Company Registration No. 5503289

INTU ELDON SQUARE LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

INTU ELDON SQUARE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors submit their Strategic Report of Intu Eldon Square Limited ('the company') for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES
The principal activity of the company is the holding of investment properties.

BUSINESS REVIEW
The company's results and financial position for the year ended 31 December 2018 are set out in full in the income statement, the balance sheet, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

Net rental income was £17.2 million compared to £12.0 million for the previous year. A revaluation deficit of £31.5 million was recorded during the year (2017: revaluation surplus of £1.6 million).

The company recorded a loss before tax of £14.3 million compared with a profit of £14.1 million for the previous year. Net assets at 31 December 2018 were £116.1 million, a decrease of £14.3 million from the 31 December 2017 figure of £130.4 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.

By order of the Board

Signed for and on behalf of
Intu Secretariat Limited
Secretary
19 September 2019

The directors present their report and the audited financial statements of the company for the year ended 31 December 2018.

The company is incorporated and registered in England and Wales (company number 5503289). The company's registered office is 40 Broadway, London, SW1H 0BT.

DIVIDENDS
The directors do not recommend a dividend for the year (2017 £nil).

FINANCIAL RISK MANAGEMENT
The company's approach to financial risk management is explained in note 11 to the financial statements.

CAPITAL MANAGEMENT
The directors consider the capital of the company to be the ordinary share capital of £78.3 million (2017 £78.3 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 7.

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
The directors who held office during the year and until the date of this report are given below:

David Fischel	(Resigned 26 April 2019)
Matthew Roberts	
Trevor Pereira	
Barbara Gibbes	(Resigned 16 August 2019)
Sean Crosby	(Appointed 16 August 2019)
Minakshi Kidia	(Appointed 16 August 2019)
Martin Breeden	(Appointed 4 September 2018)
Colin Flinn	(Appointed 4 September 2018)
Kathryn Grant	(Appointed 4 September 2018)
Nick Round	(Appointed 4 September 2018)
Rebecca Ryman	(Appointed 4 September 2018)
Julian Wilkinson	(Appointed 4 September 2018)

DIRECTORS' INDEMNITY PROVISION
A qualifying 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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the 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 these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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

STATEMENT OF 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 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

As previously announced by intu properties plc group, it is proposed that Deloitte LLP will succeed PricewaterhouseCoopers LLP as the auditor of the group including subsidiaries for the financial year commencing 1 January 2019.

By order of the Board

Signed for and on behalf of
Intu Secretariat Limited
Secretary
19 September 2019

Report on the audit of the financial statements

Opinion

In our opinion, Intu Eldon Square Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss 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.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the income statement and statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements..

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

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 auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Mark Pugh (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19 September 2019

INTU ELDON SQUARE LIMITED

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £m	2017 £m
Revenue	2	35.9	37.3
Net rental income	2	17.2	12.0
Revaluation of investment and development property	7	(31.5)	1.6
Operating (loss)/profit	3	(14.3)	13.6
Finance costs	4	(0.3)	(0.3)
Finance income	5	0.3	0.8
(Loss)/profit before taxation		(14.3)	14.1
Taxation	6	-	-
(Loss)/profit for the year		(14.3)	14.1

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

INTU ELDON SQUARE LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018 £m	2017 £m
Non-current assets			
Investment and development property	7	200.7	231.1
Trade and other receivables	8	9.5	10.7
		210.2	241.8
Current assets			
Trade and other receivables	8	11.0	10.0
Cash and cash equivalents		0.5	2.0
		11.5	12.0
Total assets		221.7	253.8
Current liabilities			
Trade and other payables	9	(103.6)	(121.4)
Obligations under finance leases	10	(0.3)	(0.3)
		(103.9)	(121.7)
Non-current liabilities			
Obligations under finance leases	10	(1.7)	(1.7)
Total liabilities		(105.6)	(123.4)
Net assets		116.1	130.4
Equity			
Share capital	12	78.3	78.3
Retained earnings		37.8	52.1
Total equity		116.1	130.4

INTU ELDON SQUARE LIMITED

BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2018

The notes on pages 12 to 25 form part of these financial statements.

The financial statements were approved by the Board of directors and authorised for issue on 19 September 2019 and were signed on its behalf by:

Sean Crosby
Director

INTU ELDON SQUARE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital £m	Retained earnings £m	Total equity £m
Balance at 1 January 2017	78.3	38.0	116.3
Profit for the year	-	14.1	14.1
Total comprehensive income for the year	-	14.1	14.1
Balance at 31 December 2017	78.3	52.1	130.4
Balance at 1 January 2018	78.3	52.1	130.4
Loss for the year	-	(14.3)	(14.3)
Total comprehensive income for the year	-	(14.3)	(14.3)
Balance at 31 December 2018	78.3	37.8	116.1

INTU ELDON SQUARE LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £m	2017 £m
Cash flows from operating activities			
Cash (absorbed by)/generated from operations	13	(0.4)	1.0
Interest paid		(0.3)	(0.3)
Interest received		0.3	0.8
Net cash (outflow)/inflow from operating activities		(0.4)	1.5
Investing activities			
Purchase of investment property		(1.1)	(1.8)
Net cash used in investing activities		(1.1)	(1.8)
Net cash used in financing activities		-	-
Net decrease in cash and cash equivalents		(1.5)	(0.3)
Cash and cash equivalents at beginning of year		2.0	2.3
Cash and cash equivalents at end of year		0.5	2.0

1 **Principal 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. 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 the company's immediate parent company, Intu Debentures plc, requesting settlement of the balance due to it. 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.

This is the company's first set of annual financial statements where IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been applied. The impact on the financial statements on adoption of these standards are set out below:

- IFRS 9 Financial Instruments – The standard applies to classification and measurement of financial assets and financial liabilities, impairment provisioning and hedge accounting. The adoption of this standard has not had a material impact on the financial statements.
- IFRS 15 Revenue from Contracts with Customers – The standard is applicable to service charge income and facilities management income, but excludes lease rental income arising from contracts with the Group's tenants. The adoption of this standard has not had a material impact on the financial statements.

A number of standards and amendments to standards have been issued but are not yet effective for the current year. The most significant of these is set out below:

- IFRS 16 Leases (effective 1 January 2019) – This standard requires lessees to recognise a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Depreciation on the right-of-use asset and finance costs on the lease liability will be recognised in the income statement. This standard does not affect the current accounting for rental income earned. The Directors have completed their impact assessment of the standard and do not expect a material impact on the financial statements on adoption.

Significant estimates and judgements
The preparation of financial statements in conformity with the company's accounting policies requires management to make judgements and use 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 estimates.

In particular significant judgement is required in the use of estimates and assumptions in the valuation and accounting for investment property. See investment and development property accounting policy as well as note 7 for details on estimates and assumptions used in the valuation process and sensitivities.

1 Principal accounting policies **(Continued)**

Revenue recognition

Revenue comprises rental income receivable, service charge income and facilities management income.

Rental income receivable is recognised on a straight-line basis over the term of the lease. Directly attributable lease incentives (eg rent free periods or cash contributions for tenant fit out) are recognised within rental income on the same basis as the underlying rental income received.

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

Service charge income and management fee income are recognised on an accruals basis in line with the performance obligations being satisfied.

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 properties

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 – Global Standards 2017.

The main estimates and judgements underlying the valuations are described in note 7.

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.

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.

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.

1 **Principal 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 receivables
Trade receivables are recognised initially at their transaction price and subsequently measured at amortised cost less loss allowance.

When applying a loss allowance, the directors exercise judgement as to the collectibility of 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.

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

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.

Leases
Leases are classified as a finance or operating lease 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.

– Company as lessee:
Leases of investment property are accounted for as finance leases and recognised as an asset and an obligation to pay future minimum lease payments. The investment property asset is included in the balance sheet at fair value, gross of the recognised finance lease liability. Contingent rents are recognised as they accrue.

Other finance lease assets are capitalised at the lower of the fair value of the leased asset or the present value of the minimum lease payments and depreciated over the shorter of the lease term and the useful life of the asset. Lease payments are allocated between the liability and finance charges so as to achieve a constant financing rate.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the lease term.

– Company as lessor:
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.

Current/non-current classification
Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or consumption within one year of the reporting date. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes, associated with assets held for sale and expected to be settled within one year of the reporting date. All other liabilities are classified as non-current liabilities.

1 Principal accounting policies (Continued)

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.

2 Revenue

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.

	2018 £m	2017 £m
Rent receivable	26.8	28.0
Service charge income	9.1	9.3
Revenue	35.9	37.3
Rent payable	(7.7)	(13.3)
Service charge costs	(9.7)	(10.1)
Other non-recoverable costs	(1.3)	(1.9)
Net rental income	17.2	12.0

3 Operating (loss)/profit

The operating loss for the year ended 31 December 2018 of £14.3 million (2017 operating profit of £13.6 million) did not include any fees in respect of auditors' remuneration of £4,262 (2017 £4,098) 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 (2017 £nil) in respect of their services to the company.

There were no employees during the year (2017 none).

4 Finance costs

	2018 £m	2017 £m
On obligations under finance leases	0.3	0.3

(Continued)

5 Finance income

	2018 £m	2017 £m
Bank deposits	0.3	0.4
On amounts due from group undertakings	-	0.4
Total interest revenue	0.3	0.8

6 Taxation

The tax expense for the year is higher than (2017 lower than) the standard rate of corporation tax in the UK. The differences are explained below:

	2018 £m	2017 £m
(Loss)/profit before taxation	(14.3)	14.1
(Loss)/profit before tax multiplied by the standard rate of tax in the UK of 19.00% (2017 19.25%)	(2.7)	2.7
Group relief (without payment)	(0.1)	(0.1)
Exempt property rental profits and revaluations during the year	2.8	(2.6)
Tax expense	-	-

7 Investment and development property

	Freehold £m
At 1 January 2017	228.2
Additions	1.3
Surplus on revaluation	1.6
At 31 December 2017	231.1
Additions	1.1
Deficit on revaluation	(31.5)
At 31 December 2018	200.7
Tenant incentives within trade and other receivables (see note 8)	11.1
Adjustment in respect of head leases	(2.0)
Market value at 31 December 2018	209.8

Investment property represents the company's 45% interest in intu Eldon Square, Newcastle upon Tyne.

Investment and development property is secured under the borrowing arrangements of the company's immediate parent, Intu Debenture plc. Full disclosure of the secured borrowings of Intu Debenture plc can be found within their financial statements, a copy of which may be obtained from the Company Secretary, 40 Broadway, London, SW1H 0BT.

Investment property is measured at fair value and is categorised as Level 3 in the fair value hierarchy (see note 11 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 2018 was determined by an independent external valuer at that date. The valuations are in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Global Standards 2017 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.

7 Investment and development property **(Continued)**

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.

Annual property income as disclosed in the table below reflects current annualised gross income.

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 £20.3 million (2017 £27.8 million), while a 50 basis point increase would result in a decrease in the total market value of £18.0 million (2017 £23.0 million).

The table below provides details of the 31 December 2018 assumptions used in the valuation and key unobservable inputs:

intu Eldon Square	Market value	Net initial yield	Nominal equivalent yield	Annual property income
	£m			£m
At 31 December 2018	209.8	5.4%	5.5%	12.2
At 31 December 2017	241.1	4.9%	5.0%	12.0

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.

8 Trade and other receivables

	Current		Non-current	
	2018	**2017**	**2018**	**2017**
	£m	**£m**	**£m**	**£m**
Trade receivables	2.6	0.5	-	-
Prepayments and accrued income	8.4	9.5	9.5	10.7
	11.0	10.0	9.5	10.7

Included within prepayments and accrued income are tenant incentives of £11.1 million (2017 £12.3 million) of which £1.6 million are classified as current (2017 £1.6 million) and £9.5 million are classified as non-current (2017 £10.7 million).

9 Trade and other payables

	2018	**2017**
	£m	**£m**
Trade payables	-	0.1
Rents received in advance	7.4	7.0
Amounts owed to group undertakings	87.7	100.3
Accruals	6.0	11.5
Social security and other taxation	1.5	1.3
Other payables	1.0	1.2
	103.6	121.4

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

10 Obligations under finance leases

	Minimum lease payments		Present value	
	2018	**2017**	**2018**	**2017**
Amounts payable under finance leases:	**£m**	**£m**	**£m**	**£m**
Within one year	0.3	0.3	0.3	0.3
In two to five years	1.3	1.3	1.3	1.3
In over five years	8.3	8.3	0.4	0.4
	9.9	9.9	2.0	2.0
Less: future finance charges on finance leases	(7.9)	(7.9)	-	-
	2.0	2.0	2.0	2.0

10 Obligations under finance leases **(Continued)**

Analysis of finance leases
Finance lease obligations are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2018	2017
	£m	£m
Current liabilities	0.3	0.3
Non-current liabilities	1.7	1.7
	2.0	2.0

Finance lease liabilities are in respect of leasehold investment and development property.

11 Financial risk management

The company is exposed to a variety of risks arising from the company's operations being principally 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.

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.

11 Financial risk management **(Continued)**

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.

	Within 1 year or on demand	1-2 years	3-5 years	over 5 years	Total
	£m	£m	£m	£m	£m
At 31 December 2018					
Finance lease obligations	(0.3)	(0.3)	(1.0)	(8.3)	(9.9)
Other financial liabilities	(1.0)	-	-	-	(1.0)
Amounts due to immediate parent	(87.7)	-	-	-	(87.7)
	(89.0)	(0.3)	(1.0)	(8.3)	(98.6)
At 31 December 2017					
Finance lease obligations	(0.3)	(0.3)	(1.0)	(8.3)	(9.9)
Other financial liabilities	(1.2)	-	-	-	(1.2)
Amounts due to immediate parent	(100.3)	-	-	-	(100.3)
	(101.8)	(0.3)	(1.0)	(8.3)	(111.4)

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 2018 is £0.4 million (2017 £0.4 million).

When applying a loss allowance for expected credit losses, judgement is exercised as to the collectability of trade receivables and whether it is appropriate to impair these assets. Factors such as days due, credit status of the counterparty and historical evidence of collection are considered.

11 Financial risk management **(Continued)**

The ageing of these trade receivables is as follows:

	2018 £m	2017 £m
Up to three months	2.5	0.5
Three to six months	0.1	-
Trade receivables	2.6	0.5

At 31 December 2018 trade receivables are shown net of provisions totalling £0.4 million (2017 £0.1 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.

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 2018 and 31 December 2017.

2018	Carrying value £m	Fair value £m
Trade and other receivables	2.6	2.6
Cash and cash equivalents	0.5	0.5
Total cash and receivables	3.1	3.1
Trade and other payables	(88.7)	(88.7)
Finance lease obligations	(2.0)	(2.0)
Total loans and payables	(90.7)	(90.7)

11 Financial risk management (Continued)

2017	Carrying value £m	Fair value £m
Trade and other receivables	0.5	0.5
Cash and cash equivalents	2.0	2.0
Total cash and receivables	2.5	2.5
Trade and other payables	(101.6)	(101.6)
Finance lease obligations	(2.0)	(2.0)
Total loans and payables	(103.6)	(103.6)

There were no gains or losses arising on financial assets or liabilities recognised in either the income statement or directly in equity (2017 £nil).

Fair value hierarchy

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

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

Level 3: where one or more inputs to valuation are 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.

12 Share capital

	2018 £m	2017 £m
Issued, called up and fully paid		
78,317,548 (2017 78,317,548) ordinary shares of £1 each	78.3	78.3

13 Cash generated from operations

	2018 £m	2017 £m
(Loss)/profit before tax	(14.3)	14.1
Adjustments for:		
Finance costs	0.3	0.3
Finance income	(0.3)	(0.8)
Revaluation of investment and development property	31.5	(1.6)
Amortisation of lease incentives and other direct costs	1.1	(0.8)
Movements in working capital:		
(Increase)/decrease in trade and other receivables	(0.9)	0.2
Decrease in trade and other payables	(17.8)	(10.4)
Cash (absorbed by)/generated from operations	(0.4)	1.0

14 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:

	2018 £m	2017 £m
Not later than one year	25.3	26.9
Later than one year and not later than five years	62.9	71.5
Later than five years	80.3	90.2
	168.5	188.6

15 Capital commitments

At 31 December 2018, the Board had approved £nil (2017 £1.1 million) of future expenditure for the purchase, construction, development and enhancement of investment and development property. Of this, £nil (2017 £0.7) is contractually committed.

16 Related party transactions

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

	Nature of transaction	2018 £m	2017 £m
Intu Retail Services Limited*	Facilities management services receivable	6.1	6.3
Steventon Limited**	Rent payable	3.6	3.4

Significant transactions and balances outstanding between the company and the parent company are shown below:

	Nature of transaction	2018 £m	2017 £m
Intu Shopping Centres plc*	Interest receivable	-	0.5

	Amounts owed to 2018 £m	2017 £m
Intu Debenture plc*	87.7	100.3

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

** The company's registered office is 1 Waverly Place, Union Street, St. Helier, Jersey JE1 1SG.

17 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 Debenture plc, a company incorporated in England and Wales, copies of whose financial statements may be obtained as above.

18 Events after the reporting date

Subsequent to the balance sheet date there has been continued macroeconomic uncertainty and retailers have continued to face difficulties, resulting in further administrations and CVAs. The company engaged an independent external valuer to determine the market value of the investment property at 30 June 2019. The valuation at this date is £185.7 million. This adverse impact is as a result of the market conditions further weakening sentiment toward the UK retail property investment market in the six months to 30 June 2019 and does not reflect information which impacts the appropriateness of the valuation at 31 December 2018.