Company Registration No. 3920512

CHAPELFIELD GP LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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CHAPELFIELD GP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors submit their Strategic Report of Chapelfield GP Limited ('the company') for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the company is to act as the general partner of The Chapelfield Partnership ("the Limited Partnership"). The company is responsible for the management and control of the business of the Limited Partnership.

The company in its role as general partner can bind the Limited Partnership in contract. No further partner may be admitted to the Limited Partnership except with the consent of the company as general partner. The constitution and governance of the Limited Partnership including the rights of the general partner are determined by the Limited Partnership Agreement dated 23 December 2002 as amended by a Deed of Variation dated 12 August 2004 which replaced the original agreement dated 25 October 2000.

BUSINESS REVIEW

The company's results and financial position for the year ended 31 December 2017 are set out in full in the income statement, the balance sheet, the statement of changes in equity and the notes to the financial statements.

The company recorded a profit before tax of £100 compared with a profit before tax of £100 for the previous year. Net assets at 31 December 2017 were £102, a decrease of £3,971 from the 31 December 2016 figure of £4,073 following a distribution of £4,072 and issue of share capital of £1.

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

Rebecca Ryman
Director
25 June 2018

The directors present their report and the audited financial statements of the company for the year ended 31 December 2017.

The company is incorporated and registered in England and Wales (company number 3920512). The company's registered office is 40 Broadway, London, SW1H 0BT.

DIVIDENDS
The results for the year are set out on page 7.

The company paid a dividend of £4,072 in the year (2016 £nil).

FINANCIAL RISK MANAGEMENT
The company's approach to financial risk management is explained in note 8 to the financial statements.

CAPITAL MANAGEMENT
The directors consider the capital of the company to be the ordinary share capital of £2 (2016 £1) . Management of this capital is performed at a group level.

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:

Martin Breeden	(Resigned 31 January 2018)
David Fischel	(Resigned 31 January 2018)
Rebecca Gates	(Appointed 31 January 2018)
Trevor Pereira	(Resigned 31 January 2018)
Thomas Rose	(Appointed 31 January 2018)
Rebecca Ryman	(Appointed 31 January 2018)
Dushyant Sangar	(Appointed 31 January 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 Strategic Report, Directors' 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 prepared the financial statements in accordance with International Financial Reporting Standards ('IFRS') 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, 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.

STATEMENT OF DISCLOSURE 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

The auditors, PricewaterhouseCoopers LLP, 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

Rebecca Ryman
Director
25 June 2018

CHAPELFIELD GP LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CHAPELFIELD GP LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Chapelfield GP Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with 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 2017; the income statement, the statement of comprehensive income, the statement of cash flows and 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

We have nothing to report in respect of the following matters in relation to which 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.

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.

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 2017 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.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

R Hawkins.

Robert Hawkins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 June 2018

CHAPELFIELD GP LIMITED

INCOME STATEMENT, STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2016 £
Revenue	2	100	100
Operating profit		100	100
Profit before taxation	3	100	100
Taxation	4	-	-
Profit for the year		100	100

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.

The company does not operate any bank accounts and all operations are funded through intercompany balances, therefore there are no cash balances or movements and accordingly a statement of cash flows has not been prepared.

CHAPELFIELD GP LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2017

	Notes	2017 £	2016 £
Non-current assets			
Investment in subsidiaries	**5**	1	1
Current assets			
Trade and other receivables	**6**	102	4,072
Total assets		103	4,073
Current liabilities			
Trade and other payables	**7**	(1)	-
Total liabilities		(1)	-
Net assets		102	4,073
Equity			
Share capital	**9**	2	1
Retained earnings		100	4,072
Total equity		102	4,073

The notes on pages 10 to 15 form part of these financial statements

The financial statements were approved by the Board of directors and authorised for issue on 25 June 2018 and were signed on its behalf by:

Rebecca Ryman
Director

CHAPELFIELD GP LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Share capital £	Retained earnings £	Total equity £
Balance at 1 January 2016		1	3,972	3,973
Profit for the year		-	100	100
Total comprehensive income for the year		-	100	100
Balance at 31 December 2016		1	4,072	4,073
Balance at 1 January 2017		1	4,072	4,073
Profit for the year		-	100	100
Total comprehensive income for the year		-	100	100
Issue of share capital	9	1	-	1
Dividends		-	(4,072)	(4,072)
Balance at 31 December 2017		2	100	102

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 on the historical cost basis. 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 company takes advantage of the exemption available under IFRS 10 not to prepare consolidated financial statements. The financial statements of the company and its subsidiary undertakings are included in the financial statements of the ultimate parent company, intu properties plc.

The accounting policies used are consistent with those applied in the last financial statements, as amended to reflect the adoption of new standards, amendments and interpretations which became effective in the year. These amendments have not had an 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. 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 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.

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.

Investments
Investments in subsidiaries are held on the balance sheet at cost less any provision for impairment.

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.

1 Principal accounting policies **(Continued)**

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.

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.

Dividends are recognised when they become legally payable. In the case of interim dividends to owners, this is the date of payment. In the case of final dividends, this is when declared by shareholders at the annual general meeting.

2 Revenue

Revenue represents fees receivable by the company from The Chapelfield Partnership in accordance with the Limited Partnership Agreement. The company is entitled to receive a fee of £100 per annum from The Chapelfield Partnership.

3 Profit before tax

The profit before tax of £100 (2016 £100) did not include any amounts in respect of auditors' remuneration or directors' remuneration (2016 £nil). The directors did not receive or waive any any emoluments (2016 £nil) in respect of their services to the company. No deduction is made for auditors' remuneration of £1,694 (2016 £1,645) which was settled on behalf of the company by the ultimate parent company, intu properties plc, and has not been recharged. No non-audit services were provided during the current or prior year.

There were no employees during the year (2016 none).

4 Taxation

The tax expense for the year is lower than (2016 lower than) the standard rate of corporation tax in the UK. The differences are explained below:

	2017	2016
	£	£
Profit before tax	100	100
Profit before tax multiplied by the standard rate of tax in the UK of 19.25% (2016 20.00%)	19	20
Group relief (without payment)	(19)	(20)
Tax expense	-	-

5 Investments in subsidiaries

Investments comprise a 100% interest in Chapelfield Nominee Limited* which acts with the company as a joint trustee in The Chapelfield Partnership*, and is a joint owner of legal title to the property held in The Chapelfield Partnership. The historic cost of investments was £1 (2016 £1).

Chapelfield GP Limited as the general partner in The Chapelfield Partnership acts as a trustee of all assets and undertakings. In accordance with the partnership deed no capital contributions are required to be made by the general partner.

* The entity's registered office is 40 Broadway, London, United Kingdom, SW1H 0BT.

6 Trade and other receivables

	2017	2016
	£	£
Amounts owed by group undertakings	102	4,072

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

7 Trade and other payables

	2017	2016
	£	£
Amounts owed to group undertakings	1	-

8 Financial risk management

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

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.

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 2017 and 31 December 2016.

2017	**Carrying value £**	**Fair value £**
Trade and other receivables	102	102
Total cash and receivables	102	102
Trade and other payables	(1)	(1)
Total loans and payables	(1)	(1)

2016	**Carrying value £**	**Fair value £**
Trade and other receivables	4,072	4,072
Total cash and receivables	4,072	4,072

There were no gains or losses arising on financial assets or liabilities recognised in either the income statement or direct to equity (2016 £nil).

9 Share capital

	2017	2016
	£	£
Issued, called up and fully paid		
2 (2016 1) of £1 each	2	1

Reconciliation of movements during the year:

	Ordinary shares Number
At 1 January 2017	1
Ordinary shares issued	1
At 31 December 2017	2

10 Related party transactions

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

	Nature of transaction	2017 £	2016 £
The Chapelfield Partnership	Receipt of partnership fees	100	100
Intu Shopping Centres plc	Payment of dividend	4,072	-

The following amounts were outstanding at the reporting end date:

	Amounts owed by	
	2017	2016
	£	£
Liberty International Group Treasury Limited*	102	4,072

	Amounts owed to	
	2017	2016
	£	£
Chapelfield Nominee Limited*	1	-

* The entity's registered office is 40 Broadway, London, United Kingdom, SW1H 0BT.

11 Events after the reporting date

In November 2017 the intu properties plc group announced the formation of a joint venture with LaSalle Investment Management (acting on behalf of Greater Manchester Pension Fund and West Yorkshire Pension fund) for them to take ownership of 50 per cent of intu Chapelfield for initial net proceeds of £148.0 million. This transaction completed on 31 January 2018 following the receipt of EU merger approval.

12 Ultimate parent company

Until 31 January 2018 the ultimate parent company was intu properties plc, a company incorporated and registered in England and Wales, copies of whose financial statements may be obtained from the Company Secretary, 40 Broadway, London, SW1H 0BT. After 31 January 2018 the company has no ultimate parent company and is jointly controlled by intu properties plc and LaSalle Investment Management (acting on behalf of Greater Manchester Pension Fund and West Yorkshire Pension Fund).

Until 31 January 2018 the immediate parent company was Intu (SGS) Limited*, a company incorporated and registered in England and Wales, copies of whose financial statements may be obtained as above. After 31 January 2018 the company is jointly owned by Intu Chapelfield Limited and Transpennine Partners (Scot) LP.

* The entity's registered office is 40 Broadway, London, United Kingdom, SW1H 0BT.

Registration No. LP007184

THE CHAPELFIELD PARTNERSHIP

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

THESE PARTNERSHIP ACCOUNTS FORM PART OF THE ACCOUNTS OF COMPANY No. 3920512

THE CHAPELFIELD PARTNERSHIP

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

Chapelfield GP Limited (the "General Partner") submits the Strategic Report of The Chapelfield Partnership ("the partnership") for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES
In accordance with the Limited Partnership Agreement (the 'Partnership Agreement'), the principal activity of the Partnership is the ownership and management of intu Chapelfield, Norwich.

BUSINESS REVIEW
The Partnership's results and financial position for the year ended 31 December 2017 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 £15.3 million compared to £15.5 million for the previous year. A revaluation surplus of £9.6 million was recorded during the year (2016: £23.6 million). The profit transferred to the partners' current account was £19.9 million compared with a profit of £29.7 million for the previous year. Net assets at 31 December 2017 were £98.6 million, an increase of £19.9 million from the 31 December 2016 figure of £78.7 million.

Given the straightforward nature of the business, the General Partner is of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. The General Partner expects that the present level of activity will continue for the foreseeable future.

As the Partnership and the General Partner are both wholly owned subsidiaries of the intu properties plc group, the Partnership faces largely those risks and uncertainties faced by that group. These risks and uncertainties, including financial risks and the management thereof, are disclosed in the group financial statements.

Signed on behalf of Chapelfield GP Limited

Rebecca Ryman
Director
25 June 2018

THE CHAPELFIELD PARTNERSHIP

GENERAL PARTNER'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

FORMATION AND PURPOSE

The Chapelfield Partnership ('the Partnership'), was registered in England and Wales as a Limited Partnership on 25 October 2000 under the Limited Partnerships Act 1907 (registration number LP007184). The Partnership was formed to acquire and hold as an investment the intu Chapelfield shopping centre, Norwich. The Partnership's registered office is 40 Broadway, London, SW1H 0BT.

FINANCIAL RISK MANAGEMENT

The Partnership's approach to financial risk management is explained in note 8 to the financial statements.

CAPITAL MANAGEMENT

The General Partner consider the capital of the Partnership to be the Partners' capital account of £55.2 million (2016 £55.2 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 5.

GOING CONCERN

The General Partner has assessed the risk that the Partnership 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.

PARTNERS

The General Partner is Chapelfield GP Limited. Under the Partnership Agreement the General Partner is not required to make a capital contribution and is entitled to receive an annual fee of £100 from the Partnership.

Until 31 January 2018, the Limited Partner was Chapelfield LP Limited, which was a wholly owned subsidiary of Intu (SGS) Limited until that date, and then a wholly owned subsidiary of Intu Chapelfield Limited. After 31 January 2018 the Limited Partners were Chapelfield LP Limited and Transpennine Partners (Scot) LP, and are entitled to be allocated all profits and losses from the Partnership. No such allocation shall oblige the Limited Partners to be liable to contribute more than the amount of their capital contribution.

Title to the freehold property owned by the Partnership (note 5) is held jointly by the General Partner and by Chapelfield Nominee Limited, a wholly owned subsidiary of the General Partner.

CONSTITUTION AND GOVERNANCE

The Partnership is bound by the Partnership Agreement, dated 23 December 2002 and subsequent Deed of Variation dated 31 January 2018.

RIGHTS AND ENTITLEMENTS - GENERAL PARTNER

The General Partner is responsible for the management and control of the business of the Partnership and can bind the Partnership in contract. The General Partner is the only general partner of the Partnership. No further partner may be admitted to the Partnership except in accordance with the Partnership Agreement. No partner may dispose of its interest in the Partnership without the consent of the General Partner.

RIGHTS AND ENTITLEMENT - LIMITED PARTNERS

The Limited Partners fund the Partnership and are entitled to be allocated the profits and losses of the Partnership. No such allocation shall oblige a Limited Partner to be liable to contribute more than the amount of its capital contribution. Capital contributions will not be repaid until the Partnership is liquidated. The Limited Partners take no part in the management of the Partnership and are not able to bind the Partnership in contract.

STATEMENT OF GENERAL PARTNER'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The General Partner is responsible for preparing the General Partner's Report and financial statements in accordance with applicable law and regulation.

Company law, as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 (the "Regulations"), requires the general partner to prepare financial statements for each financial year. Under that law the general partner has prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, as applied to qualifying partnerships, the general partner 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 qualifying partnership and of the profit or loss of the qualifying partnership for that period. In preparing the financial statements, the General Partner is 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 qualifying partnership will continue in business.

The General Partner is responsible for keeping adequate accounting records that are sufficient to show and explain the qualifying partnership's transactions and disclose with reasonable accuracy at any time the financial position of the qualifying partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to qualifying partnerships by the Regulations.

The General Partner is also responsible for safeguarding the assets of the qualifying partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a director of the General Partner for the Partnership at the date of approval of this report have confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Partnership'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 Partnership's auditors are aware of that information.

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue as auditors to the Partnership.

Signed on behalf of Chapelfield GP Limited

Rebecca Ryman
Director
25 June 2018

THE CHAPELFIELD PARTNERSHIP

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE CHAPELFIELD PARTNERSHIP

Report on the audit of the financial statements

Opinion

In our opinion, The Chapelfield Partnership's financial statements:

- give a true and fair view of the state of the qualifying partnership's affairs as at 31 December 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008.

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 2017; the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in partners' funds 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 qualifying partnership 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the general partner's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the general partner has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the qualifying partnership'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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the qualifying partnership's ability to continue as a going concern.

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 general partner is 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 General Partner's Report, we also considered whether the disclosures required by the UK Companies Act 2006 as applied to qualifying partnerships 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 General Partner's Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and General Partner's Report for the year ended 31 December 2017 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 qualifying partnership and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and General Partner's Report.

Responsibilities for the financial statements and the audit

Responsibilities of the general partner for the financial statements
As explained more fully in the Statement of General Partner's Responsibilities in respect of the financial statements set out on page 3, the general partner is 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 general partner is 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 general partner is responsible for assessing the qualifying partnership'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 general partner either intends to liquidate the qualifying partnership or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 opinion, has been prepared for and only for the partners of the qualifying partnership as a body in accordance with the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 and for no other purpose. We do not, in giving this opinion, 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 as applied to qualifying partnerships 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 qualifying partnership, 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.

THE CHAPELFIELD PARTNERSHIP

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF THE CHAPELFIELD PARTNERSHIP

R Hawkins.

Robert Hawkins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 June 2018

THE CHAPELFIELD PARTNERSHIP

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £m	2016 £m
Revenue	2	21.9	21.8
Net rental income	2	15.3	15.5
Revaluation of investment and development property	5	9.6	23.6
Administrative expenses		(0.6)	(0.5)
Operating profit	3	24.3	38.6
Finance costs	4	(4.4)	(8.9)
Profit transferred to partners' current account		19.9	29.7

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.

THE CHAPELFIELD PARTNERSHIP

BALANCE SHEET

AS AT 31 DECEMBER 2017

	Notes	2017 £m	2016 £m
Non-current assets			
Investment and development property	5	301.8	291.2
Trade and other receivables	6	3.7	4.0
		305.5	295.2
Current assets			
Trade and other receivables	6	6.4	4.3
Cash and cash equivalents		0.5	1.5
		6.9	5.8
Total assets		312.4	301.0
Current liabilities			
Trade and other payables	7	(213.8)	(222.3)
Total liabilities		(213.8)	(222.3)
Net assets		98.6	78.7
Partners' funds			
Partners' capital account		55.2	55.2
Partners' current account		43.4	23.5
Total partners' funds		98.6	78.7

The notes on pages 11 to 22 form part of these financial statements

The financial statements were approved by the General Partner, Chapelfield GP Limited and authorised for issue on 25 June 2018 and were signed on its behalf by:

Rebecca Ryman
Director

THE CHAPELFIELD PARTNERSHIP

STATEMENT OF CHANGES IN PARTNERS' FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Partners' capital account £m	Partners' current account £m	Total Partners' funds £m
Balance at 1 January 2016		55.2	(6.2)	49.0
Profit for the year		-	29.7	29.7
Total comprehensive income for the year		-	29.7	29.7
Balance at 31 December 2016		55.2	23.5	78.7
Balance at 1 January 2017		55.2	23.5	78.7
Profit for the year		-	19.9	19.9
Total comprehensive income for the year		-	19.9	19.9
Balance at 31 December 2017		55.2	43.4	98.6

THE CHAPELFIELD PARTNERSHIP

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £m	2016 £m
Cash flows from operating activities			
Cash generated from operations	9	4.4	10.8
Interest paid		(4.4)	(8.9)
Net cash inflow from operating activities		-	1.9
Investing activities			
Purchase of investment property		(1.0)	(0.8)
Net cash used in investing activities		(1.0)	(0.8)
Net cash used in financing activities		-	-
Net (decrease)/increase in cash and cash equivalents		(1.0)	1.1
Cash and cash equivalents at beginning of year		1.5	0.4
Cash and cash equivalents at end of year		0.5	1.5

1 Principal accounting policies

Company law, as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 (the "Regulations"), requires the General Partner to prepare financial statements for each financial year. Under that law the General Partner has prepared the financial statements 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 in accordance with the Partnerships (Accounts) Regulations 2008.

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 General Partner considered a number of factors including financial projections of the Partnership and the level of financial support that may be made available to the Partnership by its ultimate parent, intu properties plc. In addition, the General Partner assessed the risk of the immediate parent company of the General Partner and Limited Partner, Intu (SGS) Limited, requesting settlement of the balance due to it. Based on this review the General Partner has concluded that there is a reasonable expectation that the Partnership 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 financial statements, as amended to reflect the adoption of new standards, amendments and interpretations which became effective in the year. These amendments have not had an 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 are set out below:

- IFRS 9 Financial Instruments (effective from 1 January 2018) - The standard applies to classification and measurement of financial assets and financial liabilities, impairment provisioning and hedge accounting. The intu properties plc group have completed their impact assessment of the standard in which the main area of impact has been identified as impairment provisioning in respect of trade receivables. The impairment provisioning approach has been refined in accordance with the new accounting standard to reflect the expected collection of trade receivables; however, no material quantitative differences have been identified from the impairment provisioning in accordance with the previous accounting standard.

- IFRS 15 Revenue from Contracts with Customers (effective from 1 January 2018) – The standard is applicable to service charge income and facilities management income, but excludes lease rental income arising from contracts with the Partnership's tenants. The intu properties plc group have completed their impact assessment of the standard, assessed all significant revenue streams from which there were no changes to existing accounting treatments. The Partnership will continue to assess new transactions as they arise or as immaterial revenue streams become material.

- IFRS 16 Leases (effective 1 January 2019) – This standard does not affect the current accounting for rental income earned.

1 Principal accounting policies **(Continued)**

Estimates and assumptions
The preparation of financial statements in conformity with generally accepted accounting principles 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 5 for details on estimates and assumptions used in the valuation process and sensitivities.

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

Rental income receivable is recognised on a straight-line basis over the term of the lease.

Contingent rents, being those lease payments that are dependent on unknown future events, the most significant being incremental 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.
Directly attributable lease incentives are recognised within rental income on the same basis as the underlying lease income.

Service charge income, facilities management income and management fees are recognised on an accruals basis in line with the service being provided.

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

1 Principal accounting policies **(Continued)**

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

The Partnership 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 5.

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 Partnership'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.

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 fair value and subsequently measured at amortised cost.

The General Partner exercises 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.

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

Taxation
No provision for tax is made in these financial statements as a limited partnership is not a taxable entity. Partners are instead taxed on their share of the profits of a limited partnership, according to their own circumstances.

1 Principal accounting policies (Continued)

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.

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 Partnership'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 Partnership's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non-current liabilities.

2 Revenue

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

	2017 £m	2016 £m
Rent receivable	17.6	17.8
Service charge income	4.3	4.0
Revenue	21.9	21.8
Service charge costs	(4.7)	(4.6)
Other non-recoverable costs	(1.9)	(1.7)
Net rental income	15.3	15.5

3 Operating profit

The operating profit for the year ended 31 December 2017 of £24.3 million (2016 operating profit of £38.6 million) did not include any fees in respect of auditors' remuneration of £4,098 (2016 £3,979) in respect of the audit of the financial statements, which was settled on behalf of the Partnership 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 of the General Partner did not receive or waive any emoluments (2016 £nil) in respect of their services to the Partnership.

There were no employees during the year (2016 none).

4 Finance costs

	2017 £m	2016 £m
On amounts due to group undertakings	4.4	8.9

5 Investment and development property

	Freehold £m
At 1 January 2016	266.8
Additions	0.8
Surplus on revaluation	23.6
At 31 December 2016	291.2
Additions	1.0
Surplus on revaluation	9.6
At 31 December 2017	301.8
Tenant incentives within trade and other receivables (see note 6)	4.5
Market value at 31 December 2017	306.3

Investment and development property represents intu Chapelfield, Norwich.

Until 28 June 2017, the Partnership was 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 Partnership's investment property was 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 8 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 Partnership's investment and development property as at 31 December 2017 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.

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

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.

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 £33.1 million (2016 £31.7 million), while a 50 basis point increase would result in a decrease in the total market value of £27.0 million (2016 £26.3 million).

The table below provides details of the 31 December 2017 assumptions used in the valuation and key unobservable inputs:

intu Chapelfield	**Market value £m**	**Net initial yield**	**Nominal equivalent yield**	**Annual property income £m**
At 31 December 2017	306.3	4.8%	5.2%	16.5
At 31 December 2016	296.3	5.2%	5.5%	17.3

Valuation process

It is the Partnership'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 Partnership 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 partners.

6 Trade and other receivables

	Current		Non-current	
	2017	2016	2017	2016
	£m	£m	£m	£m
Trade receivables	0.3	-	-	-
Other receivables	-	0.1	-	-
Amounts owed by group undertakings	3.6	2.2	-	-
Prepayments and accrued income	2.5	2.0	3.7	4.0
	6.4	4.3	3.7	4.0

Included within prepayments and accrued income are tenant incentives of £4.5 million (2016 £5.1 million) of which £0.8 million are classified as current (2016 £1.1 million) and £3.7 million are classified as non-current (2016 £4.0 million).

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

7 Trade and other payables

	2017	2016
	£m	£m
Trade payables	0.2	-
Rents received in advance	3.5	3.7
Amounts owed to group undertakings	207.4	215.9
Accruals	1.5	1.6
Social security and other taxation	0.7	0.8
Other payables	0.5	0.3
	213.8	222.3

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

Until 28 June 2017, interest on amounts owed to group undertakings was charged on bonds at rates in the range of 3.875% to 4.625% (2016 3.875% to 4.625%) and on loans at LIBOR plus 1.5% (2016 LIBOR plus 1.5%), as agreed between the Partnership and the group undertakings.

8 Financial risk management

The Partnership is exposed to a variety of risks arising from the Partnership's operations being principally liquidity risk and credit risk.

The majority of the Partnership'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 Partnership 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.

8 Financial risk management **(Continued)**

Liquidity risk

Liquidity risk is managed to ensure that the Partnership 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 Partnership'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	Total
	£m	£m
At 31 December 2017		
Amounts owed to group undertakings	(207.4)	(207.4)
Other financial liabilities	(0.7)	(0.7)
	(208.1)	(208.1)
At 31 December 2016		
Amounts owed to group undertakings	(215.9)	(215.9)
Other financial liabilities	(0.3)	(0.3)
	(216.2)	(216.2)

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 Partnership'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 2017 is £0.2 million (2016 £0.2 million).

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

8 Financial risk management (Continued)

The ageing of these trade receivables is as follows:

	2017 £m	2016 £m
Up to three months	0.3	-
Trade receivables	0.3	-

At 31 December 2017 trade receivables are shown net of provisions totalling £nil (2016 £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 Partnership's accounting classification of each class of financial assets and liabilities, and their fair values at 31 December 2017 and 31 December 2016.

2017	Carrying value £m	Fair value £m
Trade and other receivables	3.9	3.9
Cash and cash equivalents	0.5	0.5
Total cash and receivables	4.4	4.4
Trade and other payables	(208.1)	(208.1)
Total loans and payables	(208.1)	(208.1)

2016	Carrying value £m	Fair value £m
Trade and other receivables	2.3	2.3
Cash and cash equivalents	1.5	1.5
Total cash and receivables	3.8	3.8
Trade and other payables	(216.2)	(216.2)
Total loans and payables	(216.2)	(216.2)

8 Financial risk management (Continued)

There are no gains or losses arising on financial assets or liabilities recognised either in the income statement or direct to equity other than the movement in provisions. (2016 £nil).

There were no transfers into or out of the fair value hierarchy levels for the above financial assets and liabilities during the year.

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.

9 Cash generated from operations

	2017 £m	2016 £m
Profit before tax	19.9	29.7
Adjustments for:		
Finance costs	4.4	8.9
Revaluation of investment and development property	(9.6)	(23.6)
Lease incentive and letting costs	0.5	0.6
Movements in working capital:		
(Increase)/decrease in trade and other receivables	(2.3)	5.1
Decrease in trade and other payables	(8.5)	(9.9)
Cash generated from operations	4.4	10.8

10 Operating leases

The Partnership 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 Partnership.

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

	2017	**2016**
	£m	**£m**
Not later than one year	14.1	13.8
Later than one year and not later than five years	29.2	37.2
Later than five years	30.0	32.6
	73.3	83.6

11 Capital commitments

At 31 December 2017, the Partnership had board approval at the ultimate parent group level for £nil (2016 £0.1 million) of future expenditure for the purchase, construction and enhancement of investment property.

12 Related party transactions

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

		2017	**2016**
	Nature of transaction	**£m**	**£m**
Chapelfield Property Management Limited*	Property management	0.6	0.5
Intu Retail Services Limited*	Facilities management	3.1	3.0
Intu (SGS) Finco Limited*	Interest payable	4.4	8.9
		£	**£**
Chapelfield GP Limited*	Partnership fees	100	100

12 Related party transactions **(Continued)**

The following amounts were outstanding at the reporting end date:

	Amounts owed by	
	2017	**2016**
	£m	**£m**
Liberty International Group Treasury Limited*	3.6	-
Intu (SGS) Finco Limited*	-	2.2

	Amounts owed to	
	2017	**2016**
	£m	**£m**
Chapelfield LP Limited*	207.0	-
Intu Shopping Centres plc*	0.3	-
Chapelfield Property Management Limited	0.1	0.1
Liberty International Group Treasury Limited	-	14.3
Intu (SGS) Finco Limited	-	201.4

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

13 Events after the reporting date

In November 2017 the intu properties plc group announced the formation of a joint venture with LaSalle Investment Management (acting on behalf of Greater Manchester Pension Fund and West Yorkshire Pension fund) for them to take ownership of 50 per cent of intu Chapelfield for initial net proceeds of £148.0 million. This transaction completed on 31 January 2018 following the receipt of EU merger approval.

14 Ultimate parent company

Until 31 January 2018 the ultimate parent company was intu properties plc, a company incorporated and registered in England and Wales, copies of whose financial statements may be obtained from the Company Secretary, 40 Broadway, London, SW1H 0BT. After 31 January 2018 the Partnership has no ultimate parent company and is jointly controlled by intu properties plc and LaSalle Investment Management (acting on behalf of Greater Manchester Pension Fund and West Yorkshire Pension fund).

Until 31 January 2018 the immediate parent company of the General Partner was Intu (SGS) Limited, a company incorporated and registered in England and Wales, copies of whose financial statements may be obtained as above. After 31 January 2018 the General Partner has no immediate parent company and is jointly controlled by Intu Chapelfield Limited and Transpennine Partners (Scot) LP.