Company Number: 08351883

Intu (SGS) Finance Plc

Annual report and financial statements

For the year ended 31 December 2019

Contents **Page:**

Officers and professional advisers	1
Strategic report	2
Directors' report	6
Independent auditor report	8
Statement of comprehensive income	16
Statement of financial position	17
Statement of changes in equity	18
Cash flow statement	19
Notes forming part of the financial statements	20

Officers and professional advisers

Directors

Intertrust Directors 1 Limited
Intertrust Directors 2 Limited
Sue Abrahams

Company secretary and registered office

Intertrust Corporate Services Limited
1 Bartholomew Lane,
London
EC2N 2AX

Company number

08351883
(England and Wales)

Independent auditor

Deloitte LLP
1 New Street Square
London
EC4A 3HQ

Strategic report for the year ended 31 December 2019

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

Principal activities and business review

The Company was incorporated on 8 January 2013 as a special purpose company to raise funding under a secured notes programme of a maximum aggregate principal amount of £5,000,000,000 (the "Programme").

To date, three tranches of notes have been issued. The series 1 secured fixed rate notes were issued on 19 March 2013 in an amount of £450,000,000 at a discounted rate of 99.158 per cent, with an annual interest rate of 3.875 per cent and an expected maturity date of 17 March 2023 and a final maturity date of 17 March 2028 (the "Series 1 Notes"). The series 2 secured fixed rate notes were issued on 19 March 2013 in an amount of £350,000,000 at a discounted rate of 99.412 per cent, with an annual interest rate of 4.625 per cent and an expected maturity date of 17 March 2028 and final maturity date of 17 March 2033 (the "Series 2 Notes"). The series 3 secured fixed rate notes were issued on 13 November 2014 in an amount of £350,000,000 at a discounted rate of 99.491 per cent, with an annual interest rate of 4.250 per cent and an expected maturity date of 17 September 2030 and final maturity date of 17 September 2035 (the "Series 3 Notes") (together the "Notes").

The Company advanced the proceeds of the Notes in the form of secured loans (the "Loans") to Intu (SGS) Finco Limited (the "Borrower") under the terms of an intercompany loan agreement. The Loans made to the Borrower have each been used by the Borrower for general corporate purposes. Both the Company's and the Borrower's financial statements are consolidated by Intu properties plc.

The Loans have been secured over a portfolio of five properties (2018: five properties) (the "Property") 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 8 March 2013 for Series 1 and Series 2 and for Series 3 prospectus issued on 6 November 2014). Charter Place was included to the structure in the current year while Derby was removed. The removal of Derby, inclusion of Charter Place and the structural shift in the retail sector over the last two years, with internet sales affecting mid-market fashion retailers, the principal tenants within intu's centres have resulted the significant decline in the market value. On 31 December 2019 the market value of the Property was £1,803,900,000 (2018: £2,597,200,000) and this decrease was primarily due to the structural shift. The interest rate and principal redemption schedule of the Loans are exactly the same as that of the Notes. The Loans will be repaid one business day prior to the expected or final maturity date of the Notes. After applying the accounting policies set out in note 1 to the financial statements, the carrying value of the Loans held by the Company at 31 December 2019 amounted to £1,085,478,127 (2018: £1,144,074,272), after recognising expected credit loss of £59,035,472. The notional balance of both at the balance sheet date remains at £1,150,000,000 (2018: £1,150,000,000). The Company's obligation to pay interest and principal on the Notes is to be met primarily from payments of interest and principal received from the Borrower. The Notes are listed on the Euronext Dublin.

The Directors do not anticipate any other changes to the present level of activity, or the nature of, the Company's business in the near future.

In early 2020 a new coronavirus ("COVID-19") outbreak was declared a pandemic by the World Health Organisation. COVID-19 has caused global disruption to businesses and economic activity which has been reflected in recent fluctuations in global equity and bond markets. The directors continue to monitor the recent COVID-19 outbreak, which has potential to impact portfolio performance in 2020 as some customers may not be able to meet contractual payments due to unemployment or other factors caused as a result of COVID-19.

Potential interest shortfalls on the Notes can be mitigated by drawing from the liquidity reserve fund, which can also be used to pay expenses classed as senior expenses by the Transaction Documentation. The Company is also able to use principal receipts to mitigate interest shortfalls on the Notes and senior expenses.

As these are early days, it is difficult to ascertain the full economic effect COVID-19 will have on the financial results of the company. Management have used the latest market information available to them to predict any impacts and have adjusted the financials accordingly.

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 in intu's centres closed between 24 March and the 15 June 2020 in order to comply with measures put in place by the UK Government to limit virus transmissions. 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 intu Braehead, intu Lakeside, intu Watford and the Victoria Centre, Nottingham (collectively the "Property Assets") for the quarter beginning 25 March 2020 were significantly reduced, with collections at 10 July 2020 averaging 42 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 at the Property Assets for the quarter beginning 25 June 2020 averaged 18 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. Independent valuations for the Property Assets as at 30 June 2020 show an average decrease of 28 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 secured against the Property Assets. Since the reporting date, the decrease in property values has caused the loan-to-value ratio on the Company's borrowings to exceed the level required by this covenant test as at 30 June 2020. Further detail is provided within 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 intu shopping centres, including the Property Assets, entered administration.

To enable continued uninterrupted delivery of asset and facilities management services to the Property Assets from the date of intu properties plc's administration, the intu group entities which hold the Property Assets (the "Property Companies") have entered into 6-month Transitional Services Arrangements (TSAs) with Intu Retail Services Limited (in administration). As part of the TSA, the Property Companies are 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.

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 third party debt and also secured on the assets and cash held within a debt service account) (the "LTV"), loss for the year, carrying value of the Loans and the rating of the Notes.

At 31 December 2019, the weighted average indexed LTV was 70% and at 31 December 2018 the weighted average indexed LTV was 57%. This percentage figure is considered to be the directors' best estimate of current LTV level. The carrying value of the Loans amounted to £1,085,478,127 (2018: £1,144,074,272). The Notes continue to have a Standard & Poor's rating of "A" and there have been no trigger events to date. Impairment losses were recognised during the year was £59,035,472 (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 Loans 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 Loans, 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 Loans to the Borrower, secured by first charges over the property in the UK. Although the Loans are secured by first charges, the Company considered the evaluation of the Borrower's ability to service Loans to be the principal factor in assessing the credit risk and the decision to lend.

As noted above the Loans are secured on the Property which was valued as at 31 December 2019 at a market value of £1,803,900,000 (2018: £2,597,200,000), and this decrease was primarily due to the structural shift. 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 which 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 £59,035,472 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 agreements.

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 Loans. If not otherwise redeemed on the expected maturity date or purchased and cancelled the Notes will be redeemed at their principal amount outstanding on the interest payment date falling on 17 March 2028 for the Series 1 Notes, 17 March 2033 for the Series 2 Notes and 17 September 2035 for Series 3.

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 Loans 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.

On behalf of the board

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

28 July 2020

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
Sue 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.

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 (SGS) FINANCE PLC

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Intu (SGS) 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 £1,144.5 million and is part of the SGS debt structure which also includes intu (SGS) Finco Limited where there are back-to-back agreements resulting in an intercompany receivable with the same terms and same value as the loan notes. These loan notes are secured against a number of intu property shopping centres (the Property Assets).

On 26 June 2020, following unsuccessful negotiations for a intu properties plc group-wide standstill with its lenders, intu properties plc (the ultimate parent party 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 group's assets from the date of intu properties plc's administration, intu Retail Services Limited (in administration) 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.

Risk area
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 in respect of SGS debt structure. At the calculation date, the loan to value ratio has exceeded the covenant threshold. There is further risk that the interest cover ratio is in breach at the 30 June 2020 calculation date and that both covenants are breached at the 31 December 2020 calculation date. In the event of breach, the lenders can enforce their security. Funds currently inaccessible in a debt service account will need to be unlocked in order to provide sufficient liquidity for the Company to meet its obligations as they fall due. Additionally the Company will need to seek interest deferrals. Both the release of cash and 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, the rest of the SGS debt structure and the Property Asset companies may change and is therefore unknown. There could be forced sales of the Property Assets, at a significant discount to the 31 December 2019 market value, which would then provide insufficient funds to the Property Asset companies to cover amounts as they fall due to the SGS debt structure. *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 Property Assets. 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 Property Assets 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 Property Asset companies to cover the repayment of amounts as they fall due to the SGS debt structure. This would lead to the Company having insufficient funds to repay its debt as it falls due.

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 inspected the draft amendments which, if agreed, would waive covenant breaches, allow the deferral of interest payments and release currently restricted cash.
- 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.

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

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 • Estimated 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.
Materiality	The materiality that we used in the current year was £10.9 million which was determined on the basis of 1% of total assets.
Scoping	One audit team, led by the Senior Statutory Auditor, audits the Company.

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

Key audit matter description	An expected credit loss (ECL) of £59.0 million has been recognised on the intercompany loan receivable of £1,085.4 million in the current year (2018: £0 and £1,144.0 million). An ECL is the lifetime expected loss due to potential default events, e.g. non-payment, over the life of a financial instrument. The underlying property companies within the intu properties plc (the ultimate parent company) group are funded in part through intercompany loan agreements. 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. 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. Please see note 1 for key source of estimation uncertainty and note 7.
How the scope of our audit responded to the key audit matter	We have: • Assessed management's ECL methodology and determined whether this is in accordance with IFRS 9 *Financial Instruments*; • Recalculated the ECL based on management's ECL methodology; and • Evaluated the disclosures included within the accounts pertaining to the expected credit loss allowance on loan receivables.
Key observations	We conclude that the calculation of the expected credit loss allowance on loan receivables is appropriate.

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:

Materiality	£10.9 million (2018: £11.6 million was used by the previous auditors)
Basis for determining materiality	1% of total assets (2018: 1% of total assets)
Rationale for the benchmark applied	The users would take interest in the total assets balance of intu (SGS) Finance Limited 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 £550,000 (2018: £579,109), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Directors 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. 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 and identified the greatest potential for fraud in the following areas. 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.

Stephen Craig, 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	48,861,172	49,229,868
Interest expense and similar charges	3	(48,861,172)	(49,229,868)
Net interest income		-	-
Other operating income	4	91,722	136,906
Other operating charges		(90,521)	(135,718)
Expected credit losses on Loan	7	(59,035,472)	-
(Loss)/Profit before taxation	5	(59,034,271)	1,188
Tax	6	(188)	(190)
(Loss)/Profit for the financial year	10	(59,034,459)	998
Other comprehensive income		-	-
Total comprehensive (Loss)/Income for the financial year		(59,034,459)	998

All amounts relate to continuing activities.

The accompanying notes on pages 20 to 32 are an integral part of these financial statements.

Statement of financial position as at 31 December 2019

	Note	31 December 2019 £	31 December 2018 £
ASSETS			
Non-current assets			
Loans	7	1,085,478,127	1,144,074,272
Total non-current assets		1,085,478,127	1,144,074,272
Current assets			
Trade and other receivables	8	14,045,426	14,126,979
Cash and cash equivalents		19,500	17,489
Total current assets		14,064,926	14,144,468
Total assets		1,099,543,053	1,158,218,740
LIABILITIES			
Non-current liabilities			
Borrowings	12	1,144,513,599	1,144,074,272
Total Non-current liabilities		1,144,513,599	1,144,074,272
Current liabilities			
Trade and other payables	11	14,045,301	14,125,854
Current tax liabilities		190	192
Total Current liabilities		14,045,491	14,126,046
Total liabilities		1,158,559,090	1,158,200,318
Net (liabilities)/assets		(59,016,037)	18,422
Equity			
Issued share capital	9	12,501	12,501
(Accumulated losses)/Retained Earnings	10	(59,028,538)	5,921
Total Equity		(59,016,037)	18,422

The accompanying notes on pages 20 to 32 are an integral part of these financial statements.

The financial statements on pages 16 to 32 were approved and authorised for issue by the Board 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

	Issued share capital	Retained Earnings/(Accumulated losses)	Total Equity
	£	£	£
Balance as at 31 December 2017	**12,501**	**4,923**	**17,424**
Profit and total comprehensive income for the financial year	-	998	998
Balance as at 31 December 2018	**12,501**	**5,921**	**18,422**
Loss and total comprehensive loss for the financial year	-	(59,034,459)	(59,034,459)
Balance as at 31 December 2019	**12,501**	**(59,028,538)**	**(59,016,037)**

The accompanying notes on pages 20 to 32 are an integral part of these financial statements.

Cash flow statement for the year ended 31 December 2019

	Note	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Cash generated from operations	14	2,201	187
Tax paid		(190)	(192)
Cash flows (outflow)/inflow from operating activities		2,011	(5)
Cash flow from investing activities			
Interest received on loans		48,500,000	48,500,000
Interest received on bank balances		-	-
Net cash inflow from investing activities		48,500,000	48,500,000
Cash flows from financing activities			
Interest paid on notes		(48,500,000)	(48,500,000)
Net cash outflow from financing activities		**(48,500,000)**	**(48,500,000)**
Net cash increase/(decrease) in cash and cash equivalents		**2,011**	**(5)**
Cash and cash equivalents at the start of the year		**17,489**	**17,494**
Cash and cash equivalents at the end of the year		**19,500**	**17,489**

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

1 Accounting policies

General information

Intu (SGS) Finance Plc (the "Company") is a public company with limited liability, was incorporated in the United Kingdom on 8 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 certain intu group shopping centres (the "Property Assets"). The proceeds from these loan notes have been provided to Intu (SGS) Finco Ltd (the "Borrower") under the terms of an intercompany loan agreement. The Borrower has in turn provided funding to fellow intu group companies, including those that hold the Property Assets (the "Property Companies"), in the form of unsecured loans.

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 intu shopping centres, including the Property Assets, entered administration.

To enable continued uninterrupted delivery of asset and facilities management services to the Property Assets from the date of intu properties plc's administration, the Property Companies have entered into 6-month Transitional Services Arrangements (TSAs) with Intu Retail Services Limited (in administration). As part of the TSA, the Property Companies are 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 Property Companies 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. As part of this assessment, the directors have noted of the progress of ongoing discussions with the lenders over interest deferrals, trapped cash

1 *Accounting policies (continued)*

Material uncertainty – Going concern (continued)

and covenant waivers as described below, however at the date of these financial statements formal lender consent has not yet been achieved.

Based on the TSA cash flows as discussed above, amounts currently inaccessible in a cash trap account will need to be unlocked in order to enable sufficient liquidity for the Company to meet its obligations as they fall due through the TSA period. In addition to unlocking the trapped cash, the Company will also need to seek to defer interest payments to its lenders. These measures require certain lender consents, which at the date of these financial statements are still to be achieved.

The directors have also considered the impact of financial covenant breaches which could create an event of default in the Company, including the increase in the loan-to-value ratio on the Company's borrowings, which exceeds the level required by the covenant test as at 30 June 2020. Although the lenders have indicated a willingness to waive events of default that occur during the TSA period, at the date of these financial statements these consents have not been formally achieved and the prospect of lender enforcement is therefore outside of the control of the directors.

Beyond the 6-month TSA, the Property Assets will need to transition to alternative asset and facilities management service providers. As part of their contingency planning, the directors of the Property Companies 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 Property Companies. 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 one or more of the Property Assets.

Significant market uncertainty remains regarding the impact of COVID-19 on the operations of the Property Assets. The centres 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 Property Companies, including negative impacts on rent and service charge collection. If the Property Companies were unable to meet their interest payments to the Borrower, this would adversely impact the Borrower's ability to fund its own interest payments to the Company. This would in turn reduce liquidity within the Company and may affect its ability to meet debt service and other obligations as they fall due.

If one or more of the events described in the material uncertainty above occur, this could result in the Company, the Borrower and/or one or more Property Companies entering administration. This could occur as soon as the relevant consents detailed above to unlock cash trap accounts, defer interest payments or waive covenant breaches were not achieved. In these circumstances, it is possible that there could be a period of closure for one or more of the Property Assets 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 Property Companies in their assessments of going concern.

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

1 Accounting policies *(continued)*

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.

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.

1 Accounting policies *(continued)*

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 loans and receivables and interest expense on financial liabilities other than those at fair value through profit and loss 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 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.

Other payables

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

Segmental analysis

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

Taxation

Under the powers conferred by the Finance Act 2005 (the "Act"), 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 Finance Act 2005 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 on Loans 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 Loans	48,861,172	49,229,868
	48,861,172	49,229,868

The Loan to Intu (SGS) Finco Limited bears interest at a fixed rate of 3.875% (2018: 3.875%), 4.625% (2018: 4.625%) and 4.250% (2018: 4.250%) and secured by a first charges over the Property in the UK.

3 Interest expense and similar charges

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Interest payable on the Notes	48,861,172	49,229,868
	48,861,172	49,229,868

The Notes have been issued at a fixed rate of 3.875% (2018: 3.875%), 4.625% (2018: 4.625%) and 4.250% (2018: 4.250) and secured over all the assets of the Company.

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. For the year ended 31 December 2019, other operating income is £1,201 higher (2018: £1,188 higher) than other operating expenses. This is mainly due to the Company's retained profit amount of £1,000 per annum.

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	21,338	22,125

The Company has no employees (2018: none) and services required are contracted from third parties. The directors received no remuneration from the Company in respect of qualifying services rendered during the current 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
a) Analysis of the Company tax charge in the year	**£**	**£**
UK corporation tax on the profit for the year at the current tax rate of 19.00% (2018: 19.00%)	190	190
Prior year tax adjustment	(2)	
	188	190

b) Factors affecting the company tax charge for the current year

The tax assessed for the year is higher (2018: lower) than the standard rate of corporation tax in the UK. A reconciliation of factors affecting the Company tax charge is presented below:

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
(Loss)/Profit before taxation	(59,034,271)	1,188
Expected tax (charge)/credit at 19.00% (2018: 19.00%)	(11,216,511)	226
Effects of:		
Accounting loss/(profits) not taxed in accordance with SI 2006/3296	11,216,511	(226)
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 as specified in the documentation governing the Transaction. 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 Loans

The series 1 loan to Intu (SGS) Finco Limited bears interest at a fixed rate of 3.875 per cent, issued at discounted rate of 99.158 per cent. The series 2 loan issued to Intu (SGS) Finco Limited bears interest at fixed rate of 4.625 per cent, issued at a discounted rate of 99.412 per cent. The series 3 loan issued to Intu (SGS) Finco Limited bears interest at fixed rate of 4.250 per cent, issued at a discounted rate of 99.491 per cent. Loans are secured by first charges over the Property in the United Kingdom.

	31 December 2019 £	31 December 2018 £
Series 1 Loan	448,403,085	448,205,812
Series 2 Loan	348,598,253	348,533,870
Series 3 Loan	347,512,261	347,334,590
Closing gross balance	1,144,513,599	1,144,074,272
Expected credit losses	(59,035,472)	-
Net book value at 31 December 2019	1,085,478,127	1,144,074,272

The maturity profile of the Loans at 31 December 2019 was as follows:

	31 December 2019 £	31 December 2018 £
In more than one year	1,085,478,127	1,144,074,272
	1,085,478,127	1,144,074,272

The Series 1 Notes have an expected maturity date of 17 March 2023 and a final maturity date of 17 March 2028. Series 2 have an expected maturity date of 17 March 2028 and final maturity date of 17 March 2033. Series 3 have an expected maturity date of 17 September 2030 and final maturity date of 17 September 2035. The Loans will be repaid one business day prior to the expected or final maturity date of the 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 £59,035,472 has been recognised in the current year while £nil expected credit loss was recognised in previous years.

8 Trade and other receivables

	31 December 2019 £	31 December 2018 £
Other receivables	55,902	59,300
Accrued interest on the loans	13,989,524	14,067,679
	14,045,426	14,126,979

9 Issued share capital

	31 December 2019 £	31 December 2018 £
Issued, called up and allotted		
49,999 (2018: 49,999) Ordinary shares of £1 each: 25 pence called and paid	12,500	12,500
1 (2018: 1) Ordinary shares of £1 each: 1 fully paid	1	1
	12,501	12,501

9 Issued share capital (continued)

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

	31 December 2019 £	31 December 2018 £
Opening balance	5,921	4,923
(Loss)/Profit for the financial year	(59,034,459)	998
Closing balance	(59,028,538)	5,921

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

11 Trade and other payables

	31 December 2019 £	31 December 2018 £
Amounts falling due within one year		
Other payables	50,870	52,950
Accruals and deferred income	13,994,431	14,072,904
	14,045,301	14,125,854

12 Borrowings

	31 December 2019 £	31 December 2018 £
Notes		
Series 1	448,403,085	448,205,812
Series 2	348,598,253	348,533,870
Series 3	347,512,261	347,334,590
	1,144,513,599	1,144,074,272

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

The Series 1 Notes bear interest at a fixed rate of 3.875%, issued at a discounted rate of 99.158% with an expected maturity date of 17 March 2023 and a final maturity date of 17 March 2028.

The Series 2 Notes bear interest at fixed rate of 4.625%, issued at a discounted rate of 99.412% with an expected maturity date of 17 March 2028 and final maturity date of 17 March 2033.

The Series 3 Notes bear interest at fixed rate of 4.250%, issued at a discounted rate of 99.491% with an expected maturity date of 17 September 2030 and final maturity date of 17 September 2035.

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.

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 31 December 2019 £	Maximum Exposure 31 December 2019 £	Carrying Value 31 December 2018 £	Maximum Exposure 31 December 2018 £
Assets				
Loans	1,085,478,127	1,085,478,127	1,144,074,272	1,144,074,272
Other receivables	55,902	55,902	59,300	59,300
Accrued Interest	13,989,524	13,989,524	14,067,679	14,067,679
	1,099,523,553	1,099,523,553	1,158,201,251	1,158,201,251

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 Loans. The estimate of the fair value of the collateral at the reporting date is based on a recent valuation performed on 31 December 2019.

31 December 2019	Gross Carrying Value £	Impairment £	Fair value of Collateral £
Loans			
Not past due but impaired	1,144,513,599	59,035,472	1,803,900,000
	1,144,513,599	59,035,472	1,803,900,000

31 December 2018	Gross Carrying Value £	Impairment £	Fair value of Collateral £
Loans			
Neither past due nor impaired	1,144,074,272	-	2,597,200,000
	1,144,074,272	-	2,597,200,000

13 Financial instruments (continued)

Credit risk (continued)

The Loans are secured by a first charge over the Property in the United Kingdom. Impairment to date has been £59,035,472 (2018: £nil). Charter Place was included to the structure in the current year while Derby was removed. The removal of Derby, inclusion of Charter Place and the structural shift in the retail sector over the last two years, with internet sales affecting mid-market fashion retailers, the principal tenants within intu's centres have resulted the significant decline in the MV.

Interest rate risk

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

	31 December 2019 £	31 December 2018 £	Rate
Series 1			
Loan	425,273,882	448,205,812	3.875%
Notes	(448,403,085)	(448,205,812)	3.875%
Series 2			
Loan	330,617,110	348,533,870	4.625%
Notes	(348,598,253)	(348,533,870)	4.625%
Series 3			
Loan	329,587,135	347,334,590	4.250%
Notes	(347,512,261)	(347,334,590)	4.250%

The contractual interest rate on both the Loans and the Notes is set at a fixed rate (see above) for the duration of the respective agreements and as such, gives 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	1,144,513,599	1,150,000,000	-	-	-	-	1,150,000,000
Interest payable on Notes	13,989,524	362,250,000	-	24,250,000	24,250,000	167,843,750	145,906,250
Total	1,158,503,123	1,512,250,000	-	24,250,000	24,250,000	167,843,750	1,295,906,250

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	1,144,074,272	1,150,000,000	-	-	-	-	1,150,000,000
Interest payable on Notes	14,067,679	459,250,000	-	24,250,000	24,250,000	218,250,000	192,500,000
Total	1,158,141,951	1,609,250,000	-	24,250,000	24,250,000	218,250,000	1,342,500,000

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 £
Assets		
Loans	1,085,478,127	1,002,025,500
	1,085,478,127	1,002,025,500
Liabilities		
Notes	1,144,513,599	1,002,025,500
	1,144,513,599	1,002,025,500

	31 December 2018 Book value £	31 December 2018 Fair value £
Assets		
Loans	1,144,074,272	1,162,792,500
	1,144,074,272	1,162,792,500
Liabilities		
Notes	1,144,074,272	1,162,792,500
	1,144,074,272	1,162,792,500

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 Loans are performing, therefore the fair value of the Loans 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 the Loans 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

	2019	2018
	£	£
(Loss)/Profit before taxation	(59,034,271)	1,188
Expected credit losses on Loans	59,035,472	-
Interest income	(48,861,172)	(49,229,868)
Interest expense	48,861,172	49,229,868
Changes in working capital		
(Decrease)/Increase in creditors	(80,553)	72,463
(Increase)/Decrease in debtors	81,553	(73,464)
Cash generated from operations	**2,201**	**187**

15 Ultimate controlling party

The entire issued share 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 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 offices at 40 Broadway London SW1H 0BT.

16 Related party transactions

During the year fees of £35,783 (2018: £31,090) were paid to Intertrust Management Limited for the provision of corporate services 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 Loans on the statement of financial position amounting to £1,085,478,127 (2018: £1,144,074,272), accrued interest on Loans on the statement of financial position amounting to £13,989,524 (2018: £14,067,679) and other receivables in statement of financial position amounting to £55,902 (2018: £59,300) is due from Intu (SGS) Finco Limited. During the year interest receivable on Loans amounting to £48,500,000 (2018: £48,500,000) and other operating income amounting to £92,222 (2018: £136,906) were received from Intu (SGS) Finco Limited.

The Intu (SGS) Finco Limited is a wholly owned subsidiary of Intu properties plc.

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 in intu's centres closed between 24 March and the 15 June 2020 in order to comply with measures put in place by the UK Government to limit virus transmissions. 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 Property Assets for the quarter beginning 25 March 2020 were significantly reduced, with collections at 10 July 2020 averaging 42 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 at these centres for the quarter beginning 25 June 2020 averaged 18 per cent as at 10 July 2020.

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

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

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 intu shopping centres, including the Property Assets, entered administration.

To enable continued uninterrupted delivery of asset and facilities management services to the Property Assets from the date of intu properties plc's administration, the Property Companies have entered into 6-month Transitional Services Arrangements (TSAs) with Intu Retail Services Limited (in administration). As part of the TSA, the Property Companies are 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.

Independent valuations of the Property Assets, against which the Company's borrowings are secured, showed a 28 per cent decrease in market value as at 30 June 2020 compared to the position as at 31 December 2019. This decrease has resulted in the loan-to-value ratio on the Company's borrowings exceeding the level required by the covenant test. Although the lenders have indicated a willingness to waive events of default that occur during the TSA period, at the date of these financial statements these consents are still to be formally achieved.