

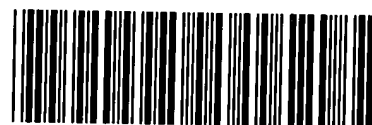
INTU LAKESIDE LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Company number 4144192

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INTU LAKESIDE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors submit their Strategic Report of Intu Lakeside Limited ("the company") for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the company is the ownership, management and development of intu Lakeside shopping centre, Thurrock.

BUSINESS REVIEW

The company's results and financial position for the year ended 31 December 2016 are set out in full in the income statement, balance sheet, statement of changes in equity, statement of cash flows and the notes to the financial statements.

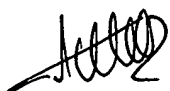
The company's performance during the year reflects a satisfactory rental performance, given the prevailing property market conditions. Net rental income was £56.2 million compared to £54.0 million for the previous year. A revaluation surplus of £28.5 million was recorded during the year (2015 £73.1 million). The company recorded a profit before tax of £64.0 million, compared with £105.6 million for the previous year. Net assets at 31 December 2016 were £539.9 million, an increase of £64.0 million from the 31 December 2015 figure of £475.9 million.

The directors expect the current level of activity to continue into the foreseeable future.

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

As the company is a wholly owned subsidiary of the intu properties plc group, the company faces largely those risks and uncertainties faced by the group. These risks and uncertainties, including financial risks and the management thereof, are disclosed in the group financial statements.

On behalf of the Board



Trevor Pereira
Director
5 June 2017



David Fischel
Director
5 June 2017

INTU LAKESIDE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the audited financial statements of the company for the year ended 31 December 2016.

The company is incorporated and registered in England and Wales (company number 4144192). The company's registered office is 40 Broadway, London, England and Wales, United Kingdom, SW1H 0BT.

DIVIDENDS

The directors do not recommend a dividend for the year (2015 £nil).

CAPITAL MANAGEMENT

The directors consider the capital of the company to be the ordinary share capital of £196.0 million (2015 £196.0 million). Management of this capital is performed at a group level.

INVESTMENT AND DEVELOPMENT PROPERTY

The movements in investment and development property are set out in note 6.

FINANCIAL RISK MANAGEMENT

The company's approach to financial risk management is explained in note 16 to the financial statements.

GOING CONCERN

The directors have assessed the risk that the company is not a going concern and concluded that the going concern assumption is appropriate and prepared the annual report and financial statements on that basis. Further information regarding the adoption of the going concern can be found in note 1 to the financial statements.

DIRECTORS IN THE YEAR

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

Kate Bowyer	resigned 30 September 2016
David Fischel	
Hugh Ford	
Barbara Gibbes	appointed 16 January 2017
Trevor Pereira	
Matthew Roberts	

DIRECTORS' INDEMNITY PROVISION

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

INTU LAKESIDE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

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 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.

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.

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, were appointed during the year and have indicated their willingness to continue in office. Under the provisions of the Companies Act 2006, the company is not required to hold an annual general meeting. Elective Resolutions are in force to dispense with the appointment of auditors annually. The auditors, PricewaterhouseCoopers LLP, will therefore be deemed to be reappointed for each succeeding financial year.

On behalf of the Board



David Fischel
Director
5 June 2017

INTU LAKESIDE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTU LAKESIDE LIMITED

Report on the financial statements

Our opinion

In our opinion, Intu Lakeside Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit and cash flows 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.

What we have audited

The financial statements, included within the Report and financial statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2016;
- the Income Statement for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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 addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

INTU LAKESIDE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTU LAKESIDE LIMITED

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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 no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.


INTU LAKESIDE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTU LAKESIDE LIMITED

What an audit of financial statements involves (continued)

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Ranjan Sriskandan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
5th June 2017

INTU LAKESIDE LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £m	2015 £m
Revenue	2	<u>72.3</u>	<u>71.5</u>
Net rental income	2	56.2	54.0
Revaluation of investment and development property		28.5	73.1
Administration expenses		<u>(2.0)</u>	<u>(2.1)</u>
Operating profit	3	82.7	125.0
Finance costs	4	(17.9)	(19.1)
Finance income		0.1	-
Change in fair value of derivative financial instruments		<u>(0.9)</u>	<u>(0.3)</u>
Profit before tax		64.0	105.6
Taxation	5	<u>-</u>	<u>-</u>
Profit for the year		<u>64.0</u>	<u>105.6</u>

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


INTU LAKESIDE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2016

	Notes	2016 £m	2015 £m
Non-current assets			
Investment and development property	6	1,361.6	1,322.0
Trade and other receivables	7	11.8	10.4
		<u>1,373.4</u>	<u>1,332.4</u>
Current assets			
Trade and other receivables	7	23.0	134.3
Cash and cash equivalents		2.3	2.0
		<u>25.3</u>	<u>136.3</u>
Total assets		<u>1,398.7</u>	<u>1,468.7</u>
Current liabilities			
Trade and other payables	8	(857.6)	(992.5)
Derivative financial instruments	9	(1.2)	(0.3)
		<u>(858.8)</u>	<u>(992.8)</u>
Total liabilities		<u>(858.8)</u>	<u>(992.8)</u>
Net assets		<u>539.9</u>	<u>475.9</u>
Equity			
Share capital	11	196.0	196.0
Retained earnings		<u>343.9</u>	<u>279.9</u>
Total equity		<u>539.9</u>	<u>475.9</u>

The notes on page 11 to 26 form part of these financial statements.

The financial statements on pages 7 to 26 have been approved for issue by the Board of Directors on 5 June 2017 and were signed on its behalf by



Trevor Pereira
Director



David Fischel
Director

INTU LAKESIDE LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital £m	Retained earnings £m	Total equity £m
At 1 January 2015	196.0	174.3	370.3
Profit for the year	-	105.6	105.6
Total comprehensive income for the year	-	105.6	105.6
At 31 December 2015	196.0	279.9	475.9
At 1 January 2016	196.0	279.9	475.9
Profit for the year	-	64.0	64.0
Total comprehensive income for the year	-	64.0	64.0
At 31 December 2016	196.0	343.9	539.9

INTU LAKESIDE LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £m	2015 £m
Cash generated from operations	13	28.6	16.9
Interest and other finance costs paid		(17.9)	(19.1)
Interest received		0.1	-
Cash flows generated from operating activities		<u>10.8</u>	<u>(2.2)</u>
Purchase and development of property		<u>(10.5)</u>	<u>(3.6)</u>
Cash flows generated from investing activities		<u>(10.5)</u>	<u>(3.6)</u>
Cash flows generated from financing activities		<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		0.3	(5.8)
Cash and cash equivalents at 1 January		<u>2.0</u>	<u>7.8</u>
Cash and cash equivalents at 31 December		<u>2.3</u>	<u>2.0</u>

INTU LAKESIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies

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

The financial statements have been prepared under the historical cost convention as modified by the revaluation of properties and derivative financial instruments. A summary of the accounting policies is set out below.

In assessing whether the going concern basis of preparation is appropriate to adopt, the directors considered a number of factors including financial projections of the company and the level of financial support that may be made available to the company by its ultimate parent, intu properties plc. In addition, the directors assessed the risk of group companies related to the company requesting settlement of the balances due to them. Based on this review the directors have concluded that there is a reasonable expectation that the company will have sufficient resources to continue in operational existence for the foreseeable future and have therefore prepared the financial statements on a going concern basis.

The accounting policies used are consistent with those applied in the last annual financial statements, as amended to reflect the adoption of new standards, amendments, and interpretations which became effective in the year. These have not had a material impact on the financial statements, but have resulted in changes to presentation or disclosure.

A number of standards have been issued but are not yet adopted by the EU and so are not available for early adoption. The most significant of these are IFRS 9 Financial Instruments along with related amendments to other IFRSs, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases. Based on the Company's current circumstances, these standards are not expected to have a material impact on the financial statements.

Estimates and assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Where such judgements are made they are included within the accounting policies given below.

INTU LAKESIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

Revenue recognition

The company recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the company.

Rental income receivable is recognised on a straight line basis over the term of the lease. Directly attributable lease incentives are recognised within rental income on the same basis.

Contingent rents, being those lease payments that are not fixed at the inception of a lease, for example increases arising on rent reviews or rents linked to tenant revenues, are recorded as income in the periods in which they are earned. Rent reviews are recognised as income from the date of the rent review, based on management's estimates. Estimates are derived from knowledge of market rents for comparable properties determined on an individual property basis and updated for progress of negotiations.

Service charge income is recognised on an accruals basis in line with the service being provided.

Taxation

Current tax is the amount payable on the taxable income for the year and any adjustment in respect of prior years. It is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Interest income and expense

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

Investment and development property

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

The company has elected to use the fair value model. Property is initially recognised at cost and subsequently revalued at the balance sheet date to fair value as determined by professionally qualified external valuers on the basis of market value. Valuations conform with the Royal Institution of Chartered Surveyors ("RICS") Valuation – Professional Standards 2014.

The main estimates and judgements underlying the valuations are described in note 6.

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

Gains or losses arising from changes in the fair value of investment and development property are recognised in the income statement. Depreciation is not provided in respect of investment and development property.

INTU LAKESIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

Gains or losses arising on the sale of investment and development property are recognised when the significant risks and rewards of ownership have been transferred to the buyer. This will normally take place on exchange of contracts. The gain or loss recognised is the proceeds received less the carrying value of the property and costs directly associated with the sale.

Derivative financial instruments

The company uses derivative financial instruments to manage exposure to interest rate risk. They are initially recognised on the trade date at fair value and subsequently re-measured at fair value. In assessing fair value the company uses its judgement to select suitable valuation techniques and make assumptions which are mainly based on market conditions existing at the balance sheet date. The fair value of interest rate swaps is calculated by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for similar instruments at the measurement date. These values are tested for reasonableness based upon broker or counterparty quotes.

Amounts paid under derivative financial instruments (currently for the company this relates to interest rate swaps), both on obligations as they fall due and on early settlement are recognised in the income statement as finance costs. Fair value movements on revaluation of derivative financial instruments are shown in the income statement through changes in fair value of financial instruments.

Leases

Leases are classified according to the substance of the transaction. A lease that transfers substantially all the risks and rewards of ownership to the lessee is classified as a finance lease. All other leases are normally classified as operating leases.

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

Impairment of assets

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

Trade receivables

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

The directors exercise judgement as to the collectability of the trade receivables and determine if it is appropriate to impair these assets. Factors such as days past due, credit status of the counterparty and historical evidence of collection are considered.

INTU LAKESIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

Cash and cash equivalents

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

Trade payables

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

Current/non-current classification

Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or consumption in, the course of the company's operating cycle. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the company's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non-current liabilities.

Share capital

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

INTU LAKESIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Revenue and net rental income

Revenue arose in the United Kingdom from continuing operations and in the opinion of the directors the company carries on only one class of business.

	2016 £m	2015 £m
Rent receivable	59.5	58.9
Service charge income	12.8	12.6
Revenue	<u>72.3</u>	<u>71.5</u>
Service charge costs	(13.9)	(13.9)
Other non-recoverable costs	<u>(2.2)</u>	<u>(3.6)</u>
Net rental income	<u>56.2</u>	<u>54.0</u>

3. Operating profit

The operating profit for the year ended 31 December 2016 of £82.7 million (2015 £125.0 million) did not include fees in respect of auditors' remuneration of £3,979 (2015 £3,863) in respect of the audit of the financial statements, which was settled on behalf of the company by its ultimate parent company, intu properties plc, and has not been recharged. No non-audit services were provided during the current or prior year.

The directors did not receive or waive any emoluments (2015 £nil) in respect of their services to the company.

There were no employees during the year (2015 none).

4. Finance costs

	2016 £m	2015 £m
On amounts due to group undertakings	<u>17.9</u>	<u>19.1</u>
Finance costs	<u>17.9</u>	<u>19.1</u>

Finance costs of £0.2 million were capitalised in the year ended 31 December 2016 (2015 £nil million).

INTU LAKESIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

5. Taxation

The tax expense for the year is lower (2015 lower) than the standard rate of corporation tax in the UK. The differences are explained below.

	2016 £m	2015 £m
Profit before tax	<u>64.0</u>	<u>105.6</u>
Profit before tax multiplied by the standard rate of tax in the UK of 20% (2015 20.25%)	12.8	21.4
Exempt property rental profits and revaluations in the year	<u>(12.8)</u>	<u>(21.4)</u>
Tax expense	<u>-</u>	<u>-</u>

The company has tax losses of £3.6 million (2015 £3.6 million), but no deferred tax asset has been recognised due to uncertainty over the level of profits that will be available in the non-REIT business of the company in future periods.

6. Investment and development property

	Freehold £m
At 1 January 2015	1,244.2
Additions	4.7
Surplus on revaluation	<u>73.1</u>
At 31 December 2015	<u>1,322.0</u>
At 1 January 2016	1,322.0
Additions	11.1
Surplus on revaluation	<u>28.5</u>
At 31 December 2016	<u>1,361.6</u>
Tenant incentives within trade and other receivables (see note 7)	<u>13.4</u>
Market value	<u>1,375.0</u>

Investment property principally represents the intu Lakeside shopping centre, Thurrock.

INTU LAKESIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

6. Investment and development property (continued)

The company is an obligor under the Secured Group Structure, an intu properties plc group debt funding platform which allows the raising of bond and bank debt secured by its assets. Under the terms of the Secured Group Structure, the company's investment property is secured against the borrowings of the structure.

Investment property is measured at fair value and is categorised as Level 3 in the fair value hierarchy (see note 16 for definition) as one or more inputs to the valuation are partly based on unobservable market data.

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

Valuation methodology

The fair value of the company's investment and development property as at 31 December 2016 was determined by an independent external valuer at that date. The valuations are in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards 2014 and were arrived at by reference to market transactions for similar properties. Fair values for investment properties are calculated using the present value income approach. The main assumptions underlying the valuations are in relation to rent profile and yields as discussed below.

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

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

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

The valuation output, along with inputs and assumptions, are reviewed to ensure these are in line with what a market participant would use when pricing the asset.

A significant change in the nominal equivalent yield in isolation, would result in a significant change in the value of investment and development property. A decrease in nominal equivalent yield of 50 basis points would result in an increase in the total market value of £183.0 million (2015 £178.5 million), while a 50 basis point increase would result in a decrease in the total market value of £149.0 million (2015 £114.6 million).

INTU LAKESIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

6. Investment and development property (continued)

For the company's significant investment and development property, the table below provides details of the 31 December 2016 assumptions used in the valuation and key unobservable inputs:

intu Lakeside	Market value £m	Net initial yield	Nominal equivalent yield	Annual property income £m
At 31 December 2016	1,375.0	3.7%	4.5%	56.9
At 31 December 2015	1,334.0	4.2%	4.7%	59.2

Valuation process

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

7. Trade and other receivables

	2016 £m	2015 £m
Current		
Trade receivables	2.0	2.4
Amounts owed from group undertakings	9.0	125.5
Other receivables	5.5	0.3
Prepayments and accrued income	6.5	6.1
	<u>23.0</u>	<u>134.3</u>
Non-current		
Prepayments and accrued income	<u>11.8</u>	<u>10.4</u>

Included within prepayments and accrued income are tenant incentives of £13.4 million (2015 £12.0 million), of which £1.6 million are classified as current (2015 £1.7 million) and £11.8 million as non-current (2015 £10.4 million).

Amounts owed from group undertakings are unsecured, repayable on demand and non-interest bearing.

INTU LAKESIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

8. Trade and other payables

	2016 £m	2015 £m
Current		
Trade payables	0.3	0.5
Rents received in advance	12.5	13.5
Amounts due to group undertakings	839.6	970.7
Accruals and deferred income	4.1	3.8
Other payables	1.1	1.3
Other taxation and social security	-	2.7
	<u>857.6</u>	<u>992.5</u>

Amounts owed to group undertakings are unsecured and repayable on demand.

Interest on amounts due to group undertakings is charged at rates agreed between the company and the group undertakings.

9. Derivative financial instruments

Derivative financial instruments are all interest rate swaps classified as held for trading (see note 16). The interest rate swaps are with another company within the intu properties plc group, and relate to external borrowings within the Secured Group Structure.

10. Operating leases

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

In the UK the standard shopping centre lease is for a term of 10 to 15 years. Standard lease provisions include service charge payments, recovery of other direct costs and review every five years to market rent. Standard turnover based leases have a turnover percentage agreed with each lessee which is applied to a retail unit's annual sales and any excess between the resulting turnover rent and the minimum rent is receivable by the company.

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

	2016 £m	2015 £m
Not later than one year	46.3	44.6
Later than one year and not later than five years	136.7	126.4
Later than five years	<u>137.1</u>	<u>129.9</u>
	<u>320.1</u>	<u>300.9</u>

INTU LAKESIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

11. Share capital

	2016 £m	2015 £m
Issued, called up and fully paid		
196,044,100 (2015 196,044,100) ordinary shares of £1 each	<u>196.0</u>	<u>196.0</u>

12. Capital commitments

At 31 December 2016, the Board had approved £8.3 million (2015 £14.2 million) of future expenditure for the purchase, construction, development and enhancement of investment property. Of this, £4.6 million (2015 £1.7 million) is contractually committed. Of the £8.3 million, all is expected to be spent in 2017.

13. Cash generated from operations

	2016 £m	2015 £m
Profit before tax	64.0	105.6
Remove:		
Revaluation of investment and development property	(28.5)	(73.1)
Lease incentives and letting costs	(1.8)	0.9
Finance income	(0.1)	-
Finance costs	17.9	19.1
Change in fair value of derivative financial instruments	0.9	0.3
Changes in working capital:		
Change in trade and other receivables	111.7	(54.7)
Change in trade and other payables	<u>(135.5)</u>	<u>18.8</u>
Cash generated from operations	<u>28.6</u>	<u>16.9</u>

INTU LAKESIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

14. Related party transactions

During the year the company entered into the following transactions with other group companies:

	Nature of transaction	2016 £m	2015 £m
Intu (SGS) Finco Limited ¹	Interest payable	18.1	19.1
Intu Retail Services Limited ¹	Facilities management	<u>10.1</u>	<u>10.0</u>

Significant balances outstanding between the company and other group companies are shown below:

	Amounts owed from	
	2016 £m	2015 £m
Intu (SGS) Finco Limited	<u>9.0</u>	<u>125.5</u>
	Amounts owed to	
	2016 £m	2015 £m
Liberty International Group Treasury Limited ¹	292.1	424.1
Intu Lakeside Property Management Limited ¹	0.6	0.6
Intu (SGS) Finco Limited	<u>546.9</u>	<u>546.0</u>

¹ The company's registered office is 40 Broadway, London, England and Wales, United Kingdom, SW1H 0BT.

At 31 December 2016 the company held derivative financial instruments with Intu (SGS) Finco Limited being the counterparty. These financial instruments are presented on the balance sheet as a liability with a fair value of £1.2 million (2015 £0.3 million).

15. Ultimate parent company

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

INTU LAKESIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

16. Financial risk management

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

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

Market risk

Interest rate risk

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

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

It is the group's policy, and often a requirement of the group's lenders, to eliminate substantially all short and medium-term exposure to interest rate fluctuations in order to establish certainty over medium-term cash flows by using floating to fixed interest rate swaps. Such swaps have the economic effect of converting borrowings from floating to fixed rates. As a consequence, the company is exposed to market price risk in respect of the fair value of its fixed rate interest rate swaps, as discussed in the financial review.

As at 31 December 2016 there are no non-intu group borrowings or non-intu group derivative financial instruments (31 December 2015 £nil). Interest on amounts due to group undertakings is charged at rates agreed between the company and the group undertakings.

INTU LAKESIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

16. Financial risk management (continued)

Liquidity risk

Liquidity risk is managed to ensure that the company is able to meet future payment obligations when financial liabilities fall due. Liquidity analysis is conducted to ensure that sufficient headroom is available to meet the operational requirements and committed investments. The group treasury policy aims to meet this objective through maintaining adequate cash, marketable securities and committed facilities to meet these requirements. The group's policy is to seek to optimise its exposure to liquidity risk by balancing its exposure to interest rate risk and to refinancing risk. In effect the group seeks to borrow for as long as possible at the lowest acceptable cost.

The tables below set out the maturity analysis of the company's financial liabilities based on the undiscounted contractual obligations to make payments of interest and to repay principal. Where interest payment obligations are based on a floating rate the rates used are those implied by the par yield curve.

					2016
	Within 1 year or on demand £m	1-2 years £m	3-5 years £m	over 5 years £m	Total £m
Amounts due to group undertaking	(839.6)	-	-	-	(839.6)
Other financial liabilities	(1.4)	-	-	-	(1.4)
Derivatives payments	(1.5)	(0.5)	-	-	(2.0)
Derivative receipts	0.6	0.2	-	-	0.8
	<u>(841.9)</u>	<u>(0.3)</u>	<u>-</u>	<u>-</u>	<u>(842.2)</u>
					2015
	Within 1 year or on demand £m	1-2 years £m	3-5 years £m	over 5 years £m	Total £m
Amounts due to group undertaking	(970.7)	-	-	-	(970.7)
Other financial liabilities	(1.8)	-	-	-	(1.8)
Derivatives payments	(3.7)	(3.6)	(1.2)	-	(8.5)
Derivative receipts	2.3	3.8	1.5	-	7.6
	<u>(973.9)</u>	<u>0.2</u>	<u>0.3</u>	<u>-</u>	<u>973.4</u>

INTU LAKESIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

16. Financial risk management (continued)

Credit risk

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

Credit risk associated with trade receivables is actively managed; tenants are managed individually by asset managers, who continuously monitor and work with tenants, anticipating and, wherever possible, identifying and addressing risks prior to default.

Prospective tenants are assessed via a review process, including obtaining credit ratings and reviewing financial information which is conducted internally. As a result deposits or guarantors may be obtained. The amount of deposits held as collateral at 31 December 2016 is £0.6 million (2015 £0.5 million).

Due to the nature of tenants being managed individually by asset managers, it is company policy to calculate any impairment specifically on each contract.

The ageing analysis of these trade receivables is as follows:

	2016 £m	2015 £m
Up to three months	1.5	2.0
Three to six months	0.5	0.4
Trade receivables	2.0	2.4

At 31 December 2016 trade receivables are shown net of provisions totalling £0.6 million (2015 £0.4 million).

The credit risk relating to cash, deposits and derivative financial instruments is actively managed centrally by intu properties plc, the ultimate parent. Relationships are maintained with a number of tier one institutional counterparties, ensuring compliance with intu properties plc company policy relating to limits on the credit ratings of counterparties (between BBB+ and AAA).

Excessive credit risk is avoided through adhering to authorised limits for all counterparties.

INTU LAKESIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

16. Financial risk management (continued)

Classification of financial assets and liabilities

The table below sets out the company's accounting classification of each class of financial assets and liabilities, and their fair values at 31 December 2016 and 31 December 2015. The fair values of derivative financial instruments are determined from observable market prices or estimated using appropriate yield curves at 31 December each year by discounting the future contractual cash flows to the net present values.

	Carrying value £m	Fair value £m	Loss to income statement £m
2016			
Trade and other receivables	16.5	16.5	-
Cash and cash equivalents	2.3	2.3	-
Total cash and receivables	<u>18.8</u>	<u>18.8</u>	<u>-</u>
Derivative financial instruments	(1.2)	(1.2)	(0.9)
Total held for trading liabilities	<u>(1.2)</u>	<u>(1.2)</u>	<u>(0.9)</u>
Trade and other payables	(841.0)	(841.0)	-
Total loans and payables	<u>(841.0)</u>	<u>(841.0)</u>	<u>-</u>
	Carrying value £m	Fair value £m	Loss to income statement £m
2015			
Trade and other receivables	128.2	128.2	-
Cash and cash equivalents	2.0	2.0	-
Total cash and receivables	<u>130.2</u>	<u>130.2</u>	<u>-</u>
Derivative financial instruments	(0.3)	(0.3)	(0.3)
Total held for trading liabilities	<u>(0.3)</u>	<u>(0.3)</u>	<u>(0.3)</u>
Trade and other payables	(972.5)	(972.5)	-
Total loans and payables	<u>(972.5)</u>	<u>(972.5)</u>	<u>-</u>

INTU LAKESIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

16. Financial risk management (continued)

The only financial assets and liabilities of the company recognised at fair value are derivative financial instruments. These are all held at fair value through profit or loss and are categorised as level 2 in the fair value hierarchy as explained below.

Fair value hierarchy

Level 1: valuation based on quoted market prices traded in active markets.

Level 2: valuation techniques are used, maximising the use of observable market data, either directly from market prices or derived from market prices.

Level 3: where one or more inputs to valuation are not based on observable market data. Valuations at this level are more subjective and therefore more closely managed, including sensitivity analysis of inputs to valuation models. Such testing has not indicated that any material difference would arise due to a change in input variables.