

Lendlease (Elephant & Castle) Limited

Annual Report and Financial Statements

for the year ended 30 June 2017

THURSDAY



L6GFXAVM
LD5 05/10/2017 #35
COMPANIES HOUSE

Lendlease (Elephant & Castle) Limited

Contents

Directors' Report	1
Statement of Directors' Responsibilities	2
Independent Auditor's Report to the Members of Lendlease (Elephant & Castle) Limited	3 - 4
Statement of Profit or Loss and Other Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 18

Lendlease (Elephant & Castle) Limited

Directors' Report for the Year Ended 30 June 2017

The directors present their report and the financial statements for the year ended 30 June 2017.

Principal activity

The principal activity of Lendlease (Elephant & Castle) Limited ("the Company") is the development of property in the Elephant & Castle area of London. The address of its registered office is 20 Triton Street, Regent's Place, London NW1 3BF.

Results and dividends

The loss for the year after taxation amounted to £4.9m (2016: £0.8m). The Directors did not pay an interim dividend or propose a final dividend during the year (2016: £nil).

Directors' of the Company

The directors, who held office during the year, were as follows:

R A Heasman

E A Mayes (resigned 7 September 2017)

G J Scott

R Seeley (appointed 27 January 2017)

Political donations

The Company made no political contributions during the period (2016: £nil).

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditor

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 15 September 2017 and signed on its behalf by:



R Heasman
Director

Lendlease (Elephant & Castle) Limited

Statement of Directors' Responsibilities

The directors' are responsible for preparing the the 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 elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

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 apply them consistently;
- make judgements and estimates that are reasonable, relevant, and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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 its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Lendlease (Elephant & Castle) Limited

Opinion

We have audited the financial statements of Lendlease (Elephant & Castle) Limited (the 'Company') for the year ended 30 June 2017, which comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Going Concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent Auditor's Report to the Members of Lendlease (Elephant & Castle) Limited (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the group and parent 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

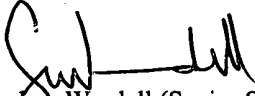
Auditor's responsibilities for the audit of the financial statements

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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


Stephen Wardell (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

15 Canada Square
London
E14 5GL

18 September 2017

Lendlease (Elephant & Castle) Limited

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2017

	Note	2017 £ 000	2016 £ 000
Administrative expenses		<u>(4,855)</u>	<u>(986)</u>
Operating loss		(4,855)	(986)
Finance income	6	21	4
Finance costs	6	<u>(74)</u>	<u>(30)</u>
Loss before tax		(4,908)	(1,012)
Income tax credit	7	<u>26</u>	<u>220</u>
Total comprehensive loss for the year		<u><u>(4,882)</u></u>	<u><u>(792)</u></u>

The above results were derived from continuing operations.

The notes on pages 9 to 18 form an integral part of these financial statements.

Lendlease (Elephant & Castle) Limited

Statement of Financial Position as at 30 June 2017

	Note	2017 £ 000	2016 £ 000
Assets			
Non-current assets			
Property, plant and equipment	8	6,921	6,511
Deferred tax assets	7	277	250
Inventories		<u>185,673</u>	<u>101,767</u>
Total non-current assets		<u>192,871</u>	<u>108,528</u>
Current assets			
Trade and other receivables	10	<u>10,140</u>	<u>19,045</u>
Total current assets		<u>10,140</u>	<u>19,045</u>
Total assets		<u>203,011</u>	<u>127,573</u>
Non-current liabilities			
Loans and borrowings	12	<u>(28,704)</u>	<u>(9,523)</u>
Total non-current liabilities		<u>(28,704)</u>	<u>(9,523)</u>
Current liabilities			
Trade and other payables	12	(181,370)	(113,484)
Bank overdraft		<u>-</u>	<u>(6,747)</u>
Total current liabilities		<u>(181,370)</u>	<u>(120,231)</u>
Total liabilities		<u>(210,074)</u>	<u>(129,754)</u>
Net liabilities		<u>(7,063)</u>	<u>(2,181)</u>
Equity			
Share capital	11	-	-
Retained earnings		<u>(7,063)</u>	<u>(2,181)</u>
Total equity		<u>(7,063)</u>	<u>(2,181)</u>

The notes on pages 9 to 18 form an integral part of these financial statements.

Approved by the Board on 15 September 2017 and signed on its behalf by:



R Heasman

Director

Company registration number: 7196467

Lendlease (Elephant & Castle) Limited

Statement of Changes in Equity for the year ended 30 June 2017

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 July 2015	-	(1,389)	(1,389)
Total comprehensive loss	<u>-</u>	<u>(792)</u>	<u>(792)</u>
At 30 June 2016	<u>-</u>	<u>(2,181)</u>	<u>(2,181)</u>

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 July 2016	-	(2,181)	(2,181)
Total comprehensive loss	<u>-</u>	<u>(4,882)</u>	<u>(4,882)</u>
At 30 June 2017	<u>-</u>	<u>(7,063)</u>	<u>(7,063)</u>

The notes on pages 9 to 18 form an integral part of these financial statements.

Lendlease (Elephant & Castle) Limited

Statement of Cash Flows for the year ended 30 June 2017

	Note	2017 £ 000	2016 £ 000
Cash flows from operating activities			
Loss for the year		(4,882)	(792)
Adjustments to cash flows from non-cash items			
Finance income	6	(21)	(4)
Finance costs	6	74	30
Income tax expense	7	(26)	(220)
		(4,855)	(986)
Working capital adjustments			
Increase in inventories	9	(83,906)	(11,789)
Decrease/(increase) in trade and other receivables	10	8,905	(11,809)
Increase in trade and other payables	12	87,066	16,917
Net cash flow from/(used in) operating activities		7,210	(7,667)
Cash flows from investing activities			
Interest received	6	21	4
Acquisitions of property plant and equipment		(410)	(6,511)
Net cash flows used in investing activities		(389)	(6,507)
Cash flows from financing activities			
Interest paid	6	(74)	(30)
Net increase/(decrease) in cash and cash equivalents		6,747	(14,204)
Cash and cash equivalents at 1 July		(6,747)	7,457
Cash and cash equivalents at 30 June		-	(6,747)

The notes on pages 9 to 18 form an integral part of these financial statements.

Lendlease (Elephant & Castle) Limited

Notes to the Financial Statements for the year ended 30 June 2017

1 General information

The company is a private company limited by share capital incorporated and domiciled in United Kingdom.

2 Accounting policies

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

The Financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The Company is dependant for its working capital on funds provided to it by Lendlease Europe Holdings Limited, the Company's UK holding undertaking. Lendlease Europe Holdings Limited has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as they are needed by the Company and in particular will not seek repayment of the amounts currently made available. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other Group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

Inventories

Inventory is stated at cost with adjustments made to the carrying value to reflect net realisable amounts where these are lower than cost. Management conducts impairment reviews annually.

Trade receivables

Trade and other receivables are stated at their nominal amount (discounted if material) less provision for doubtful debts.

Tax

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable loss for the period. Taxable loss differs from the net loss as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or subsequently enacted by the balance sheet date. Deferred tax assets are not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

Lendlease (Elephant & Castle) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

2 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Property, plant and equipment

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 July 2016 have had a material effect on the financial statements.

New standards, interpretations and amendments not yet effective

The following newly issued but not yet effective standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the company financial statements in future:

IFRS 15 Revenue from Contract with Customers

On or after 1 January 2017

Equity Method in Separate Financial Statements – Amendments to IAS 27

Effective date to be confirmed

Disclosure Initiative – Amendments to IAS 1

Effective date to be confirmed

None of the other standards, interpretations and amendments which are effective for periods beginning after 1 July 2016 and which have not been adopted early, are expected to have a material effect on the financial statements.

3 Critical accounting judgements and key sources of estimation uncertainty

These accounts are prepared under IFRSs as adopted by the EU. The choice of accounting policies involves, in some cases, management evaluating and choosing the policy that gives the most true and fair view. The most relevant to the Company is in relation to estimating the out-turn cost of the development to determine the appropriate provision levels for inventory.

Lendlease (Elephant & Castle) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

4 Directors' remuneration

All directors are employees of Lendlease Development (Europe) Limited. Any qualifying services in respect of the Company are considered to be incidental and part of these directors' overall management responsibilities within Lendlease Development (Europe) Limited. Their remuneration for the current year and prior year was paid by and included in the financial statements of this company.

All staff are employed by Lendlease Development (Europe) Limited (2016: £nil).

5 Auditor's remuneration

Amounts receivable by the auditor and their associates in respect of:

	2017 £ 000	2016 £ 000
Audit of these financial statements	<u>(7)</u>	<u>(8)</u>

6 Finance income and costs

	2017 £ 000	2016 £ 000
Finance income		
Other finance income	21	4
Finance costs		
Interest on bank overdrafts and borrowings	<u>(74)</u>	<u>(30)</u>
Net finance costs	<u><u>(53)</u></u>	<u><u>(26)</u></u>

7 Income tax

Tax credited in the income statement

	2017 £ 000	2016 £ 000
Deferred tax		
Arising from origination and reversal of temporary differences	(962)	(202)
Arising from changes in tax rates and laws	37	13
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	<u>899</u>	<u>(31)</u>
Total deferred tax credit	<u><u>(26)</u></u>	<u><u>(220)</u></u>

Lendlease (Elephant & Castle) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

7 Income tax (continued)

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2016 - higher than the standard rate of corporation tax in the UK) of 19.75% (2016 - 20%).

The differences are reconciled below:

	2017 £ 000	2016 £ 000
Loss before tax	<u>(4,908)</u>	<u>(1,012)</u>
Corporation tax at standard rate	(969)	(202)
Increase (decrease) in current tax from adjustment for prior periods	899	(31)
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	7	-
Deferred tax expense (credit) relating to changes in tax rates or laws	<u>37</u>	<u>13</u>
Total tax credit	<u>(26)</u>	<u>(220)</u>

The effective rate of taxation will vary as a result of any dividends paid by shareholdings, accelerated tax depreciation and the utilisation of tax losses brought forward. A reduction to 19% (was effective from 1 April 2017) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was enacted on 15 September 2016. This will reduce the company's future tax charge. Accordingly, the Company's profits for the accounting period are taxed at a statutory rate of 19.75% (2016: 20%).

Deferred tax

Deferred tax assets and liabilities

	Asset £ 000	Liability £ 000	Net deferred tax £ 000
2017			
Tax losses carry-forwards	1,128	-	1,128
Accelerated tax depreciation	<u>-</u>	<u>(852)</u>	<u>(852)</u>
	<u>1,128</u>	<u>(852)</u>	<u>276</u>
2016			Asset £ 000
Tax losses carry-forwards			250
Accelerated tax depreciation			<u>-</u>
			<u>250</u>

Lendlease (Elephant & Castle) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

7 Income tax (continued)

Deferred tax movement during the year:

	At 1 July 2016 £ 000	Recognised in income £ 000	At 30 June 2017 £ 000
Tax losses carry-forwards	250	878	1,128
Accelerated tax depreciation	-	(852)	(852)
Net tax assets	<u>250</u>	<u>26</u>	<u>276</u>

Deferred tax movement during the prior year:

	At 1 July 2015 £ 000	Recognised in income £ 000	At 30 June 2016 £ 000
Tax losses carry-forwards	30	220	250
Accelerated tax depreciation	-	-	-
Net tax assets	<u>30</u>	<u>220</u>	<u>250</u>

Based on current capital investment plans, the Company expects to continue to be able to claim capital allowance in excess of depreciation in future years at a similar level to the current year. A reduction in the corporate tax rate to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2021) was enacted on 15 September 2016. This will reduce the Company's future current tax charge accordingly. Accordingly, the Company's profits for the account period are tax at a statutory rate of 19.75% (2016: 20%)

8 Property, plant and equipment

	Furniture, fixtures & fittings £000	Property £000	Total £000
<i>At cost</i>			
At 1 July 2016	1,362	5,318	6,680
Additions	710	-	710
At 30 June 2017	<u>2,072</u>	<u>5,318</u>	<u>7,390</u>
<i>Depreciation</i>			
At 1 July 2016	(169)	-	(169)
Charge for the year	(169)	(131)	(300)
At 30 June 2017	<u>(338)</u>	<u>(131)</u>	<u>(469)</u>
<i>Net Book Value</i>			
At 30 June 2017	<u>1,734</u>	<u>5,187</u>	<u>6,921</u>
At 30 June 2016	<u>1,193</u>	<u>5,318</u>	<u>6,511</u>

Lendlease (Elephant & Castle) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

9 Inventories

	2017 £ 000	2016 £ 000
Cost at 1 July	101,767	89,978
Inventory acquired during the year	<u>83,906</u>	<u>11,789</u>
Cost at 30 June	<u><u>185,673</u></u>	<u><u>101,767</u></u>

The directors consider all inventories to be non-current in nature. The operational cycle is such that a significant proportion of inventories will be realised beyond twelve months. It is not possible to determine with accuracy when specific inventory will be realised as this will be subject to a number of issues such as consumer demand and development programmes.

10 Trade and other receivables

	2017 £ 000	2016 £ 000
Trade receivables	40	10
Receivables from related parties	7,336	17,485
Accrued income	8	8
Other receivables	<u>2,756</u>	<u>1,542</u>
	<u><u>10,140</u></u>	<u><u>19,045</u></u>

11 Share capital

Allotted, called up and fully paid shares

	2017 £	2016 £
Ordinary shares of £1 each	<u>1</u>	<u>1</u>

12 Trade and other payables

Current Liabilities

	2017 £ 000	2016 £ 000
Trade payables	(1,003)	(499)
Accrued expenses and other payables	(1,169)	(11,572)
Amounts owed to Lendlease Group undertaking	<u>(179,198)</u>	<u>(101,413)</u>
	<u><u>(181,370)</u></u>	<u><u>(113,484)</u></u>

Lendlease (Elephant & Castle) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

12 Trade and other payables (continued)

Non Current Liabilities

	2017 £ 000	2016 £ 000
Accrued expenses and other payables	(28,704)	(9,523)
	<u>(28,704)</u>	<u>(9,523)</u>

The carrying amount of "trade & other payables" is deemed to represent the liabilities' fair value

The company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in note 13 "Financial risk management and impairment of financial assets".

13 Financial risk management and impairment of financial assets

The Company's financial instruments comprise cash, intercompany loans and various items such as trade receivables and trade payables which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Company's operations.

All financial instruments recognised on the statement of financial position, including those instruments carried at amortised cost, are recognised at amounts that represent a reasonable approximation of fair value.

Financial Assets

	2017 £ 000	2016 £ 000
Trade and other receivables	7,694	19,045
	<u>7,694</u>	<u>19,045</u>

Financial Liabilities

	2017 £ 000	2016 £ 000
Cash and cash equivalents	-	(6,747)
Trade and other payables	(210,074)	(123,007)
	<u>(210,074)</u>	<u>(129,754)</u>

Capital risk

The Company operates within the policies and procedures governed by its ultimate parent undertaking, Lendlease Corporation Limited. Within the scope of these policies and procedures, the Company manages its capital with the objective to enable the business to continue as a going concern and maximise returns to stakeholders. The assets and liabilities of the Company that are managed as capital comprise trade and other receivables, cash and cash equivalents, inventories, and trade and other payables.

Financial Risk

The Company's activities expose it to a variety of financial risks, such as market risk (including foreign exchange risk, price risk and credit risk) and liquidity risk. The Company's risk management programme seeks to minimise potential adverse effects on the Company's financial performance.

Lendlease (Elephant & Castle) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

13 Financial risk management and impairment of financial assets (continued)

Liquidity risk

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows. Future cash requirements are forecast on a monthly basis and funding including appropriate headroom is secured through the Company's ultimate parent undertaking, Lendlease Corporation Limited.

The maturity analysis for the Company's financial liabilities is contractually as follows:

Maturity analysis

	On demand £ 000	Within 1 year £ 000	Between 2 and 5 years £ 000	Total £ 000
2017				
Trade and other payables	179,198	2,172	28,704	210,074
	<u>179,198</u>	<u>2,172</u>	<u>28,704</u>	<u>210,074</u>
	On demand £ 000	Within 1 year £ 000	Between 2 and 5 years £ 000	Total £ 000
2016				
Trade and other payables	101,413	12,070	9,523	123,006
Cash and cash equivalents	6,747	-	-	6,747
	<u>108,160</u>	<u>12,070</u>	<u>9,523</u>	<u>129,753</u>

The "Trade and other payables" due on demand relate to amounts owed to group undertakings. There is no expectation that this contractual right will be exercised.

Market risk

Foreign currency risk

The Company operates exclusively within the UK such that its exposure to currency risk is considered to be minimal with only a small proportion of items both in terms of volume and value transacted in a foreign currency. As a result, there are no hedges in place with respect to any potential currency exposure.

Credit risk

Given the nature of the Company's business, legal title to development properties only passes to the purchaser on completion, and therefore the point at which full settlement is received. The Company does therefore not consider itself to be exposed to significant concentrations of credit risk.

In managing interest rate and currency risks the Company aims to reduce the impact of short-term fluctuations on the Company's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates would have an impact on earnings.

At 30 June 2017 and 30 June 2016, the fair values of the Company's financial instruments were not materially different to the book value of these instruments.

Exposure to interest rate risk arises in the normal course of the Company's business. Given that the Company is primarily funded from loans obtained from group companies, interest rate risk is considered to be minimal and is managed at the group level. The Company does not therefore utilise interest rate swaps or other Interest rate risk hedging instruments.

Lendlease (Elephant & Castle) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

13 Financial risk management and impairment of financial assets (continued)

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature or, if earlier, are repriced.

30 June 2017

	Effective interest rate %	Total £000	0-1 years £000	1-2 years £000	2-5 years £000
Loans from group undertakings	9.52%	(179,178)	(179,178)	-	-
		(179,178)	(179,178)	-	-

30 June 2016

	Effective interest rate %	Total £000	0-1 years £000	1-2 years £000	2-5 years £000
Cash	-	(6,747)	(6,747)	-	-
Loans from group undertakings	9.52%	(101,413)	(101,413)	-	-
		(108,160)	(108,160)	-	-

Interest of LIBOR minus 1% is accrued on positive cash balances. The cash balances of the Company are part of a pooling arrangement with the bank balances of other group undertakings. As at the balance sheet date, the overall position of these balances was nil and therefore the interest rate applicable to these balances is £nil (2016: nil).

Loans from Lendlease Europe Holdings Limited are made for specific qualifying projects. Interest on these loans is charged at 9.52% and is capitalised into inventory.

14 Related party transactions

Loans to group undertakings

	2017 £ 000	2016 £ 000
Lendlease Residential (CG) Limited	3,513	32
Lendlease E&C Legacy Limited	630	750
Lendlease Construction (Europe) Limited	3,193	-
	<u>7,336</u>	<u>782</u>

Lendlease (Elephant & Castle) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

14 Related party transactions (continued)

Loans from group undertakings

	2017	2016
	£ 000	£ 000
Lendlease Deptford Limited	(31)	-
Lendlease Development (Europe) Limited	(26,435)	(417)
Lendlease Europe Holdings Limited	<u>(152,732)</u>	<u>(100,835)</u>
	<u>(179,198)</u>	<u>(101,252)</u>

15 Ultimate parent company and parent undertaking of larger group of which the company is a member

The Company is a subsidiary undertaking of Lendlease Europe Limited, which is registered in England and Wales. Its ultimate parent undertaking is Lendlease Corporation Limited, Level 14 Tower Three, International Towers Sydney, Exchange Place, 300 Barangaroo Avenue, Barangaroo NSW 2000, which is incorporated in Australia. The largest group in which the results of the Company are consolidated is that headed by Lendlease Corporation Limited. The consolidated financial statements of that group may be obtained from the group's website at www.lendlease.com

The smallest group in which the financial statements of the Company are consolidated is that headed by Lendlease Europe Holdings Limited. The consolidated financial statements of this group may be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff.