intertrust Directors 2 Limited  
Susan Abrahams

None of the directors have any beneficial interest in the ordinary share capital of the Company. None of the directors had any interest during the year in any material contract or arrangement with the Company. The directors do not recommend the payment of a dividend (2018: £nil).

**Third party indemnities**

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

**Company secretary**

Intertrust Corporate Services Limited acted as company secretary to the year end, and subsequently.

**Statement of directors' responsibilities in respect of the financial statements**

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

**Directors' report for the year ended 31 December 2019 (continued)**

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**Statement of directors' responsibilities in respect of the financial statements (continued)**

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

The directors are 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.

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.

**Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company;
- the strategic report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face; and
- the financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance.

**Statement of disclosure of information to auditors**

The directors confirm that:

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Companies Act 2006.

**Existence of branches**

There is none existence of branches outside of the UK.

**Independent auditor**

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

On behalf of the board



Sue Abrahams  
per pro **Intertrust Directors 1 Limited**  
**As Director**  
28 July 2020



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTU METROCENTRE FINANCE PLC

## Report on the audit of the financial statements

### 1. Opinion

In our opinion the financial statements of Intu Metrocentre Finance Plc (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement and statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of cash flows; and
- the notes to the financial statements 1 to 17.

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

### 2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

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

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

### 3. Material uncertainty relating to going concern

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

The Company has loan notes with a carrying value totaling £480.6 million. These loan notes are secured against the intu Metrocentre shopping centre. The Company has provided funding through intercompany loans with a gross carrying value of £483.1 million to The Metrocentre Partnership (the Borrower).

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

To enable continued uninterrupted delivery of asset and facilities management services to the intu Metrocentre shopping centre from the date of intu properties plc's administration, the Borrower entered into a 6-month Transition Services Arrangement (TSA) with intu properties plc's administrator. As part of the TSA, the administrators require pre-funding of costs prior to delivery of services.

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

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## **Risk area**

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### *Risk of default and covenant compliance:*

30 June 2020 is a calculation date in relation to the loan to value and interest cover ratio covenants. At the calculation date the loan to value covenant has been met. There is a risk that the interest cover ratio covenant could be in breach when calculated at 30 June 2020. There is further risk that at the 31 December 2020 calculation date covenants are breached. In the event of breach, the lenders can enforce their security.

The Company will need to seek interest deferrals in order to have sufficient liquidity to meet its obligations as they fall due. The interest deferrals require lender consent which may not be given.

### *Implications of the intu properties plc administration*

There is risk that with new directors, the future strategy of the Company may change and is therefore unknown. There could be forced sales of the intu Metrocentre shopping centre at a significant discount to the 31 December 2019 market value, which would then provide insufficient funds to Borrower to cover amounts as they fall due thus resulting in insufficient funds within the Company.

### *During the TSA period:*

There is risk that additional funding and/or the deferral of interest payments in order to meet all obligations as they fall due through the TSA period cannot be secured or agreed.

### *After the TSA period:*

There is risk that terms cannot be agreed with a suitable third-party asset and facilities management service provider resulting in the closure of the intu Metrocentre shopping centre. This could result in a number of lease defaults and insufficient liquidity due to decreased rental income.

### *Covid-19:*

Covid-19 has significantly decreased rent and service charge collection. There is a risk that there is a further spike in the Covid-19 pandemic in the United Kingdom resulting in varying levels of lockdown requiring the shopping centres to close. This would result in further decreases in rent and service charge collection, having an adverse effect on the liquidity leading to insufficient funds to the Borrower to cover the repayment of amounts as they fall due to the Company. This would lead to the Company having insufficient funds to repay its debt as it falls due.

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## Response

- We challenged the forecast cash flows and assumptions made by Management with particular regard to the current market conditions.
  - We inspected the TSA and through discussions with Management and their legal advisors understood the lender positions.
  - We obtained key loan and bond documentation to understand the principal terms, including financial covenants, and assessed the Company's existing and forecast compliance with debt covenants and any associated equity cures / cash traps.
  - We read and challenged the adequacy of the disclosures being made by Management.
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As stated in note 1, the events or conditions described above indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## 4. Summary of our audit approach

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### Key audit matters

The key audit matters that we identified in the current year were:

- Going concern (see material uncertainty relating to going concern section); and
- Expected credit loss on loan receivables.

In the prior year "Accounting for the Loan assets and Notes liability" was reported as a key audit matter by the previous auditor.

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### Materiality

The materiality that we used in the current year was £1.6 million which was determined on the basis of 1% of total assets.

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### Scoping

One team, led by the Senior Statutory Auditor, audits the Company.

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## 5. Key audit matters

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

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

In addition to the matter described in the material uncertainty relating to going concern section, we have determined the matter described below to be the key audit matters to be communicated in our report.

## 5.1. Expected credit loss on loan receivables

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<b>Key audit matter description</b>	<p>An expected credit loss (ECL) of £322.5 million has been recognised on the intercompany loan receivable of £161.1 million in the current year (2018: £0 and £483 million).</p> <p>An ECL is the lifetime expected loss due to potential default events, e.g. non-payment, over the life of a financial instrument.</p> <p>The underlying property companies within the intu properties plc (the ultimate parent company) group are funded in part through intercompany loan agreements.</p> <p>The retail property industry is facing structural challenges and has deteriorated significantly over 2019. The worsening market has resulted in increased revaluation deficits and decreased rental income from tenants due to a number of tenants entering into Company Voluntary Arrangements (CVAs) and administrations. These falling values and rents have increased the risk that the property companies will be unable to repay these amounts owed in full.</p> <p>Furthermore, on 26 June 2020 intu properties plc entered into administration. This results in support not being able to be provided to the property companies to repay these intercompany loan amounts as they fall due further increasing the risk of future default.</p> <p>Please see note 1 for key source of estimation uncertainty and note 7.</p>
<b>How the scope of our audit responded to the key audit matter</b>	<p>We have:</p> <ul style="list-style-type: none"><li>• Assessed management's ECL methodology and determined whether this is in accordance with IFRS 9 <i>Financial Instruments</i>;</li><li>• Recalculated the ECL based on management's ECL methodology; and</li><li>• Evaluated the disclosures included within the accounts pertaining to the expected credit loss allowance on loan receivables.</li></ul>
<b>Key observations</b>	<p>We conclude that the calculation of the expected credit loss allowance on loan receivables is appropriate.</p>

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## 6. Our application of materiality

### 6.1. Materiality

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

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

<b>Materiality</b>	£1.6 million (2018: £4.8 million was used by the previous auditors)
<b>Basis for determining materiality</b>	1% of total assets (2018: 1% of total assets)
<b>Rationale for the benchmark applied</b>	The users would take interest in the total assets balance of intu Metrocentre Finance plc as a result of the external debt held by this entity to ensure that the entity has the financial means to repay the debt.

### 6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 65% of materiality for the 2019 audit. In determining performance materiality we consider factors including our risk assessment and our assessment of the Company's overall control environment. As this is our first year as auditor and given the heightened risk due to material uncertainty relating to going concern detailed above, we determined that setting it at 65% of materiality appropriately reflected these matters.

### 6.3. Error reporting threshold

We agreed with the directors that we would report all audit differences in excess of £81,000 (2018: £241,715), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## 7. An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including controls, and assessing the risks of material misstatement. One audit team, led by the Senior Statutory Auditor, audits the Company. The audit is performed centrally, as the books and records are maintained at head office.

## 8. Other information

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

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

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

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

We have nothing to report in respect of these matters.

## 9. Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## 10. Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

### 11.1. Identifying and assessing potential risks related to irregularities

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

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

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

We also obtained an understanding of the legal and regulatory framework that the Company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Companies Act 2006 and the Irish listing Rules.

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

### 11.2. Audit response to risks identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the directors and legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports;

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

## Report on other legal and regulatory requirements

### 12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

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

#### 13.1. Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

#### 13.2. Directors' remuneration

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

We have nothing to report in respect of this matter.



## 14. Other matters

### **14.1. Auditor tenure**

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

### **14.2. Consistency of the audit report with the additional report to the directors**

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

## 15. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Claire Faulkner, FCA (Senior statutory auditor)**

**For and on behalf of Deloitte LLP**

Statutory Auditor

London, United Kingdom

28 July 2020

Statement of comprehensive income for the year ended 31 December 2019

	Note	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Interest income	2	20,264,844	20,135,629
Interest expense and similar charges	3	<u>(20,264,844)</u>	<u>(20,135,629)</u>
<b>Net interest income</b>		-	-
Other operating income	4	233,891	252,316
Other operating charges		(232,489)	(251,316)
Expected credit losses on Loan	7	<u>(322,545,136)</u>	-
<b>(Loss)/Profit before taxation</b>	5	(322,543,734)	1,000
Tax	6	<u>(190)</u>	<u>(190)</u>
<b>(Loss)/Profit for the financial year</b>	10	(322,543,924)	810
<b>Other comprehensive income</b>		-	-
<b>(Loss)/Profit and total comprehensive income for the financial year</b>		<u><u>(322,543,924)</u></u>	<u><u>810</u></u>

All amounts relate to continuing activities.

The accompanying notes on pages 20 to 33 are an integral part of these financial statements.

**Statement of financial position as at 31 December 2019**

	<b>Note</b>	<b>31 December 2019 £</b>	<b>31 December 2018 £</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Loan	7	161,132,840	483,412,252
Total non-current assets		161,132,840	483,412,252
<b>Current assets</b>			
Trade and other receivables	8	1,416,255	1,425,586
Cash and cash equivalents		19,521	15,702
Total current assets		1,435,776	1,441,288
<b>Total Assets</b>		<b>162,568,616</b>	<b>484,853,540</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	12	483,677,976	483,412,252
Total Non-current liabilities		483,677,976	483,412,252
<b>Current liabilities</b>			
Trade and other payables	11	1,416,255	1,422,979
Current tax liabilities		191	191
Total Current liabilities		1,416,446	1,423,170
<b>Total liabilities</b>		<b>485,094,422</b>	<b>484,835,422</b>
<b>Net (liabilities)/assets</b>		<b>(322,525,806)</b>	<b>18,118</b>
<b>EQUITY</b>			
Issued share capital	9	12,501	12,501
(Accumulated losses)/Retained Earnings	10	(322,538,307)	5,617
<b>Total equity</b>		<b>(322,525,806)</b>	<b>18,118</b>

The accompanying notes on pages 20 to 33 are an integral part of these financial statements.

The financial statements on pages 16 to 33 were approved and authorised for issue by the Board on 28 July 2020 and were signed on its behalf by:



Sue Abrahams  
per pro **Intertrust Directors 1 Limited**  
**As Director**

**Statement of changes in equity for the year ended 31 December 2019**

	<b>Issued share capital</b>	<b>Retained earnings/ (accumulated losses)</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Balance as at 31 December 2017	12,501	4,807	17,308
Profit and total comprehensive income for the financial year	-	810	810
<b>Balance as at 31 December 2018</b>	<b>12,501</b>	<b>5,617</b>	<b>18,118</b>
Loss and total comprehensive income for the financial year	-	(322,543,924)	(322,543,924)
<b>Balance as at 31 December 2019</b>	<b>12,501</b>	<b>(322,538,307)</b>	<b>(322,525,806)</b>

The accompanying notes on pages 20 to 33 are an integral part of these financial statements.

Cash flow statement for the year ended 31 December 2019

	Notes	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Cash generated/(used in) from operations	14	4,009	(5,607)
Tax paid		(190)	(192)
<b>Cash flows from/(used in) operating activities</b>		<u>3,819</u>	<u>(5,799)</u>
<b>Cash flows from investing activities</b>			
Interest received on loan		20,006,250	20,006,250
Interest received on bank balances		-	-
<b>Net cash inflow from investing activities</b>		<u>20,006,250</u>	<u>20,006,250</u>
<b>Cash flow from financing activities</b>			
Interest paid on notes		(20,006,250)	(20,006,250)
<b>Net cash outflow from financing activities</b>		<u>(20,006,250)</u>	<u>(20,006,250)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		3,819	(5,799)
<b>Cash and cash equivalents at start of the year</b>		<u>15,702</u>	<u>21,501</u>
<b>Cash and cash equivalents at end of the year</b>		<u>19,521</u>	<u>15,702</u>

The accompanying notes on pages 20 to 33 are an integral part of these financial statements.

## **1 Accounting policies**

### *General information*

Intu Metrocentre Finance Plc (the "Company") is a public company with limited liability, was incorporated in the United Kingdom on 16 January 2013 and registered in England and Wales under the Companies Act 2006. The address of the Company's registered office is show on page 1 under Offices and professional advisers.

The nature of the Company's operations and its principal are set out in the strategic report on pages 2 to 4.

These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates.

These financial statements are separate financial statements. The Company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the group accounts of Intu properties plc group. The group accounts of Intu properties plc group are available to the public and can be obtained as set out in note 43. 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 company's financial statements

### *Basis of accounting*

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

### *Basis of preparation - Going concern*

The Company's business activities are set out in the Principal Activities section of the Strategic Report on page 2. The Company has raised finance through the issuance of loan notes secured against the Intu Metrocentre shopping centre (the "Property"). The proceeds from these loan notes have been provided to The Metrocentre Partnership (the "Borrower") under the terms of an intercompany loan agreement. The activities of the Borrower are directed by Metrocentre (GP) Limited (the "General Partner"), which acts as general partner to the Borrower.

On 26 June 2020, following unsuccessful negotiations for a group-wide standstill with lenders to group entities and a resulting inability to agree a standstill with its lenders, intu properties plc (the ultimate parent company of the Company), along with certain intu group entities that provide asset and facilities management services the Intu Metrocentre shopping centre, entered administration.

To enable continued uninterrupted delivery of asset and facilities management services to the Intu Metrocentre shopping centre from the date of intu properties plc's administration, the Borrower has entered into a 6-month Transitional Services Arrangement (TSA) with Intu Retail Services Limited (in administration). As part of the TSA, the Borrower is required to pre-fund costs two months in advance to the service providers prior to the delivery of services as well as the settlement of existing arrears.

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

### *Material uncertainty - Going concern*

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

The directors have considered the liquidity requirements of the Company and its ability to meet its obligations as they fall due throughout the going concern period.

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

*Material uncertainty - Going concern (continued)*

Based on the TSA cash flows as discussed above, the Company will need to seek to defer interest payments to its lenders. These measures would require consents to be received from the lenders, the achievement and timing of which are outside the control of the directors.

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

Along with this transition, it is likely that new directors will be appointed to the Company, the Borrower and the General Partner. This change could result in a different strategic direction for these entities, which could include new funding being put in place or the sale of the Property.

Significant market uncertainty remains regarding the impact of Covid-19 on the operations of the Intu Metrocentre shopping centre. The centre remained semi-closed from the end of March 2020 with essential stores the only ones permitted to trade. From 15 June 2020 non-essential stores have begun to trade and from 4 July 2020 catering has begun to re-open, with the opening of leisure facilities permitted from 25 July 2020. Additionally, at this time, the speed of recovery as the UK comes out of lockdown remains unclear. In the event that lockdown measures were re-imposed, this could have a significant adverse effect on the future liquidity of the Borrower, including negative impacts on rent and service charge collection. If the Borrower were unable fund its interest payments to the Company, this may affect the Company's ability to meet debt service and other obligations as they fall due.

The directors have considered the impact of financial covenant breaches which could create an event of default in the Company. Although all covenant tests have been met as at 30 June 2020, ultimately the prospect of lender enforcement is outside of the control of the directors were an event of default to occur during the going concern period.

If one or more of the events described in the material uncertainty above occur, this could result in the Company and/or the Borrower entering administration. This could occur as soon as the relevant consents detailed above to defer interest payments were not achieved. In these circumstances, it is possible that there could be a period of closure for the Property while additional funding and/or alternative third-party asset and facilities management providers are put in place.

*Conclusion - Going concern*

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

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

In forming this conclusion, the directors have taken note of the similar material uncertainty conclusions reached by the directors of the General Partner in their assessment of the Borrower as a going concern.

The auditor's report refers to this material uncertainty surrounding going concern.

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

*Loan and the Notes*

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

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

*Loan and Notes discounts*

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

The Loan is subject to impairment reviews in accordance with IFRS 9. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

*Segmental analysis*

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

*Financial instruments*

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument and are de-recognised on the date it ceases to be party, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction such that substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company's financial instruments comprise Loans, cash and liquid resources, Notes and various receivables and payables that arise from its operation. These financial instruments are classified as described below:

*Classification and measurement*

IFRS 9 requires financial assets to be classified into one of three measurement categories, fair value through profit or loss, fair value through other comprehensive income or amortised cost.

Financial assets will be measured at amortised cost if they are held within a business model the objective of which is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest. Financial assets will be measured at fair value through other comprehensive income if they are held within a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest. Financial assets not meeting either of these two business models; and all equity instruments (unless designated at inception to fair value through other comprehensive income); and all derivatives are measured at fair value through profit or loss.

An entity may, at initial recognition, designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.



**1 Accounting policies (continued)**

*Impairment*

IFRS 9 replaces the existing 'incurred loss' impairment approach with an expected credit loss ('ECL') model resulting in earlier recognition of credit losses compared with IAS 39. The ECL model has three stages. Entities are required to recognise a 12 month expected loss allowance on initial recognition (stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk since initial recognition (stage 2). Stage 3 requires objective evidence that an asset is credit-impaired, which is similar to the guidance on incurred losses in IAS 39.

*Impact on the financial statements*

The Company has conducted an analysis of these changes and does not consider there to be any significant impact of applying IFRS 9 to the financial statements.

*Expected credit losses*

IFRS 9 introduces a new model for the recognition of impairment losses - the expected credit losses (ECL) model. The ECL model constitutes a change from the guidance in IAS 39 and seeks to address the criticisms of the incurred loss model which arose during the economic crisis. In practice, the new rules mean that entities will have to record a day 1 loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). IFRS 9 contains a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

*Interest income and interest expense and similar charges*

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

*Other receivables*

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

*Cash and cash equivalents*

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

*Other payables*

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

## 1 Accounting policies (*continued*)

### *Taxation*

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

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

### *Critical accounting judgements and key sources of estimation uncertainty*

The preparation of financial statements in conformity with the company 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

A key source of estimation uncertainty exists over amounts due from group undertakings due to allowances for future expected credit losses that may be incurred. These losses may be increased by further structural issues in the retail sector or a UK wide recession, therefore further reducing amounts recoverable from group undertakings.

#### Critical accounting judgements

Going concern – when preparing the financial statements, management is required to make an assessment of the entity's ability to continue as a going concern and prepare the financial statements on this basis unless it either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so.

As set out in the going concern section below, there are events or conditions that indicate a material uncertainty exists in relation to going concern. After reviewing the most recent projections and having carefully considered the material uncertainty, the directors have formed the judgement that it is appropriate to prepare the financial statements on the going concern basis.

## 2 Interest Income

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Interest receivable on the Loan	20,264,844	20,135,629
	<u>20,264,844</u>	<u>20,135,629</u>

The Loan to The Metrocentre Partnership bears interest at a fixed rate of 4.125% (2018: 4.125%) and is secured by first charges over the Property in Gateshead in the UK.

**3 Interest expense and similar charges**

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Interest payable on the Notes	20,264,844	20,135,629
	<u>20,264,844</u>	<u>20,135,629</u>

The Series 1 notes have been issued at annual interest rate of 4.125% (2018: 4.125%) per annum.

**4 Other operating income**

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

**5 Loss before taxation**

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Loss before taxation is stated after charging:		
Auditor's remuneration - audit services	21,788	22,125

The Company has no employees (2018: none) and no services required are contracted from third parties (2018: none). The directors received no remuneration from the Company in respect of qualifying services rendered during the year (2018: £nil). No amounts were payable to the auditors for non-audit services (2018: Nil).

**6 Tax**

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
<b>a) Analysis of the Company tax charge in the year</b>		
UK corporation tax on the profit for the year at the current tax rate of 19.00% (2018: 19.00%)	190	190
Total charges	<u>190</u>	<u>190</u>

## 6 Tax (continued)

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

The tax charge in the year differs (2018 same) from the rate of corporation tax in the UK of 19.00% (2018: 19.00%).

The difference is explained below:

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
(Loss)/Profit before taxation	(322,543,734)	1,000
Expected tax (charge)/credit at 19.00% (2018: 19.00%)	(61,283,309)	190
Effects of:		
Accounting loss/(profits) not taxed in accordance with SI 2006/3296	61,283,309	(190)
Cash retained profit taxed in accordance with SI 2006/3296	190	190
Total tax charge	190	190

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

## 7 Loan

The Loan to The Metrocentre Partnership bears interest at a fixed rate of 4.125 per cent and is secured by first charges over the Property in Gateshead in the UK. The Loan amount has been stated at the net of £322,545,136 loss allowance for expected credit loss.

	31 December 2019 £	31 December 2018 £
Loan amount carried at amortised cost	161,132,840	483,412,252

The maturity profile of the Loan at was as follows:

	31 December 2019 £	31 December 2018 £
In more than one year	161,132,840	483,412,252
	161,132,840	483,412,252

The Notes have an expected maturity date of 6 December 2023 and a final maturity date of 6 December 2028 and the Loan will be repaid on the business day prior to the expected or final maturity repayment date of Notes. There has been an increase in expected credit losses in the year due to ongoing structural issues within the retail sector which have led to a deterioration in the results of certain intu group entities and the Intu properties plc group as a whole. As a result, a loss allowance of £322,545,136 has been recognised in the current year while £nil expected credit loss was recognised in previous years.

**8 Trade and other receivables**

	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>£</b>	<b>£</b>
Other receivables	21,848	29,157
Accrued interest on the Loan	1,366,547	1,373,677
Prepayments	27,860	22,752
	<b><u>1,416,255</u></b>	<b><u>1,425,586</u></b>

**9 Issued share capital**

	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>£</b>	<b>£</b>
Issued, called up and allotted		
49,999 Ordinary shares of £1 each: 25 pence called and paid	12,500	12,500
1 Ordinary shares of £1 each: 1 fully paid	1	1
	<b><u>12,501</u></b>	<b><u>12,501</u></b>

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

**10 (Accumulated Losses)/Retained Earnings**

	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>£</b>	<b>£</b>
Opening balance	5,617	4,807
(Loss)/Profit for the financial year	(322,543,924)	810
Closing balance	<b><u>(322,538,307)</u></b>	<b><u>5,617</u></b>

The directors do not recommend the payment of a dividend (2018: £nil).

**11 Trade and other payables**

	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year</b>		
Other payables	49,708	49,302
Accruals and deferred income	1,366,547	1,373,677
	<b><u>1,416,255</u></b>	<b><u>1,422,979</u></b>

The tax charge for the current year was £190 (2018: £190), as per note 6.

## 12 Borrowings

	31 December 2019	31 December 2018
	£	£
<b>Notes</b>		
Series 1	<u>483,677,976</u>	<u>483,412,252</u>

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

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

## 13 Financial instruments

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

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

### Credit risk

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

	Carrying Value	Maximum Exposure
	31 December 2019	31 December 2019
	£	£
<b>Assets</b>		
Loan	161,132,840	161,132,840
Other debtors	21,848	21,848
Accrued Interest	<u>1,366,547</u>	<u>1,366,547</u>
	<u>162,521,235</u>	<u>162,521,235</u>

### 13 Financial instruments (continued)

#### Credit risk (continued)

	Carrying Value 31 December 2018 £	Maximum Exposure 31 December 2018 £
<b>Assets</b>		
Loan	483,412,252	483,412,252
Other debtors	29,157	29,157
Accrued Interest	1,373,677	1,373,677
	<u>484,815,086</u>	<u>484,815,086</u>

Maximum Exposure for 31 December 2018 have been restated due to no impairment losses have been recognised and due to the nature of the financial assets.

The table below sets out the carrying amount, impairment and the fair value of the collateral held against the credit risk exposures to the Loan. The estimate of the fair value of the collateral is based on a recent valuation performed on 31 December 2019.

31 December 2019	Gross Carrying Value £	Impairment £	Fair value of Collateral £
<b>Loan</b>			
Individually impaired	-	-	-
Past due but not impaired	-	-	-
Not past due but impaired	483,677,976	322,545,136	672,800,000
	<u>483,677,976</u>	<u>322,545,136</u>	<u>672,800,000</u>
31 December 2018	Gross Carrying Value £	Impairment £	Fair value of Collateral £
<b>Loan</b>			
Individually impaired	-	-	-
Past due but not impaired	-	-	-
Neither past due nor impaired	483,412,252	-	838,300,000
	<u>483,412,252</u>	<u>-</u>	<u>838,300,000</u>

The Loan is secured by first charge over the Property in the UK. Impairment to date has been £322,545,136 (2018: nil).

### 13 Financial instruments (*continued*)

#### Market risk

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

	31 December 2019 £	31 December 2018 £	Rate
Loan	161,132,840	483,412,252	4.1250%
Notes	(483,677,976)	(483,412,252)	4.1250%

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

#### Liquidity risk

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

As at 31 December 2019	Carrying value £	Gross cash flow £	In less than 1 month £	After 1 month but within 3 months £	After 3 months but within 1 year £	After 1 year but within 5 year £	After 5 years £
Notes	483,677,976	485,000,000	-	-	-	-	485,000,000
Interest payable on Notes	1,366,547	140,043,750	-	-	20,006,250	80,025,000	40,012,500
<b>Total</b>	<b>485,044,523</b>	<b>625,043,750</b>	<b>-</b>	<b>-</b>	<b>20,006,250</b>	<b>80,025,000</b>	<b>525,012,500</b>

As at 31 December 2018	Carrying value £	Gross cash flow £	In less than 1 month £	After 1 month but within 3 months £	After 3 months but within 1 year £	After 1 year but within 5 year £	After 5 years £
Notes	483,412,252	485,000,000	-	-	-	-	485,000,000
Interest payable on Notes	1,373,677	130,040,625	-	-	20,006,250	80,025,000	30,009,375
<b>Total</b>	<b>484,875,929</b>	<b>615,040,625</b>	<b>-</b>	<b>-</b>	<b>20,006,250</b>	<b>80,025,000</b>	<b>515,009,375</b>



### 13 Financial instruments (*continued*)

#### Fair value of financial assets and liabilities

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

	31 December 2019 Book value £	31 December 2019 Fair value £	31 December 2018 Book value £	31 December 2018 Fair value £
<b>Assets</b>				
Loan	161,132,840	444,255,150	483,412,252	494,399,300
	<u>161,132,840</u>	<u>444,255,150</u>	<u>483,412,252</u>	<u>494,399,300</u>
<b>Liabilities</b>				
Notes	483,677,976	444,255,150	483,412,252	494,399,300
	<u>483,677,976</u>	<u>444,255,150</u>	<u>483,412,252</u>	<u>494,399,300</u>

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

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

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

#### Capital management

The Company considers its capital to comprise its ordinary share capital and its accumulated retained earnings. There have been no changes in what the Company considers to be its capital since the previous year. The Company is not subject to any external capital requirements, except for the minimum requirement under the Companies Act 2006. The Company has not breached this minimum requirement.

**14 Cash generated from operations**

	<b>31 December 2019 £</b>	<b>31 December 2018 £</b>
(Loss)/Profit on ordinary activities before taxation	(322,543,734)	1,000
Expected credit losses on Loan	322,545,136	-
Interest income	(20,264,844)	(20,135,629)
Interest expense	20,264,844	20,135,629
Changes in working capital:		
(Increase)/Decrease in debtors	9,331	(5,657)
(Decrease)/increase in creditors	<u>(6,724)</u>	<u>(950)</u>
Net cash (used in)/generated from operations	<u>4,009</u>	<u>(5,607)</u>

**15 Ultimate Controlling party**

The entire issued capital of the Company is held by Intertrust Corporate Services Limited on a discretionary trust basis for the benefit of certain charities. Intertrust Corporate Services Limited is a wholly owned subsidiary of Intertrust Management Limited. Copies of the financial statements of Intertrust Corporate Services Limited may be obtained from 1 Bartholomew Lane, London, EC2N 2AX.

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

**16 Related party transactions**

During the year fees of £30,765 (2018: £37,703) were paid to Intertrust Management Limited in respect of corporate services provided to the Company including the provision of directors.

Intertrust Corporate Services Limited is a wholly owned subsidiary of Intertrust Management Limited.

The carrying value of Loan on the balance sheet amounting to £161,132,840 (2018: £483,412,252), interest on Loan on the balance sheet amounting to £1,366,547 (2018: £1,373,677) and other receivables on the balance sheet amounting to £26,623 (2018: £26,550) is due from The Metrocentre Partnership. During the year interest received on the Loan amounted to £20,006,250 (2018: £20,006,250). Other operating income amounting to £248,733 (2018: £247,213) were received from The Metrocentre Partnership.

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

**17 Events occurring after the reporting date**

In Q1 2020, the existence of a global virus outbreak known as Covid-19 was confirmed. Non-essential retail at the Intu Metrocentre shopping centre closed between 24 March and the 15 June 2020 in order to comply with measures put in place by the UK Government to limit virus transmissions. From 15 June 2020 non-essential stores have begun to trade and from 4 July 2020 catering has begun to re-open, with the opening of leisure facilities permitted from 25 July 2020.

Rents received from tenants at the Intu Metrocentre shopping centre for the quarter beginning 25 March 2020 were significantly reduced, with collections at 10 July 2020 totalling 39 per cent. Management are in discussions with customers on the outstanding rents but at this time it is unclear whether these rents will be fully recovered at a later date. Rents received from tenants for the quarter beginning 25 June 2020 were 21 per cent as at 10 July 2020.

**17 Events occurring after the reporting date (*continued*)**

The directors continue to monitor the collection of rents and ongoing reviews of cash projections are conducted.

On 26 June 2020, following unsuccessful negotiations for a group-wide standstill with lenders to group entities and a resulting inability to agree a standstill with its lenders, intu properties plc (the ultimate parent company of the Company), along with certain intu group entities that provide asset and facilities management services to the Intu Metrocentre shopping centre, entered administration.

To enable continued uninterrupted delivery of asset and facilities management services to the Intu Metrocentre shopping centre from the date of intu properties plc's administration, the Borrower has entered into a 6-month Transitional Services Arrangement (TSA) with Intu Retail Services Limited (in administration). As part of the TSA, the Borrower is required to pre-fund costs two months in advance to the service providers prior to the delivery of services as well as the settlement of existing arrears.

The latest independent property valuation for the Metrocentre shopping centre as at 30 June 2020 shows a decrease of 21 per cent in market value against the December 2019 position.