# The intu difference

**intu properties plc**
Annual report 2015

At intu we are passionate about providing people with their perfect shopping experience.

We create compelling experiences that surprise and delight our customers.

And it's this that powers our business, creating value for our retailers, our communities and our investors and drives our long-term success.

Go online **intugroup.co.uk/ar2015**


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## How have we performed in the year?

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Read more content in the annual report

Read more content at **intugroup.co.uk**

# Key highlights of 2015

## Key financial highlights[1]

Our results for the year show growth in net rental income, underlying earnings, property valuation and net asset value:

- net rental income increased by 8 per cent, due to a return to like-for-like growth of 1.8 per cent and the full-year impact of acquisitions
- property revaluation surplus of £351 million represents a like-for-like increase in capital values of 4.0 per cent in the year, outperforming the IPD monthly retail index which increased by 2.8 per cent
- profit for the year of £518 million included £351 million property revaluation surplus (2014: £600 million included £648 million property revaluation surplus)
- underlying earnings per share increased by 7 per cent to 14.2 pence (2014: 13.3 pence)
- net asset value per share (diluted, adjusted) increased to 404 pence, an increase of 25 pence, delivering a total financial return in the year of 10 per cent including dividend
- debt to assets ratio improved to 43.1 per cent and on a pro forma basis to 41.0 per cent, after the disposal of the Equity One investment in January 2016
- cash and available facilities of £588 million at 31 December 2015 with a further £202 million received from the disposal of Equity One shares in January 2016

Net rental income[2]
**£428m**
(2014: £397m)

Underlying earnings
**£187m**
(2014: £162m)

Property revaluation surplus[2]
**£351m**
(2014: £648m)

Profit for the year
**£518m**
(2014: £600m)

Underlying EPS
**14.2p**
(2014: 13.3p)

Dividend per share
**13.7p**
(2014: 13.7p)

Market value of investment properties[2]
**£9,602m**
(2014: £8,963m)

Net external debt[2]
**£4,139m**
(2014: £3,963m)

NAV per share (diluted, adjusted)
**404p**
(2014: 379p)

Debt to assets ratio[2]
**43.1%**[3]
(2014: 44.2%)

1 Please refer to glossary for definition of terms.
2 Including Group's share of joint ventures.
3 Pro forma of 41.0 per cent after cash realised from disposal of Equity One investment in January 2016.

**Presentation of information**
Amounts are presented including the Group's share of joint ventures.
**See financial review, page 46, for details**

## Optimising asset performance

Our focus is to deliver attractive long-term total property returns from strong, stable income streams and capital appreciation

- increased like-for-like net rental income by 1.8 per cent in the year, a return to growth, reflecting the benefits of active asset management over the last few years
- signed 261 long-term leases for £46 million new annual rent at an average 10 per cent above previous passing rent
- increased occupancy to 96 per cent from strong levels of new lettings (December 2014: 95 per cent)
- increased retailer sales by 2 per cent and footfall remained robust across the portfolio

## UK development momentum

By extending and enhancing our existing locations we aim to deliver superior returns

- completed the £42 million mall refreshment and restaurant quarter at intu Victoria Centre and the £19 million leisure extension at intu Potteries, generating a combined £3.6 million of new annual rent
- on site with three restaurant projects costing £30 million (intu share) at intu Eldon Square (20 units), intu Metrocentre (11 units) and intu Bromley (five units). All are due to complete in 2016 and are substantially let
- on site with the £178 million leisure and retail extension of intu Watford anchored by Cineworld and Debenhams
- due to commence redevelopment of intu Broadmarsh and the leisure extension at intu Lakeside in 2016

## Making the brand count

We aim to leverage the strength of our brand to create compelling experiences that deliver results

- over 24 million website visits in 2015, a year-on-year increase of over 30 per cent
- delivered strong metrics on marketing campaigns from an active marketing database of over two million subscribers
- continued improvement in net promoter score, up 20 per cent year-on-year, and driving dwell times
- delivered nationwide, immersive multichannel events with global brands, such as MasterCard and 20th Century Fox

## Seizing the growth opportunity in Spain

Our Spanish strategy is to create a business of national scale through acquisitions and development projects

- completed the €451 million acquisition of Puerto Venecia, Zaragoza and brought in CPPIB as our 50 per cent joint venture partner
- introduced the intu brand to Spain, rebranding Parque Principado, Oviedo, as intu Asturias
- delivered positive operating metrics from these two top-10 centres with footfall and sales up 3 per cent and 10 per cent respectively, both outperforming the Spanish benchmarks
- exercised option to take ownership of development site and furthered tenant demand for the planned shopping resort development, intu Costa del Sol, near Málaga. We anticipate being on site before the end of 2016

# Top properties
## Our portfolio at a glance

intu owns and manages some of the best shopping centres, in some of the strongest locations, across the UK and in Spain, including nine of the UK's top 20


intu Asturias

intu Trafford Centre

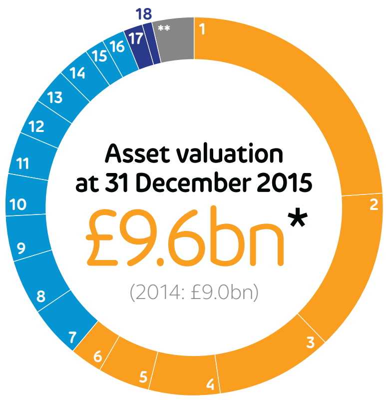

intu Derby


intu Lakeside


intu Metrocentre

intu Victoria Centre


intu Merry Hill




## Super-regional centres

63%

1. intu Trafford Centre (£2,305m)
2. intu Lakeside (£1,334m)
3. intu Metrocentre (£952m)
4. intu Braehead (£586m)
5. intu Merry Hill (£448m)
6. Cribbs Causeway, Bristol (£245m)

## Spanish centres

3%

17. Puerto Venecia, Zaragoza (£166m)
18. intu Asturias (£89m)

## In-town centres

34%

7. intu Derby (£447m)
8. Manchester Arndale (£445m)
9. St David's Cardiff (£369m)
10. intu Victoria Centre (£356m)
11. intu Watford (£336m)
12. intu Eldon Square (£300m)
13. intu Milton Keynes (£280m)
14. intu Chapelfield (£273m)
15. intu Potteries (£175m)
16. intu Bromley (£174m)

* Including Group share of joint ventures.
** Other properties <£100 million (£323m).

| | Market value | Size (sq ft 000) | % ownership | Number of stores | Annual property income | Headline rent ITZA | ABC1 customers | Key tenants |
|---|---|---|---|---|---|---|---|---|
| **Super-regional centres** | | | | | | | | |
| **intu Trafford Centre** | £2,305m | 1,973 | 100% | 234 | £87.8m | £425 | 67% | Debenhams, Topshop, Selfridges, John Lewis, Next, Apple, Ted Baker, Victoria's Secret, Odeon, Legoland Discovery Centre, H&M, Hamleys, Marks & Spencer, Zara, Sea Life |
| **intu Lakeside** | £1,334m | 1,435 | 100% | 248 | £59.2m | £350 | 67% | House of Fraser, Debenhams, Marks & Spencer, Topshop, Zara, Primark, Forever 21, Vue, Hamleys, Victoria's Secret |
| **intu Metrocentre** | £952m | 2,085 | 90% | 342 | £48.2m | £300 | 57% | House of Fraser, Marks & Spencer, Debenhams, Apple, H&M, Topshop, Zara, Primark, River Island, Odeon |
| **intu Braehead** | £586m | 1,127 | 100% | 121 | £26.2m | £250[1] | 58% | Marks & Spencer, Primark, Apple, Next, H&M, Topshop, Hollister, Superdry, Sainsbury's, David's Bridal |
| **intu Merry Hill** | £448m | 1,671 | 50% | 213 | £22.5m | £180 | 46% | Marks & Spencer, Debenhams, Bhs, Primark, Sainsbury's, Next, Topshop, Asda, Boots, H&M, Odeon |
| **Cribbs Causeway** | £245m | 1,075 | 33% | 153 | £11.7m | £305 | 73% | John Lewis, Marks & Spencer, Apple, Next, Topshop, Timberland, Jigsaw, Hobbs, Hugo Boss, H&M |
| **In-town centres** | | | | | | | | |
| **intu Derby** | £447m | 1,300 | 100% | 181 | £30.6m | £125 | 54% | Marks & Spencer, Debenhams, Sainsbury's, Next, Boots, Topshop, Cinema de Lux, Zara, H&M |
| **Manchester Arndale** | £445m | 1,600 | 48% | 249 | £21.9m | £275 | 57% | Harvey Nichols, Apple, Burberry, LK Bennett, Topshop, Next, Ugg, Hugo Boss, Superdry, Zara, Hollister |
| **St David's, Cardiff** | £369m | 1,391 | 50% | 201 | £16.3m | £212 | 66% | John Lewis, Debenhams, Marks & Spencer, Apple, Hollister, Hugo Boss, H&M, River Island, Hamleys, Primark |
| **intu Victoria Centre** | £356m | 976 | 100% | 113 | £18.2m | £250 | 54% | House of Fraser, John Lewis, Next, Topshop, River Island, Boots, Urban Outfitters, Superdry, Office |
| **intu Watford** | £336m | 726 | 93% | 137 | £17.8m | £250 | 82% | John Lewis, Marks & Spencer, Apple, Zara, Primark, Next, Lakeland, Phase Eight, Lego, H&M, Topshop, New Look |
| **intu Eldon Square** | £300m | 1,350 | 60% | 140 | £14.5m | £308 | 61% | John Lewis, Fenwick, Debenhams, Waitrose, Apple, Hollister, Topshop, Boots, River Island, Next, Marks & Spencer |

**Spanish centres**

| | Market value | Size (sq m 000) | % ownership | Number of stores | Annual property income | Key tenants |
|---|---|---|---|---|---|---|
| **Puerto Venecia, Zaragoza** | €225m | 119 | 50% | 202 | €11.0m | El Corte Inglés, Primark, Ikea, Apple, Decathlon, Cinesa, H&M, Mediamarkt, Zara, Hollister, Toys R Us, Fnac |
| **intu Asturias** | €121m | 75 | 50% | 136 | €6.8m | Primark, Zara, H&M, Cinesa, Eroski, Mango, Springfield, Fnac, Mediamarkt, Desigual |

1 The amount presented is on the Scottish ITZA basis, the English equivalent is £335.

# Chairman's statement

Our focus is to deliver strong returns over the medium term through rental growth in our existing assets and superior returns from our development pipeline

"We have focused on delivering our strategic objectives rather than being exclusively preoccupied with short-term gains. This has proved to be the right thing to do, as our results this year show"

It is now nearly six years since we demerged and three years since we introduced the intu brand. Over this period we have been shaping the business to enable growth and ensure we are well placed both to take advantage of improvements in the market and to withstand any adversity. We have focused on delivering our strategic objectives rather than being exclusively preoccupied with short-term gains. This has proved to be the right thing to do, as our results this year show. Managed this way, our prime retail real estate is an attractive investment delivering long-term security.

### Overview of 2015 activity

A key highlight of the year was the return to positive like-for-like net rental income growth. This, along with strong operating metrics that have outperformed national benchmarks, is a validation of the repositioning work we have done in the last few years.

The expertise and skills of our in-house team in continually improving our assets have been recognised by both the industry and our end customers. intu Lakeside and intu Eldon Square both won BCSC Gold awards in the last two years for their redevelopment works. We have received excellent customer feedback at our newly opened developments at intu Victoria Centre and intu Potteries where visitor numbers have increased even beyond our high expectations.

intu and its customer proposition continue to increase brand traction with retail customers, brand partners and shoppers as well as wider audiences. The intu brand made its presence felt in the Spanish market when we rebranded Parque Principado, Oviedo as intu Asturias in June 2015 and this has been very well received by both customers and retailers.

We continue to be at the forefront of our sector in terms of digital and customer experience. Our in-house digital innovation team is fully integrated into the wider business and delivering a series of industry-leading developments while the customer experience team has a comprehensive programme of signature experience initiatives – both focused on delivering a compelling experience in centre and online.

For more details of our performance this year may I refer you to the interview with our Chief Executive on pages 8 and 9 where David Fischel answers key questions about our business and to the financial review presented by our Chief Financial Officer Matthew Roberts on pages 46 to 51.

### Corporate responsibility

Our centres are integral to the communities we serve. Although we are an international brand, we are rooted in our local communities. We create significant economic contributions to these communities, through regional

### Our approach to corporate responsibility

As a long-term and sustainable business our corporate responsibility approach is based on three pillars:

- Communities and economic contribution
- Environmental efficiency
- Relationships with our stakeholders

Read more on pages 52 to 55

External recognition of our sustainability performance

employment and development and by supporting community groups to address fundamental societal issues that are important to our long-term success. We measure total economic contribution through the gross value added (GVA) model; in 2015 this was valued at £4.2 billion (2014: £3.5 billion).

Environmentally, we are focused on our long-term goals and are working towards our 2020 targets, including our new carbon target which now measures emissions intensity rather than an absolute quantity. I am pleased to say we remain on course to achieve these and you can find more details on our progress on pages 52 to 55.

intu staff are an important part of this progress and have delivered impressive results over the past year, particularly in the areas of environmental management and community engagement through a multitude of partnerships.

### Our people

I would like to record my thanks to the Board and all our staff for their commitment and dedication to intu's values and vision in the year.

At the heart of intu's success are the people who deliver these results for you, from apprentices, through senior managers to the Board. We look to employ and retain the very best people to keep us at the forefront of the shopping centre industry.

I welcome Rakhi (Parekh) Goss-Custard and John Strachan to the Board. They bring a wealth of experience from the internet retail and retail property environment respectively. We are fortunate to have a Board which takes a keen interest in our operations. This gives a real vitality to our corporate governance arrangements, while allowing our executive team the freedom it needs.

I am also pleased to report that this year we welcomed our first apprentices in our new national apprenticeship scheme and we achieved silver Investor in People accreditation at 14 intu-branded shopping centres. intu Trafford Centre retained its gold standard.

Finally, on behalf of the Board I would like to thank Neil Sachdev who will step down as a Director at the 2016 AGM after over nine years and Mike Butterworth who retired as Chief Operating Officer in December 2015. We have valued the contributions they have both made to our progress very highly.

Like-for-like net rental income growth in 2015

**1.8%**

(2014: -3.2%)

Reduction in $CO_2e$ emissions intensity since 2011

**39%**

### Dividends

Your Directors are recommending a final dividend of 9.1 pence per share, bringing the amount paid and payable in respect of 2015 to 13.7 pence, unchanged from the 2014 dividend. A scrip dividend alternative may be offered.

### Looking forward

We continue to focus on our key strategic objectives which put us in a position where we can take advantage of a continued upturn in the economy, and also allow us to better withstand any future downturns. The strong and stable income streams from our quality shopping centres will be supported and supplemented by growth through our development pipeline as we embark on the next exciting phase of investment, across both the UK and Spain.

Our brand proposition around events, community, customer service and digital will continue to enhance the customer experience and attractiveness of intu centres to both retailers and customers.

In Spain, we will replicate our successful UK model both operationally in our existing two centres and on the development front at intu Costa del Sol.

Our focus is to deliver strong returns over the medium term through rental growth in our existing assets and superior returns from our development pipeline.

**Patrick Burgess**
**Chairman**
26 February 2016

# Interview with the Chief Executive

David Fischel, Chief Executive, answers questions on intu's results demonstrating how the business expects to benefit further from rising consumer confidence and strengthening demand from retailers for quality space

"As economic recovery spreads out from London and the south east to the regions, consumer confidence is positive, driving improved retailer demand for space in our centres"

## Q How was 2015 for intu?

A We are pleased to report a strong set of results for 2015 with a 7 per cent increase in underlying earnings per share and a 4 per cent revaluation surplus taking investment properties to £9.6 billion. Particularly encouraging was the return to like-for-like growth in net rental income, the result of quality lettings in aggregate 10 per cent ahead of previous passing rent, improved occupancy at 96 per cent and benefits from our investment programme with projects successfully concluded in 2015 in Nottingham, Newcastle and Stoke-on-Trent.

As economic recovery spreads out from London and the south east to the regions, consumer confidence is positive, driving improved retailer demand for space in our centres at a time when new supply of quality retail space is very limited. Investor interest for prime regional shopping centres remains keen.

These factors provide a favourable background for our development programme as we look to introduce the next level of leisure concepts. We expect to undertake around £600 million of mixed retail and leisure projects in the next three years in the UK, in particular the intu Watford extension, and commence our major Spanish shopping resort development, intu Costa del Sol.

Our top shopping destinations help deliver high footfall and long dwell times for our retailers and restaurateurs. We attract some 400 million shopper visits a year and focus on delivering a great customer experience. We are continuing to make the intu brand really count through digital initiatives, including our transactional website, and multichannel promotional events, reflected in very positive customer feedback via our Tell intu programme.

While financial markets are volatile, the improved economic environment and tenant demand, together with the returns we are achieving from our investment in development, active management, technology and branding mean we are well positioned to achieve further organic growth in 2016.

## Q Can you explain the 'intu difference'?

A It is shorthand for what differentiates intu from other retail landlords. It means combining our scale, expertise and insight to create compelling experiences for our customers that deliver results for our retailers and value for our investors.

In practical terms it is how we bring the five elements of our brand proposition to life – digital connectivity, events with a difference, world class service, moments of surprise and delight and our commitment to the community.

The whole business is centred around our end customers. We want them to be happier when they leave our centres than when they walked through the door. Our net promoter scores prove that happy shoppers spend more which means happy retailers. We are a people business and everything our people do is underpinned by our values of creative, bold and genuine.

**Q What can we expect in terms of developments to your UK centres over the next 12 months?**

A 2016 will be another significant year for our UK development pipeline following a successful 2015 which saw us complete over £60 million worth of high impact developments at intu Victoria Centre and intu Potteries. These are already yielding results in the form of increased asset values and tenant demand.

This year our focus is on three major projects as part of our near-term, £580 million development pipeline: transformational developments at intu Watford and intu Broadmarsh and an innovative leisure extension at intu Lakeside, each of which is fully funded from existing resources.

At intu Watford we have begun our £178 million extension, demolishing Charter Place to replace it with a substantial retail and leisure offering anchored by a nine-screen Cineworld IMAX cinema and Debenhams. CACI predict that Watford will be promoted to a top-20 retail destination as a result of the development and interest is high with 50 per cent already let or in solicitors' hands.

With the refurbishment of intu Victoria Centre complete, we are ready to turn our attention to the second phase of our Nottingham vision – the redevelopment of intu Broadmarsh. This project will bring a cinema, leisure uses and convenience retail to the southern end of the city.

At intu Lakeside, we are in advanced talks with an international brand to introduce a new type of leisure offer to the shopping centre experience. This will be the first phase of a £95 million, 225,000 sq ft leisure extension designed to increase dwell time and the overall catchment of the centre.

### Strategic priorities for 2016

Our focus in 2016 will be on four main goals which we believe will result in strong total returns over the medium term:

- **optimise the performance of existing assets**
- **drive forward our UK development pipeline**
- **make the brand count**
- **seize the growth opportunity in Spain**

Read more on pages 32 to 33

**Q It has now been over two years since you bought your first centre in Spain. Has Spain delivered on its promise so far and where will the next two years take you?**

A Yes, investing in Spain in 2013 has proven to be a timely move for intu. We now have a strong foothold in a rapidly improving market that has just seen its 17th successive quarter of retail sales growth. intu Asturias and Puerto Venecia are performing strongly with positive sales growth, dwell and footfall above the benchmarks. Our management team has introduced exciting new retailers at both centres, driving rental growth. Pleasingly the rebrand of Parque Principado to intu Asturias was very well-received and validated through substantially improved net promoter scores. We will look to repeat this success when Puerto Venecia goes through the rebranding process later this year.

From a development point of view, our new concept retail resorts are being well received. At intu Costa del Sol, our first iteration of the concept, tenant demand is strong and the planning is well advanced. When we have secured full planning approval and our target level of exchanged pre-lets, we expect to be on site in the latter part of 2016. In tandem with this, we will continue to advance plans on the other development sites in Valencia, Vigo and Palma.

**Q You have stated your ambition to stay at the forefront of shopping centre innovation – what does this look like in practical terms?**

A There are five elements of our brand proposition but let's look at just one as an example – digital connectivity. We are the only landlord with an in-house digital innovation team, and we were the first in our industry to introduce a transactional website to offer 24/7 shopping for our customers and importantly give our retailers another route to market. intu.co.uk is already a top-10 affiliate website with 350 'shoppable' retailers.

However we are not standing still. With the introduction of new technologies our offering will continue to evolve. We are running a number of innovation projects and website enhancement trials that, once proven, we can quickly and efficiently roll out. In 2015 we worked with Apple who digitally mapped our centres, another industry first. This along with our high quality wifi infrastructure has allowed us to build a uniquely personalised wayfinding and offers app that was piloted last year and is now being rolled out across intu branded centres.

**Q Can you summarise what 2016 has in store for intu?**

A We are now well positioned to reap the benefits of our single-minded focus and brand strategy. 2016 is about building on that solid foundation while continuing to innovate to strengthen our market leading position.

Our four strategic priorities remain: optimising our assets to create essential destinations for both our shoppers and retailers; delivering the near-term pipeline of UK development opportunities that will add real value to our portfolio; leveraging the strength and differentiation of our brand across all proposition areas; and building our Spanish presence.

We intend to deliver continued growth in like-for-like net rental income which we expect to be in the 2 per cent to 3 per cent range for 2016 subject to no material tenant failures. This will offset the dilution in earnings from the disposals of the Equity One shares and a 50 per cent stake in Puerto Venecia, Zaragoza as we recycle capital into other developments.

# Our growth story

We have a strong pipeline of organic growth opportunities for the next decade in the UK and Spain. Over the past few years we have been moving forward with planning approvals to be ready for an upturn in tenant demand. We expect to start around £750 million of these projects in the next three years, with optionality on further projects beyond 2018

**£750m**
**our development pipeline**
over the next three years

## Near term

Over the next three years we will focus on projects where we see improved tenant demand. We are commencing the project at intu Watford where pre-lets are now over 50 per cent. Demand is approaching the required level at the other near-term projects and we expect to commit to these in the next 12 months.

### intu Watford

| | |
|---|---|
| intu cost to completion | £178m |
| New space | 380,000 sq ft |
| Indicative timing | 2016-2018 |

Our development of the site of the old Charter Place precinct adjacent to intu Watford will transform the centre into a 1.4 million sq ft regional destination, with CACI estimating that, as a result, Watford will be promoted to a top 20 national retail destination ranking alongside Edinburgh and Bristol. The leisure-led extension will enhance the night-time economy in this affluent catchment across north London and Hertfordshire. Anchored by a nine-screen Cineworld IMAX cinema, 10 restaurants and a Debenhams department store, it will also deliver new large format units and a refurbishment of existing malls to bring them to the standard of the new extension.

### intu Lakeside

| | |
|---|---|
| intu cost to completion | £95m |
| New space | 225,000 sq ft |
| Indicative timing | 2016-2018 |

The approved leisure extension will bring additional restaurants and introduce new concept leisure brands to intu Lakeside, increasing catchment and dwell time. We are in detailed discussions with the leisure anchors which, along with the recent letting to Hamleys, will increase the family-oriented customer experience.

## intu Costa del Sol

| | |
|---|---|
| intu cost to completion | €232m (£172m) |
| New space | 175,000 sq m |
| Indicative timing | 2016-2018 |

intu Costa del Sol will be our first development in Spain, creating a leisure and retail destination for both residents and tourists. In developing our shopping resort concept we will look to build on the leisure and retail offer demonstrated by Puerto Venecia, Zaragoza and expand the intu brand in Spain.


## intu Broadmarsh

| | |
|---|---|
| intu cost to completion | £75m |
| New space | 50,000 sq ft |
| Indicative timing | 2016-2018 |

The second phase of our Nottingham vision will redevelop the 500,000 sq ft existing centre to provide a complementary offer to that of intu Victoria Centre. The redevelopment will focus on new brands and uses to the city with a cinema and restaurant-led upper level and convenience-driven lower level.

## Active asset management

| | |
|---|---|
| intu cost to completion | £185m |
| New space | n/a |
| Indicative timing | 2016-2018 |

Our active asset management capital expenditure offers attractive returns, with stabilised initial yield on costs of 6-10 per cent. The projects vary in scale but they all focus on improving the customer experience, whether it is retail, catering or leisure. Examples in 2016 will be a hotel at intu Lakeside and bowling and mini-golf at intu Derby.

## Overview

| | | Cost to completion | | |
|---|---|---|---|---|
| £m | Total | 2016 | 2017 | 2018 |
| Committed | 45 | 45 | – | – |
| Active asset management pipeline | 185 | 60 | 63 | 62 |
| Major extensions and redevelopments | 348 | 60 | 160 | 128 |
| **Total UK** | **578** | **165** | **223** | **190** |
| intu Costa del Sol* | 172 | 22 | 40 | 110 |
| **Total** | **750** | **187** | **263** | **300** |

* Assumes 50 per cent joint venture partner.

## Future potential beyond 2018

### intu Lakeside
We have planning approval for an additional 440,000 sq ft of retail space which will be a natural development of the centre to meet the increased catchment and footfall from the leisure extension.

### intu Victoria Centre
The third phase of our Nottingham vision, following the successful refurbishment of intu Victoria Centre and redevelopment of intu Broadmarsh, is a retail extension to intu Victoria Centre. This has planning approval for up to 500,000 sq ft of retail and leisure.

### intu Braehead
Our application is being re-determined following an objection to Braehead's revised planning status within the Local Development Plan. Our project has widespread political and public support and would bring significant investment to Scotland. Approval of the plans will enable us to progress this 475,000 sq ft retail and leisure extension, creating 2,200 jobs in the construction phase and 2,650 jobs thereafter.

### intu Milton Keynes
In 2015 the council resolved to approve our plans to develop 100,000 sq ft of new floorspace, bringing more life and entertainment to the Boulevard area of the centre and creating 430 new jobs. Disappointingly, this has since been called in for a public inquiry by the Secretary of State which is due to be held later in 2016.

### Cribbs Causeway
We have submitted a planning application for a 380,000 sq ft retail and leisure extension to the centre reflecting growth in the overall catchment area, especially with the redevelopment of Filton airfield. This will bring an estimated 2,900 jobs to the local community.

### Spain
We continue to progress our development options at Valencia, Vigo and Palma to create further shopping resorts similar to Puerto Venecia, Zaragoza and intu Costa del Sol.

# Investment case

Our investment case sets out how we use our market-leading position and unique insight to implement our strategy and deliver shareholder returns

## Market-leading position

See business model page 28

— UK's largest owner, developer and manager of prime shopping centres
— only UK nationwide shopping centre brand
— providing in centre and online customer experience
— talented, motivated and empowered employees focused on delivering exceptional customer experience
— robust capital structure with access to a wide range of funding sources

## Unique insight

See key market trends page 16

— pure play focused shopping centre owner
— dynamic operator at the forefront of an evolving retail environment, understanding the multichannel requirements of retailers
— unique insight into customer trends and demands for the perfect shopping and leisure experience
— connecting retailer requirements with customer demands to deliver compelling shopping experiences

## Strategy

See strategy overview page 32 and 33

— combining our scale, expertise and insight
— creating compelling experiences for our customers
— delivering results for our retailers
— adding value for our investors

## Shareholder returns

— aim to deliver long-term total property returns from our prime properties, an attractive asset
— strong, stable income streams from long-term lease structures
— development potential and capital appreciation

# The intu difference

**What makes intu different?**

We create compelling experiences that surprise and delight our customers, delivering success for our retailers, enhancing our communities and driving value for our investors


**Optimising asset performance**
page 19


**UK development momentum**
page 20


**Making the brand count**
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**Seizing the growth opportunity in Spain**
page 24

With 2/3 of the UK's shopping population within 45 minutes of an intu centre, and our unrivalled website, we've got the country covered

# The intu difference is driving our success

**400m** customer visits in 2015

**35m** customers

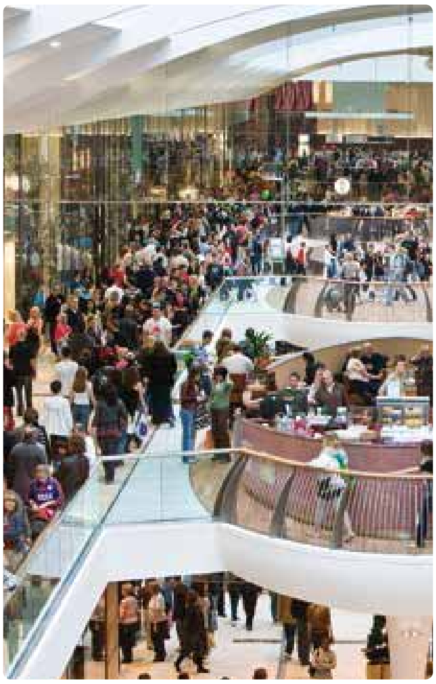
**24m** website visits

**2m** marketing database

**The figures are impressive but it is what we do with them that really makes the difference.**

With the whole business centred around our customer, we bring together our scale, experience and expertise to create compelling experiences, in centre and online, which deliver real results for our retailers, caterers and leisure operators. And it works – stores at intu centres are very often among the top performers in their businesses.

Our unique insight and research programmes help us understand what motivates customers to visit their local intu centre, stay longer and return often. We then combine the power of our brand with our scale to attract the best retailers, the most sought-after brands and exciting immersive experiences to do just that.



## Signature experiences

Our in-house teams are always thinking up new signature experiences that express our brand proposition of world class service, digital connectivity and events with a difference. Joy jars, the new customer lounges, the intu app – just some of the ways we provide moments of surprise and delight.

> Our aim is to put a smile on the face of our customers. We want them to be happier when they leave our centres than when they walked through the door. Happy shoppers mean happy retailers
>
> **David Fischel**

## A culture of success

How we behave is an important part of the intu difference and a big reason behind our success. We encourage and equip all our employees to look at things differently and creatively, to consider carefully and then to act boldly and genuinely.

**Our values**

**Creative**
We look at the familiar and we see something different; we are insightful and imaginative, but not for their own sake, for we never lose sight of what is important and relevant.

**Bold**
We act confidently and decisively, always knowingly, perhaps at times controversially, but never rashly or without consideration.

**Genuine**
We are true to ourselves, act fairly and communicate clearly; we say what we mean and we mean what we say. We recognise our obligations to our stakeholders and the wider society, and commit to put our utmost into everything we do.

# We understand our market

The face of UK retail is changing and we are positioned to take advantage of the opportunities this presents both in store and online

## What are the major trends impacting our market?

| Trends | Our response |
|---|---|
| **Fewer stores, prime locations matter**<br>— store strategy is evolving<br>– existing established retailers reduce store numbers, but not necessarily trading space<br>– new entrants need a minimum footprint of 30-50 stores to establish a viable UK presence<br>— pure play online retailers now trialling physical locations<br>— focus on the right locations in the right environments, in particular the top 35 shopping centres | **Optimising asset performance**<br>— our focus on the top shopping destinations delivers high footfall and long dwell times to our retailers<br>— knowing our customers and understanding retailer requirements to help them flourish in our centres<br>— asset management initiatives deliver the right space in the right location |
| **A multichannel approach**<br>— seamless shopping experience across both online and in store sales channels, with shoppers who use both channels generating higher transaction values<br>— single view of customer with a focus on personalisation<br>— stores also functioning as showrooms showcasing the products and brand | **Making the brand count**<br>— we are the only UK nationwide shopping centre landlord who can offer retailers a transactional website to mirror their multichannel approach<br>— our customer database gives retailers further routes to market both online and in centre |
| **Shopping is leisure**<br>— family friendly experience to compete with other leisure attractions<br>— centres need to have the right mix of retail, catering and leisure to enhance the customer's day out | **Development momentum**<br>— introducing the optimal level of restaurants and leisure into centres<br>— bringing the next level of leisure concepts to intu Lakeside and intu Costa del Sol in the near term |

## Consumer insights

We continually monitor and respond to customer trends both in centre and online with touch points across the whole customer journey.

**28,000**
Tell intu surveys completed annually

**2,200**
customer exit surveys completed by CACI

**6,000**
shopper view data points


## House of Fraser's multichannel approach

Department store group, House of Fraser, has transformed into a successful multichannel customer-centric business, which has delivered positive sales and margin growth both in store and online. House of Fraser offers customers a seamless shopping experience with a consistency in approach and communications across all channels.

This forward-looking approach mirrors its relationship with intu: in centre it has just completed a multimillion-pound refurbishment of its store at intu Metrocentre and online it is collaborating with our digital team to open additional channels to customers.

# Optimising asset performance

Our distinctive asset management approach combines expertise and experience with the intu difference to make our centres vibrant places for leisure and shopping that draw in customers and help retailers flourish


## intu Victoria Centre

Our vision for Nottingham, which sees the city centre anchored by two complementary centres (intu Victoria Centre and intu Broadmarsh), has started to become a reality with our £42 million investment at intu Victoria Centre.

The transformation created a modern and contemporary retail space that has enticed new and exciting brands such as Kiko (see right), Swatch and Superdry to the city of Nottingham for the first time. Many existing tenants, such as JD Sports and Vision Express, are upsizing.

Retailers have seen the difference, with shops reporting a Saturday afternoon level of crowds on Thursday mornings and spend rising by 14 per cent year on year (CACI 2015). Zone A rents have risen from £210 in 2013, before the development, to £250 in December 2015.

December 2015 saw the much-anticipated opening of the restaurant quarter, which is helping to generate a vibrant night-time culture that benefits all retailers through longer opening hours. It is what intu is known for – creating the spaces and experiences both retailers and consumers want.

## Only intu can

It has been 18 months since intu took over at intu Derby and intu Merry Hill in the heart of England; but what a difference we have made:

115%
rise in net promoter score

17%
Zone A rent increase

11%
rise in valuations

These figures show what intu's active asset management is all about: driving improvement across a spectrum of KPIs, through an understanding of what works for the modern retailer and creating the environment that attracts customers and tempts them to stay.

## National Kiko roll-out

Investing in our centres, understanding what retailers need and knowing our customers are characteristics of intu that are helping retailers flourish. European beauty brand Kiko has been so impressed that since testing the water with its first intu store at intu Victoria Centre – where sales exceeded all targets – it expanded into seven more in 2015, with plans for further openings in our centres.


> We are excited to be able to build on our success at intu Victoria Centre and to work with intu to further expand in the UK
>
> **Kiko**

# UK development momentum

Our investment in our UK assets creates the stylish and sought-after shopping destinations retailers and customers want, revitalises city centres and brings economic benefits to communities


## intu Eldon Square

Over the last ten years we have effectively rebuilt intu Eldon Square to create a dynamic shopping experience in the heart of Newcastle. This includes a stylish 400,000 sq ft extension and a £22 million investment to refurbish the mall, which have attracted new high-quality tenants and increased revenues. Occupancy is nearly 100 per cent, with just two stores available to let.

Occupancy is nearly

**100%**

The mall overhaul has all the features of an intu reinvention – updating the centre and infrastructure from the technical to the technological, reducing operating costs with energy efficient lighting and ventilation, and attracting customers through the top-quality redesign, full digital connectivity, new stores and customer service points. New tenants include Thomas Sabo, Skechers and Smiggle, altogether generating over £3 million per annum in new rents.

Cost of the refurbishment

**£22m**

New rents

**£3m**

The next phase is the £25 million restaurant development at Grey's Quarter which, on completion in 2016, will bring 20 new restaurant brands to central Newcastle.


## intu Bromley

Insight means we can deliver dramatic changes through small investments. The £3 million transformation of intu Bromley saw retailers competing for space in the newly rebranded centre, vying to get a share of the valuable catchment (88 per cent of intu Bromley's customers are in the most affluent ABC1 category).

New retailers over the past two years include White Stuff, Thomas Sabo, Smiggle, Hema, Carluccio's, YO! Sushi, Ecco, Jo Malone, Timberland and Fat Face.

Refurbishment and the revitalised mix of tenants has tempted back affluent local shoppers who are choosing to use their local centre once again. The result has been around 20 new lettings.

The opening of the restaurant terrace at Queen's Garden in 2016 will further enhance the aspirational offer and will be the catalyst for introducing a longer trading day in the centre, to make intu Bromley one of south east London's most compelling destinations.


Mall Guide
Have
light up

# Making the brand count

Three years on from creating the new brand our customers and retailers are starting to understand the intu difference and what it means: a way of doing things that guarantees world class service, compelling events and the best digital connectivity in the business


## Student Nights

Student nights are a regular part of any shopping centre's event calendar, but intu Student Nights really are events with a difference for both students and retailers.

**128,000**

students attended events in 2015

**21%** rise from 2014

By leveraging the intu consumer brand and our national presence, more retailers took part in the 2015 events than ever before – 1,045 across our portfolio, 17 per cent more than last year.

Quotes from retailers bear out the events' success:

"We thought we'd take £8k, we took £72k."

"Achieved +686 per cent against our target – took £20,000 in four hours."

"Can I just say how AMAZING the student event on Wednesday was for us. Made our store #1 in Scotland & Ireland."

From the events we signed up 120,000 students to our database, giving retailers access to a coveted and hard-to-reach group of shoppers. We are planning a spring event for 2016, giving retailers and students another great opportunity.

## Sponsorships and partnerships

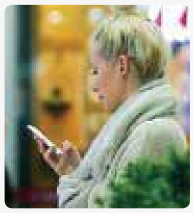
With a million people coming into an intu centre every day, and over two million customers accessible via our marketing database, intu's scale and national presence make us an unbeatable partner for global brands looking for access to a UK-wide audience. In 2015 more brands than ever before paid to promote their brands to the unmatched customer base provided by intu. These include 20th Century Fox who have toured their films Home and The Peanuts Movie in every intu-branded centre, which have in turn provided compelling half-term experiences for families, leading to higher net promoter scores during holiday periods.


## Five ways we are using technology to improve customers' experience

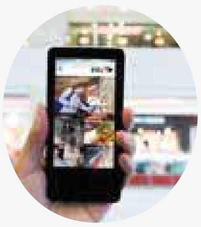
Bridging the divide between online and in store and creating the perfect personalised customer experience – intu has embraced the digital revolution by putting the customer first to benefit retailers

### 1. Two million database

A valuable bank of information of customers' digital interactions which allows our customers to benefit from an unrivalled online and in-centre relationship with retailers



### 2. Innovative wayfinding app

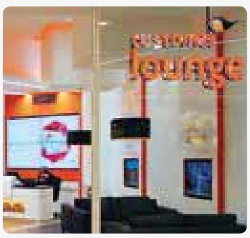


Our app gives customers access to special offers based on their location in centre, and enables retailers to boost sales through personalised real-time offers

### 3. Affiliate website

Less than 18 months after launch intu.co.uk is one of the country's top-10 affiliate websites. intu is the only UK-wide shopping centre brand to have a transactional website

### 4. Customer lounges




Bringing all intu's digital and physical services together in one stylish lounge, improving customer satisfaction scores

### 5. Unrivalled connectivity

Free wifi and 4G across most of our centres makes them go-to destinations for today's digital natives

# Seizing the growth opportunity in Spain

In Spain we are building a platform of the best centres through acquisition and development and we are creating a new class of regional destination centre – the retail resort


## Our successful brand goes international at intu Asturias

2015 was the year we proved that the intu brand, with its distinctive approach to asset management, customer experience and digital connectivity, could be as successful in the Spanish market as it is in the UK.

In June our first Spanish acquisition, Parque Principado, completed its first stage of rebrand to intu Asturias after a modernisation programme that saw the centre upgraded with decorative and lighting enhancements, new signage and seating, free wifi and the customer experience that bears the hallmark of the intu brand.

The brand has proved eminently transferable, adapting to the local culture and community in much the same way it does in the UK. The high level of digital connectivity, compelling events and the world class service for which intu is already well-known, are proving as popular with Spanish customers as they are with British shoppers.

**38%** rise in net promoter score*

Since Tell intu was introduced in March 2015, we have seen net promoter score rise by 38 per cent in the first quarter after the rebrand.

**6%** rise in footfall*

The effect on sales and footfall has been just as striking – the first quarter after rebranding saw a 6 per cent uplift in footfall leading to a 13 per cent rise in retailer sales.

**13%** rise in retailer sales*

These figures, along with the near 100 per cent occupancy, show how much more attractive intu Asturias now is to retailers and customers alike. It is also increasing in value, rising from €162m at purchase to €242m in December 2015.

* In the first quarter after rebranding, July-September 2015.

## intu reigns in Spain


In Puerto Venecia, Zaragoza, the second of Spain's top-10 shopping centres that we own, footfall is up 4 per cent and retailer sales are up by 13 per cent, reflecting improving economic conditions and the work we have done on retail mix.

Our next step is to rebrand Puerto Venecia and then get on site with intu Costa del Sol near Málaga. The quality of what we've achieved is already lending confidence to the pre-letting of our next big venture.

We also have options on three key sites in Valencia, Vigo and Palma.


## Delivering the same brand experience in Spain and the UK


GREEN GYM

# A national company with a local face

As a major employer in most of the UK towns and cities we operate in, we have an important role in supporting our communities

## Contributing to our communities

intu centres are vibrant hubs for the community, providing places for people to meet, eat, socialise and be entertained while making a significant economic contribution to communities through employment, taxation and investment. Each year we report on our contribution through calculating the gross value added, or GVA, to the local and national economy.

## Our enduring relationships in Watford are creating community and prosperity

Opened in 1992, intu Watford is at the heart of the town, physically and figuratively. With over 6,000 local people working there, it is a major employer and the extension and mall upgrade will increase that role further. The panel on the right shows a snapshot of intu's contribution to the local area.

With almost 25 years in the town we invest in long-term partnerships such as the Peace Hospice. Our community programme reflects the community's needs, from training young people, regenerating open spaces, and helping improve local health and wellbeing.

Our partnership with The Conservation Volunteers, in the Colne River Park, has attracted significant buy-in from local people and strong endorsement from the elected Mayor of Watford.

The relationships we nurture over the long term make us an integral part of the community and help us understand a range of local needs – and when it came to our plans for the development we got the thumbs-up from the community, with a 91 per cent approval rating.

91% ✔

approval rating for the development

**Supporting local causes in Watford**
Top: collecting for the local food bank.
Bottom: students try out their retail skills on one of our employability programmes

## intu's contribution to Watford

6,000

local people employed

1,575

new direct and indirect jobs from extension

£20,000

community contributions in 2015, with 260 intu staff participating in community activity

£16m

business rates

50%

decrease in energy use 2010 – 2015

100%

waste diverted from landfill

Our annual economic contribution to Watford

£296m GVA

# Our business model

By meeting the needs of customers and retailers we have built a long-term, sustainable business that delivers value for our shareholders

## Our assets and resources

### Our centres

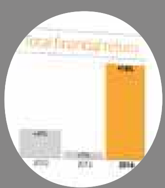
National coverage of prime retail and leisure destinations visited by more than half the UK's population each year

### Our brand

Nationwide shopping centre brand focused on enriching the customer experience both in centre and online

### Our employees

Professional, motivated and empowered teams are specialists in their fields



### Our financial strength

Robust capital structure provides capacity to deliver our objectives from a range of funding sources

## What we do

### Create compelling shopping experiences

Our insight and management of centres attract customers more often, for longer and from further away by offering the right mix of retail, leisure and catering alongside our distinctive brand proposition

### Help retailers flourish

Our scale, flexibility, high-footfall locations and strong brand give retailers the confidence that they will trade successfully with intu, which drives rental income

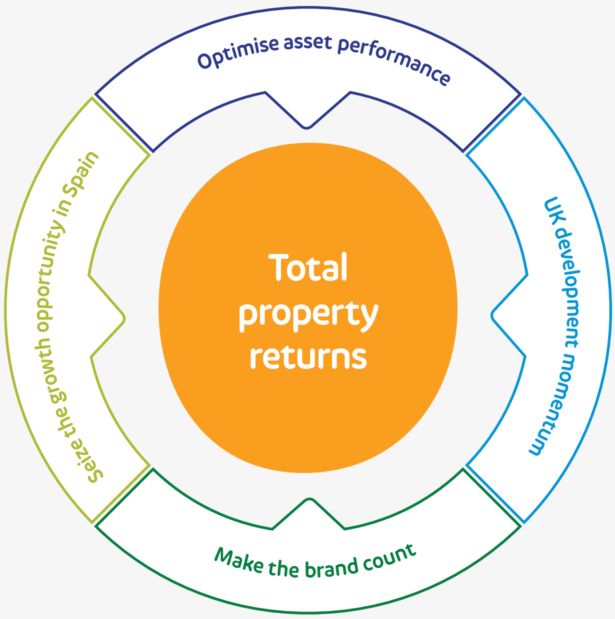
### Develop long-term relationships

We develop enduring relationships with retailers, customers, employees, partners and communities that allow us to take a creative, collaborative approach to long-term investment and growth

See the intu difference on pages 13 to 27

## How we do it

We apply our specialist knowledge, expertise and market insight to our prime portfolio and focus on our strategic objectives to deliver long term growth




See strategy overview on pages 32 and 33

## The value we add

**Our shareholders**
Strong stable income and capital growth
9% total property return

**Our retailers**
Environments that help retailers flourish
2% growth in estimated retailer sales

**Our customers**
Compelling experiences
20% increase in net promoter score

**Our people**
Motivated and empowered
7% rise in engagement index since 2012

**Our communities**
Significant economic contribution
£4.2bn GVA in 2015

**Our environment**
Operational and environmental efficiency
39% reduction in carbon intensity since 2011

# Relationships

People are what make us tick: people as customers, as communities, as employees and as interested parties invested in our success. We understand these connections and know that if they do not prosper, neither do we

## Customers

**Keeping our competitive edge means understanding what our customers are looking for in a compelling shopping and leisure experience, from retailer mix to customer service expectations**

### How we have engaged

— through questionnaires, forums, tasks and an online shopping panel
— our Tell intu customer feedback programme (28,000 responses this year)

### What we are doing

— our world class service makes customers feel valued
— using insight to develop signature experiences
— introducing the retailers that customers say they want

## Retailers

**Maintaining strong relationships and an open dialogue with our retailers and occupiers is a prime focus. We want to make sure we are providing them with the high-quality service they need**

### How we have engaged

— attended or hosted a wide range of retailer-focused events
— merchants' association meetings
— sustainability performance discussed with retailers and advice provided where requested
— customer research shared with retailers

### What we are doing

— introducing a customer relationship management programme for retailers
— ensuring the right retail mix and the next level of leisure
— an annual programme of events that attract a wider range of customers

## Investors

**Constructive engagement with our shareholders lets them know that we are managing our centres responsibly and the environmental, social and governance (ESG) risks we are exposed to**

### How we have engaged

— 380 meetings with 190 investment institutions
— regular investor visits to our centres
— results presentations twice a year
— press release on all major business activity

### What we are doing

— keeping investors informed with roadshows, meetings and conferences
— participating in and being recognised by ESG indices (see Chairman's statement on page 7: awarded GRESB Green Star; EPRA Gold award)

## Our people

**Our employees are critical to the success of our business. Employee engagement is key to a motivated workforce**

**How we have engaged**

— annual staff satisfaction survey
— 'toolbox' talks, intranet, staff meetings
— strategy and business plan presentations
— staff consultative forums

**What we are doing**

— staff survey action plans
— reward and recognition programmes
— extending leadership programmes
— working towards National Equality Standard
— increasing awareness of charitable-giving options

## Local and national government

**Fostering strong relationships with local authorities, town centre management bodies and other community business partnerships is vital to the success of our business**

**How we have engaged**

— business rates submission to HM Treasury
— Sunday trading submission to Department of Business, Innovation and Skills (BIS)
— meetings with individual MPs
— post-General Election Parliamentary reception

**What we are doing**

— business rates/devolution submission to Communities and Local Government (CLG) committee
— meetings with ministers
— meetings with individual MPs
— 'Contributing report' produced each year
— Parliamentary dinner

## Suppliers

**We rely on our suppliers to help our business run smoothly. It is essential they maintain the same high standards we set ourselves. An open and transparent relationship makes it easier for us to do this**

**How we have engaged**

— key suppliers undergo intu brand-awareness training
— pre-construction meetings to communicate intu standards and expectations
— partnership approach to achieve environmental targets

**What we are doing**

— exploring opportunities for supply chain accreditation
— implementing Modern Slavery Act
— improving supplier recording and reporting

# Strategy overview

We have clear strategic objectives to ensure the business model is put into action effectively

## 1 Optimising asset performance


### We are achieving this by
— making our locations the most desirable for shopping and socialising
— astutely managing the assets to take advantage of new trends and occupiers
— building long-term partnerships with local authorities and communities

### Progress in 2015
— increased the leisure and catering elements of centres with the opening of the new leisure development at intu Potteries and restaurant quarter at intu Victoria Centre
— introduced new brands to our customers including Kiko, David's Bridal and Red Dog Saloon
— built local authority and parliamentary relationships and made representation on retail issues including business rates and Sunday trading

### Priorities in 2016
— agree terms on final leases for catering developments at intu Metrocentre, intu Eldon Square and intu Bromley
— continue to introduce new entrants to our centres to enhance the tenant mix. This may be from online brands looking for a store presence
— continue to deliver growth in like-for-like net rental income

### KPIs we use to measure our success
— optimising asset performance encompasses our whole business and as such is measured by all KPIs

### Managing risk
— property market
— operations
— brand

## 2 UK development momentum

### We are achieving this by
— delivering the required planning approvals for all projects
— generating the required level of demand to commence a project
— having the required funding to progress the pipeline

### Progress in 2015
— started work on the major extension at intu Watford
— started restaurant developments at intu Metrocentre, intu Eldon Square and intu Bromley
— achieved planning approval for the redevelopment of intu Broadmarsh

### Priorities in 2016
— complete ongoing developments at intu Metrocentre, intu Eldon Square and intu Bromley
— continue the extension at intu Watford
— commence major projects at intu Broadmarsh and intu Lakeside
— resolve planning issues at intu Braehead and intu Milton Keynes

### KPIs we use to measure our success
— shareholder return
— total financial return
— prime property assets
— GVA

### Managing risk
— property market
— financing
— developments and acquisitions
— brand

For more information on KPIs see pages 34 and 35

For more information on risk see pages 37to 39

## 3 Making the brand count

### We are achieving this by
— offering a distinctive customer signature experience to all our centres
— having the best-in-class digital offering for retailers and customers
— delivering continued world class service to retailers and shoppers

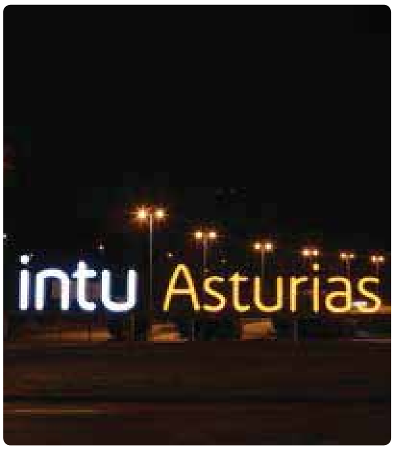
### Progress in 2015
— built on the Tell intu programme and improved customer experience with net promoter score increasing 20 per cent
— increased retailers trading on intu.co.uk to over 350, increasing sales through the website
— secured national brand promotions with 20th Century Fox and MasterCard

### Priorities in 2016
— build on the success of our annual events, such as Student Nights
— continue to build new partnerships with global brands
— nationwide launch of the intu app
— increase revenues from in centre and online initiatives

### KPIs we use to measure our success
— footfall
— like-for-like net rental income
— shareholder return
— income performance
— GVA

### Managing risk
— property market
— operations
— brand

## 4 Seizing the growth opportunity in Spain




### We are achieving this by
— building a platform of the best centres in Spain through acquisition and development
— delivering the same brand experiences and returns in Spain as in the UK
— moving the development options forward to a point where we can consider exercising them and commencing developments

### Progress in 2015
— integrated Puerto Venecia into the Group following its acquisition in January 2015
— rebranded Parque Principado as intu Asturias, introducing the intu brand to Spain
— exercised the option to acquire the land near Málaga for the construction of intu Costa del Sol

### Priorities in 2016
— gain required planning approvals and level of pre-lets to start intu Costa del Sol
— continue to improve asset performance of Spanish centres
— increase the exposure of the intu brand in Spain

### KPIs we use to measure our success
— footfall
— like-for-like net rental income
— shareholder return
— total financial return
— income performance
— prime property assets

### Managing risk
— property market
— financing
— developments and acquisitions
— brand

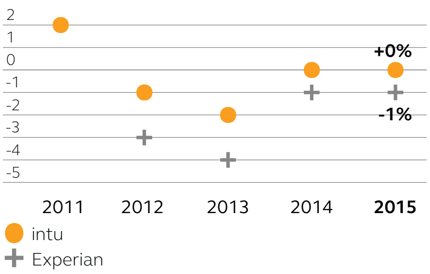
# Key performance indicators

**Key to strategic objectives**

1. Optimise asset performance
2. UK development momentum
3. Make the brand count
4. Seize the growth opportunity in Spain

We measure progress against strategic objectives using the following financial and non-financial performance measures

## Footfall (%)



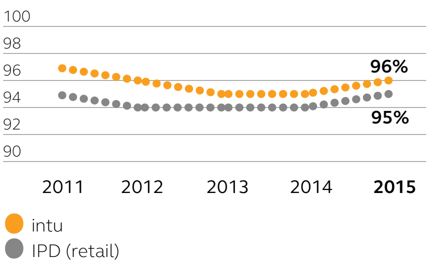

**Why is this important?**
Footfall is an important measure of a centre's popularity with customers. Retailers use this measure as a key part of their decision-making process on where to locate their stores.

**How is this measured?**
Footfall numbers across intu's centres are captured using a combination of person or car counting cameras located at specific entrance and exit points within the centre.

**How have we performed?**
Footfall was unchanged in 2015, ahead of the 1 per cent reduction in the national benchmark as measured by Experian, continuing the trend of outperforming this benchmark.

**Strategic objective**
1
3
4

## Occupancy (%)



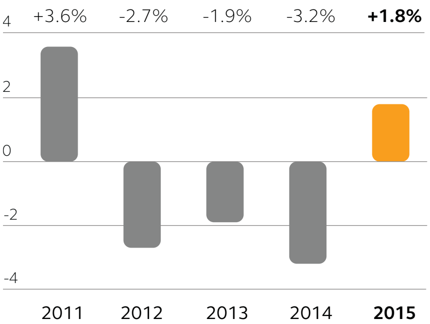

**Why is this important?**
Attracting and retaining the right mix of retailers and catering and leisure operators will enhance our centres' appeal and trading environment.

**How is this measured?**
The passing rent of let and under-offer units expressed as a percentage of the passing rent of let and under-offer units plus the ERV of unlet units.

**How have we performed?**
Occupancy has increased during the year to 96 per cent and remains above the IPD (retail) monthly index benchmark figure.

**Strategic objective**
1

## Like-for-like net rental income (%)



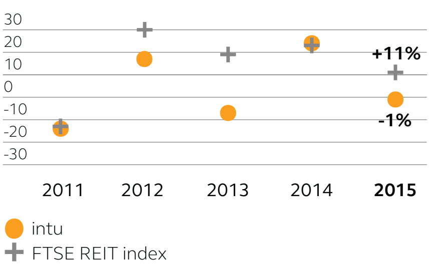

**Why is this important?**
Measures the organic growth in income generated from the Group's properties in the year.

**How is this measured?**
Removes from the year-on-year movement in net rental income the impact of acquisitions, developments and disposals.

**How have we performed?**
Like-for-like net rental income has returned to growth in 2015 reflecting improved occupancy, better rental values from strong retailer demand, fewer tenants going into administration and development units coming back on stream, in particular in the second half of the year.

**Strategic objective**
1
3
4

## Shareholder return (%)



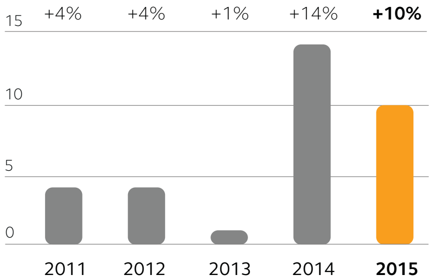

**Why is this important?**
Combines share price movement and dividends to produce a direct measure of the change in shareholder value in the year.

**How is this measured?**
Uses the movement in share price during the year plus dividends paid in the year.

**How have we performed?**
The Group showed a small negative shareholder return in 2015 compared to a rise in the REIT sector which was largely driven by REITs with exposure to central London offices.

**Strategic objective**
1
2
3
4

## Total financial return (%)



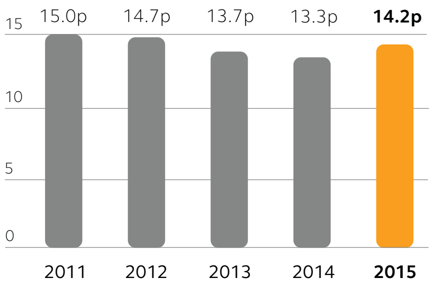

**Why is this important?**
This is a measure of the movement in the underlying value of assets and liabilities underpinning the value of a share plus the dividend paid to shareholders.

**How is this measured?**
The movement in adjusted net asset value per share plus dividends paid in the year as a percentage of the opening net asset value per share.

**How have we performed?**
Total financial return in the year was strong, driven by property valuation increases.

**Strategic objective**
1
2
4

## Income performance (pence)



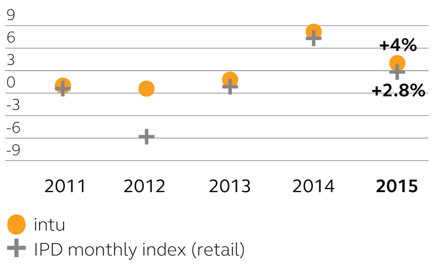

**Why is this important?**
Underlying earnings per share is based on the underlying income generated in the year which gives an indication of the Group's ability to pay dividends.

**How is this measured?**
Underlying earnings exclude property and derivative valuation movements and exceptional income or charges.

**How have we performed?**
Underlying earnings per share increased during the year, reflecting the positive like-for-like net rental income movement, along with the contribution from 2014 acquisitions.

**Strategic objective**
1
3
4

## Prime property assets (%)



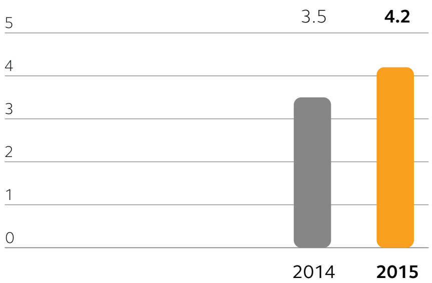

**Why is this important?**
Measures the capital return on the Group's property assets and compares this with the IPD index, a recognised industry benchmark.

**How is this measured?**
The valuation gain or loss in the year expressed as a percentage of the book value pre-valuation assessed on a like-for-like basis for the Group's investment property.

**How have we performed?**
The Group outpeformed the IPD benchmark again reflecting the overall quality of the Group's assets and the active asset management and development initiatives undertaken.

**Strategic objective**
1
2
4

## GVA of community investment (£bn)



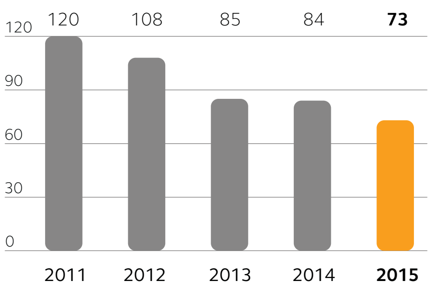

**Why is this important?**
Shopping centres create wealth and employment for their local communities. Gross value added, or GVA, measures the economic contribution of intu to local communities.

**How is this measured?**
GVA is calculated on a range of different activities and types of economic output of our UK assets, including: investment expenditure, intu operational jobs, tenant jobs and tax contributions. This data is independently assured.

**How have we performed?**
GVA has increased by 20 per cent reflecting increases in employment by intu and at intu centres.

**Strategic objective**
1
2
3

## Greenhouse gas emissions intensity ($CO_2e$ kg/m²)




**Why is this important?**
Measures our operational efficiency and performance of our existing assets. It also measures performance against our carbon intensity reduction target of 50 per cent by 2020 against the 2010 baseline.

**How is this measured?**
Greenhouse gas equivalents are calculated to work out the greenhouse gas intensity of the energy we use. These include direct and indirect emissions of our directly-managed UK centres.

**How have we performed?**
We have had award-winning reductions of 30 per cent from 2011-2014. We are on track to meet our target of 50 per cent reduction by 2020.

**Strategic objective**
1

# intu Potteries

A case study of how our developments add to the experience of customers, benefit our retailers and ultimately reap rewards for our business


**The leisure extension at intu Potteries in Stoke-on-Trent is our latest development project to complete**

The extension brings a nine-screen cinema and seven quality restaurants including Nando's, Coast-to-Coast and Pizza Express and opened to the public at the beginning of December 2015.

We anticipated good local demand for the £19 million, 70,000 sq ft development, and its impact was immediate, with footfall rising by 28 per cent in the first six weeks after opening. Our belief that investment in leisure benefits retail has also been proven, with retailers already reporting a rise in sales (one recorded taking 30 per cent more than in the same period the previous year). A number of new brands are looking to take space in the shopping centre as a result – H&M, the retailer most frequently requested by our customers, is set to open in 2016. JD Sports and Pandora have upsized their stores.

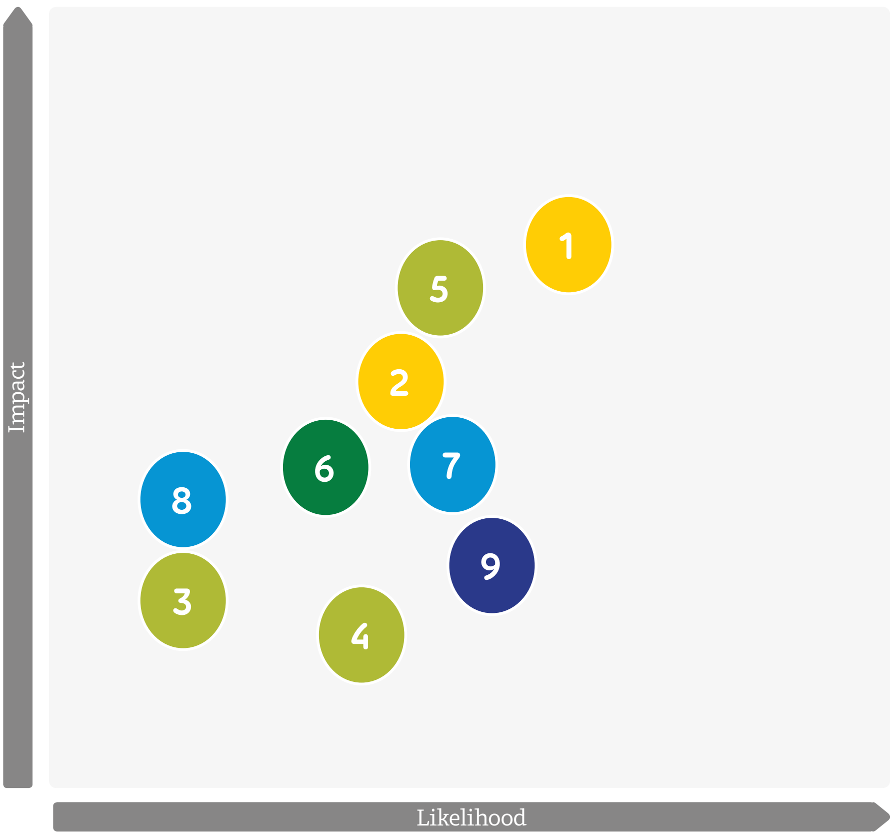
And we are not finished yet. We have bought the land adjacent to the development for a second phase, and are putting plans in place to refresh the mall. Our aim is to make intu Potteries the major shopping and leisure destination for people living between Birmingham and Manchester.

28%
rise in footfall in the first six weeks of opening

# Principal risks and uncertainties

## Fully integrated and thorough risk analysis underpins intu's ability to achieve strategic objectives

intu's Board has responsibility for establishing the Group's appetite for risk based on the balance of potential risks and returns, and has overall responsibility for identifying and managing risks. The Board has undertaken a robust assessment of the principal risks facing the Group, including those that would impact the business model, future performance, solvency or liquidity. More detail on this process, including how it is embedded into intu's culture, is set out in detail in the governance section on pages 70 and 71.




1 **Property market** – macro-economic
2 **Property market** – retail environment
3 **Operations** – health and safety
4 **Operations** – cybersecurity
5 **Operations** – terrorism
6 **Financing** – availability of funds
7 **Developments and acquisitions** – developments
8 **Developments and acquisitions** – acquisitions
9 **Brand** – integrity of the brand

We have identified principal risks and uncertainties under five key headings: property market; financing; operations; developments and acquisitions; and brand. These are discussed in detail on the following pages. A principal risk is one which has the potential to significantly affect the Group's strategic objectives, financial position or future performance and includes both internal and external factors. We monitor movements in likelihood and severity such that the risks are appropriately mitigated in line with the Group's risk appetite.

The risk profile for 2015 has remained broadly in line with 2014 with no significant new risks identified nor substantial changes in existing risks. The main changes from 2014 are:

— we have started work on our development pipeline with risk around new developments such as the intu Watford extension increasing as funding is committed
— we have identified increased risk around the brand as intu continues to gain momentum with a launch in Spain and a higher UK profile
— an additional sub-category of property market risk has been identified, highlighting the risk of not reacting to changes in the retail environment such as changes in customers' preferences in light of the increased importance of multichannel retailing

# Principal risks and uncertainties continued

| Risk and impact | Mitigation | 2015 commentary |
|---|---|---|
| **Property market** | | |
| 1 **Macro-economic**<br>Weakness in the macro-economic environment could undermine rental income levels and property values, reducing return on investment and covenant headroom | — focus on prime assets and upgrading assets<br>— covenant headroom monitored and stress-tested<br>— make representation on key policies, for example business rates | = Likelihood and severity of potential impact are unchanged during 2015 with continued strong demand for assets and stable rental levels<br>— valuation increases continue to support LTV headroom<br>— tenant administrations at relatively low levels |
| 2 **Retail environment**<br>Failure to react to changes in the retail environment could undermine intu's ability to attract customers and tenants | — active management of tenant mix<br>— regular monitoring of tenant strength and diversity<br>— upgrading assets to meet demand, for example increased leisure offering<br>— Tell intu customer feedback programme helps identify changes in customer preferences<br>— work closely with retailers<br>— digital strategy that embraces technology and digital customer engagement. This enables intu to engage in and support multichannel retailing, and to take the opportunities offered by ecommerce | = Likelihood and severity of potential impact are unchanged during 2015 with intu's strategy continuing to deliver strong footfall numbers and occupancy<br>— significant progress on planning and pre-letting of near-term pipeline with a focus on leisure and catering<br>— digital investment to improve relevance as shopping habits change<br>— occupancy remains strong at 96 per cent<br>— footfall steady and continues to be ahead of benchmark |
| **Strategic objectives affected:** | 1 2 3 4 | |
| **Operations** | | |
| 3 **Health and safety**<br>Accidents or system failure leading to financial and/or reputational loss | — strong business process and procedures, supported by regular training and exercises<br>— annual audits of operational standards carried out internally and by external consultants<br>— culture of visitor and staff safety<br>— crisis management and business continuity plans in place and tested<br>— retailer liaison and briefings<br>— appropriate levels of insurance<br>— staff succession planning and development in place to ensure continued delivery of world class service<br>— health and safety managers or coordinators in all centres | = Likelihood and severity of potential impact have not changed significantly during 2015<br>— accredited with OHSAS 18001 certification, demonstrating the implementation of consistent health and safety management process and procedures across the portfolio<br>— work continuing towards achieving ISO 9001, 14001 and 55001 accreditation<br>— continued to deliver improvements in systems and processes, including investment in new facilities management and contractor tracking systems<br>— all individual intu centres and intu Retail Services awarded Investors in People accreditation |
| 4 **Cybersecurity**<br>Loss of data and information or failure of key systems resulting in financial and/or reputational loss | — implemented data and cybersecurity strategies<br>— regular testing programme<br>— appropriate levels of insurance<br>— crisis management and business continuity plans in place and tested<br>— data committee<br>— monitoring of regulatory environment and best practice | = Likelihood and severity of potential impact have not changed significantly during 2015<br>— ongoing Group-wide cybersecurity project with focus on proactive monitoring of technical infrastructure to mitigate cyber threats |
| 5 **Terrorism**<br>Terrorist incident at an intu centre or another major shopping centre resulting in loss of consumer confidence with consequent impact on lettings and rental growth | — strong business process and procedures, supported by regular training and exercises, designed to adapt and respond to changes in risk levels<br>— annual audits of operational standards carried out internally and by external consultants<br>— culture of visitor and staff safety<br>— crisis management and business continuity plans in place and tested<br>— retailer liaison and briefings<br>— appropriate levels of insurance<br>— strong relationships and frequent liaison with police, NaCTSO and other agencies | ↑ Overall likelihood and severity of potential impact have increased due to external factors<br>— national threat level remains at Severe following the incidents in Paris in November<br>— all intu centres have reviewed their plans in preparation should the national threat level move to Critical<br>— new operating procedures issued to allow for the introduction of further security measures if required |
| **Strategic objectives affected:** | 1 3 | |

**Key to strategic objectives**

1 Optimise asset performance
2 UK development momentum
3 Make the brand count
4 Seize the growth opportunity in Spain

**Change in level of risk**

Increased
Decreased
Remained the same

| Risk and impact | Mitigation | | 2015 commentary |
|---|---|---|---|
| **Financing** | | | |
| 6 **Availability of funds**<br>Reduced availability of funds could limit liquidity, leading to restriction of investing and operating activities and/or increase in funding cost | — funding strategy regularly reported to the Board with current and projected funding position<br>— effective treasury management aimed at balancing long debt maturity profile and diversification of sources of finance<br>— consideration of financing plans including potential for recycling of capital before commitment to transactions and developments<br>— strong relationships with lenders, shareholders and partners | = | Likelihood and severity of potential impact are unchanged during 2015 with regular refinancing activity undertaken continuing to evidence the availability of funding<br>— extension of £351.8 million SGS term loan at a significantly reduced margin<br>— secured €225 million of debt on acquisition of Puerto Venecia, Zaragoza<br>— extension of joint venture relationship with CPPIB in Spain |
| **Strategic objectives affected:** | 2 4 | | |
| **Developments and acquisitions** | | | |
| 7 **Developments**<br>Developments fail to create shareholder value | — Capital Projects Committee reviews detailed appraisals before and monitors progress during significant projects<br>— fixed price construction contracts for developments agreed with clear apportionment of risk<br>— significant levels of pre-lets exchanged prior to scheme development | ↑ | Likelihood and severity of potential impact have increased during 2015 as the Group has started work on its development pipeline<br>— demolition of the old Charter Place precinct in December paving the way for the extension of intu Watford<br>— detailed appraisal work and significant pre-lets ahead of starting major development projects<br>— exercise of the option to acquire land in Málaga completed in May<br>— new Spanish management structure implemented to enhance delivery of strategic goals including development pipeline |
| 8 **Acquisitions**<br>Acquisitions fail to create shareholder value | — research and third party due diligence undertaken for transactions including local specialists in Spain<br>— local partner in Spain with market specialist knowledge<br>— investment risk reduced through financing and joint venture investments | = | Likelihood and severity of potential impact have remained unchanged in 2015<br>— substantial property and financial due diligence undertaken before acquisition of Puerto Venecia, Zaragoza<br>— acquisitions from Westfield in 2014 proven to be successful with investment property valuations up 11 per cent post acquisition |
| **Strategic objectives affected:** | 2 4 | | |
| **Brand** | | | |
| 9 **Integrity of the brand**<br>The integrity of the brand is damaged leading to financial and/or reputational loss | — intellectual property protection<br>— strong guidelines for use of brand<br>— strong underlying operational controls and crisis management procedures<br>— ongoing training programme and reward and recognition schemes designed to embed brand values and culture throughout the organisation<br>— traditional and digital media monitoring and analysis<br>— Tell intu and shopper view customer feedback programmes | ↑ | Likelihood and severity of potential impact have increased during 2015 as the brand has continued to gain momentum with a launch in Spain and a higher UK profile<br>— introduced intu brand in Spain through intu Asturias with key mitigating controls being implemented<br>— increased media interest in intu and our opinions<br>— increase in nationally promoted campaigns<br>— net promoter score has increased from 60 to 74 during 2015 |
| **Strategic objectives affected:** | 1 2 3 4 | | |

# Operating review

Our operating review analyses how we have performed in the year and sets out our strategy

### UK investment market

Investment demand remains strong for prime regional shopping centres. Global institutions perceive this asset class as having reliable growth characteristics and are prepared to invest beyond London and the south east.

Shopping centre development remains at low levels with the majority of activity focused on extensions and reconfigurations. The combination of strong investor demand, limited supply and the improving underlying economy has seen continued strengthening in valuations.

## Optimising asset performance

We focus on creating vibrant environments where shoppers want to be and retailers need to be. This increases the value of our centres and provides strong, stable income streams and positive operating metrics. These elements ensure we deliver attractive long-term total property returns.

### Valuation

The valuation gain on our investment property, including the Group's share of joint ventures, was £350.7 million, up 4.0 per cent like-for-like in the year. This was significantly ahead of the IPD monthly retail index which reported a 2.8 per cent increase, a sixth consecutive year of outperformance.

The weighted average nominal equivalent yield at 31 December 2015 was 5.14 per cent, a reduction of 18 basis points in the year, reflecting our ongoing asset management initiatives and favourable investment market conditions. Based on the gross portfolio value, the net initial yield 'topped-up' for the expiry of rent-free periods was 4.52 per cent.

| | Full year 2015 | Second half 2015 | First half 2015 |
|---|---|---|---|
| **Group[1] revaluation surplus (like-for-like)** | **+4.0%** | +2.1% | +1.9% |
| IPD[2] capital growth | **+2.8%** | +1.6% | +1.2% |
| **Group[1] weighted average nominal equivalent yield** | **5.14%** | 5.14% | 5.25% |
| **Change in Group nominal equivalent yield** | **-18bp** | -11bp | -7bp |
| IPD[2] equivalent yield shift | **-23bp** | -10bp | -13bp |
| **Group[1] 'topped-up' initial yield (EPRA)** | **4.52%** | 4.52% | 4.55% |
| **Group[1] change in like-for-like ERV** | **+1.5%** | +1.0% | +0.6% |
| IPD[2] change in rental value index | **+0.7%** | +0.6% | +0.1% |

1 Including Group's share of joint ventures.
2 IPD monthly index, retail.

On a like-for-like basis, ERV increased by 1.5 per cent in the year, outperforming the IPD index which indicated a 0.7 per cent increase.

There were three main drivers of the increase in property values across the portfolio in 2015:

— strong new lettings demonstrate improvement in the occupier market with rental values increasing across most of our centres
— investment in improvements and reconfigurations at centres have driven above-average increases in rental values. In particular this can be seen at intu Eldon Square, intu Victoria Centre and intu Potteries where our investment programme has not only added new rental income but also in each case proved highly beneficial in attracting new tenants to the existing centre
— enhancements to the overall market positioning of centres through developments and improved tenant mix along with continued investor demand for top destination centres has led to the 18 basis point yield compression

The table right shows the main components of the £350.7 million revaluation surplus:

— intu Trafford Centre: new lettings have increased rental values and provided evidence for future growth
— intu Lakeside: strengthening of the tenant mix and the upgraded dining offer has had a favourable impact on the attractiveness of this centre and demand from tenants
— St David's, Cardiff: improved tenant mix has seen the centre achieve super prime status as it becomes ever more established in its market. Rental uplifts from new lettings and the first series of rent reviews have further driven an exceptionally strong performance


**intu Victoria Centre**
Valuation growth comes as a result of our transformation of the centre

Total property return

9%
(2014: 13%)

Property revaluation surplus

£351m
(2014: £648m)

- intu Victoria Centre: the benefits of the mall refreshment work can now be seen through competitive letting activity driving Zone A rents from £230 per sq ft to £250 per sq ft
- intu Derby: increased demand for space has moved rental values forward. In our first 18 months of ownership, the value of this centre has increased by over 13 per cent
- intu Eldon Square: the substantial programme of investment we have undertaken has provided an enhanced environment with key new lettings improving rental tone and heightened tenant demand
- intu Braehead: the less buoyant occupier and investment market in Scotland has resulted in a reduction in value of the centre
- intu Asturias: our proactive asset management both in terms of tenant mix and developments has seen a continuation in the strong growth of the centre, a third year of increased values and a total increase of 36 per cent since acquisition

| | Market value | | | |
|---|---|---|---|---|
| | **31 December 2015 £m** | 31 December 2014 £m | **Surplus £m** | **Like-for-like surplus %** |
| intu Trafford Centre | **2,305.0** | 2,200.0 | **102.8** | **5** |
| intu Lakeside | **1,334.0** | 1,255.0 | **73.1** | **6** |
| St David's, Cardiff | **368.6** | 308.0 | **61.4** | **21** |
| intu Victoria Centre | **356.0** | 314.0 | **31.5** | **10** |
| intu Derby | **447.0** | 420.0 | **23.1** | **5** |
| intu Eldon Square | **299.7** | 272.6 | **20.3** | **8** |
| intu Braehead | **585.5** | 599.3 | **(15.6)** | **(3)** |
| intu Asturias | **89.1** | 82.2 | **10.0** | **13** |
| Other including non like-for-like | **3,817.5** | 3,512.3 | **44.1** | |
| **Investment and development property including Group share of joint ventures** | **9,602.4** | 8,963.4 | **350.7** | **4** |

Occupancy is 96 per cent, an increase of 1 per cent on December 2014 due to proactive asset management and improved tenant demand. The 4 per cent vacancy rate outperforms the PMA's unit vacancy measure for 'big shopping centres' of 10 per cent.

Like-for-like net rental income was up 1.8 per cent against 2014 due to the better rental values from strong retailer demand, improved occupancy, fewer tenants going into administration and development units coming back on stream, in particular in the second half of the year.

We agreed 261 new long-term leases in the year, amounting to £46 million new annual rent, at an average of 10 per cent above previous passing rent (like-for-like units) and in line with valuers' assumptions. Significant activity in the year includes:

- continued strong demand from catering operators, with 63 new lettings across the portfolio. Restaurant brands opening at multiple centres in the year included Byron, YO! Sushi, Thaikhun and Barburrito. We also saw new brands expanding into shopping centres, for example Red Dog Saloon opened its first restaurant outside central London at intu Lakeside
- retailers using intu's scale to assist them in getting national coverage, with Kiko and Smiggle signing leases for 10 units each, taking their UK portfolios to 25 and 42 stores respectively
- intu Eldon Square where we saw a total of 25 new lettings in response to the refreshed malls (16 retail lettings) and catering redevelopment (nine restaurant lettings). Occupancy now stands at 99 per cent
- intu Lakeside where tenant mix improvements and several lease renewals resulted in 26 lettings, including Kurt Geiger and Victoria's Secret
- 350 shops opened or refitted in our centres in 2015, 11 per cent of our 3,300 units. Tenants have invested approximately £105 million in these stores, a significant demonstration of their commitment to our centres

We settled 147 rent reviews in the year for new rents totalling £38 million, an average uplift of 8 per cent on the previous rents.

# Operating review continued

## 2015 customer metrics

**2hrs 7 mins**
estimated dwell time (super-regional centres)

**400m**
annual customer visits

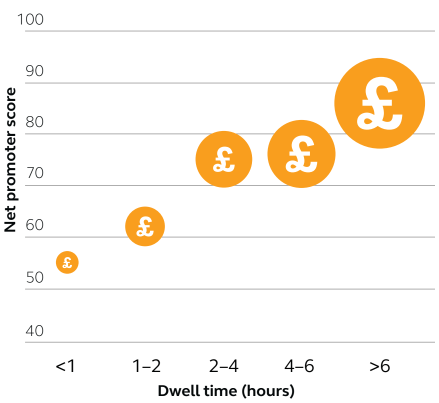
**21m**
average customer visits per centre

**74**
net promoter score

**£5.6bn**
estimated retailer sales

### Relative consumer spend

Our insight shows that happier customers stay longer and spend more




Size of bubble represents spend.

## Operating metrics

| | 2015 | 2014 |
|---|---|---|
| Occupancy | **96%** | 95% |
| – of which, occupied by tenants trading in administration | **1%** | 1% |
| Like-for-like change in net rental income | **+1.8%** | -3.2% |
| Leasing activity – number, new rent | **261, £46m** | 210, £34m |
| – new rent relative to previous passing rent | **+10%** | +5% |
| Footfall | **+0.3%** | +0.1% |
| Retailer sales (like-for-like centres) | **+2.1%** | +2.5% |
| Rent to estimated sales (exc. anchors and major space users) | **12.5%** | 12.5% |

Footfall outperformed the Experian measure of UK national retail footfall by 170 basis points with our customer-focused events programme and world class customer service delivering the outperformance.

Estimated retailer sales in our centres were up 2.1 per cent in 2015 against the same period in 2014, continuing the trend we saw in 2014 and in line with the British Retail Consortium trends. The ratio of rents to estimated sales for standard units remained stable in the year at 12.5 per cent. This ratio has reduced from 14.6 per cent four years ago but, given the current increased market demand and low vacancy, we see good prospects of the ratio reverting to higher levels from growing rents.

The difference between annual property income (see glossary) of £449 million and ERV of £531 million represents £40 million from vacant units and reversion of £42 million from rent reviews and lease expiry. Of the £42 million, £8 million relates to reversions only realisable on expiry of leases with over 10 years remaining (for example anchor units), leaving £34 million, 7 per cent, from other lease expiries and rent reviews.


The weighted average unexpired lease term is 7.9 years (31 December 2014: 7.4 years).

## UK development momentum

**We are advanced in our planning for near-term developments in the UK, and expect to spend £578 million over the next three years. These will deliver value-enhancing returns which, along with a further £1.1 billion of opportunities over the next 10 years, provide a robust platform for organic growth.**

In 2015 we invested £78 million on active asset management projects, including:

— at intu Victoria Centre we completed the £42 million project adding new restaurants, which opened in time for Christmas, remodelled several units at the northern end of the scheme and fully refurbished the interiors. The incremental rent on reconfigured units was £2.4 million, with the impact of the refurbished malls and improved tenant demand increasing Zone A rents in other parts of the centre. New retailers in the year include Kiko, Tiger, Swatch and Smiggle

## UK occupier market

The majority of economic indicators show improving markets, in particular those that impact on retail. We continue to see wage growth rising faster than inflation, providing the customer with more disposable income. The Asda benchmark index indicates household income 7 per cent higher than the previous year.

Consumer confidence continues to rise and was strong throughout 2015. The proportion of consumers feeling positive about their job prospects and willing to spend money are both at their highest levels for over seven years.

Retail spending, as shown by the British Retail Consortium like-for-like non-food retail sales, continues to show an average growth rate of above 2 per cent year-on-year.

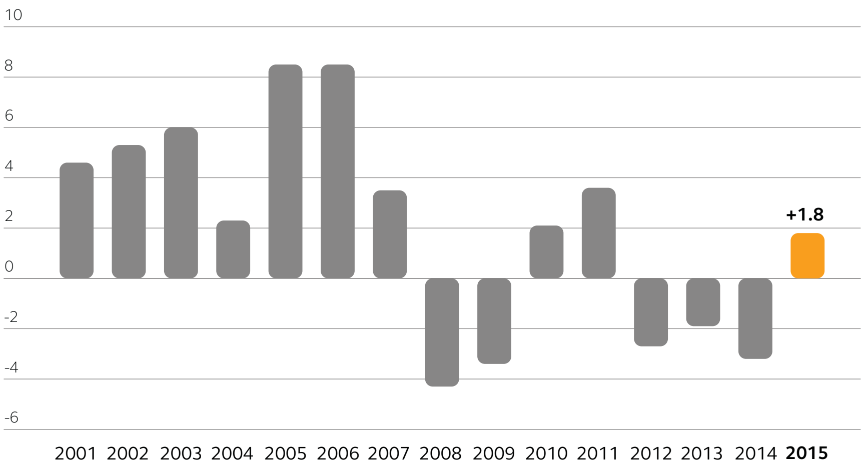
Retailer administrations in 2015 were at the lowest levels since 2007, according to the Centre for Retail Research, with USC and Bank being the largest. These were the only two significant failures in the intu portfolio and accounted for just over 1 per cent of our rent roll. Since the year end, Blue Inc. has put some of its units into administration (around 0.1 per cent of intu's rent roll), but the majority continue to trade.

## Funding

We will fund our near-term pipeline from cash and available facilities and from recycling capital to deliver superior returns. On a pro forma basis, including the £202 million realised from the disposal of our investment in Equity One in January 2016, cash and available facilities would have been £790 million. Further recycling potential lies in the introduction of partners into some of our centres.

In addition, to fund the future opportunities we expect to raise finance on near-term projects as they complete.

Change in like-for-like net rental income (%)




- at intu Potteries we opened the £19 million fully-let leisure extension. The stand-alone project added £1.2 million of new rent and we are already seeing increased demand in the centre with H&M signing a lease to open its first store in the city and JD Sports and Pandora upsizing their existing units

## Near-term pipeline

Our UK development pipeline over the next three years amounts to £578 million.

We have £230 million of active asset management projects either committed or planned:

- committed capital expenditure of £45 million includes intu Metrocentre, intu Bromley and intu Eldon Square where we are nearing completion of three catering developments adding 36 new restaurants and costing around £30 million in total (intu share). We anticipate that all three schemes will open fully let by summer 2016 and deliver returns, on average, of around 8 per cent
- we have £185 million of active asset management projects with every centre having proposed projects, including right sizing tenants at intu Merry Hill and a catering development at Manchester Arndale

We have progressed the next wave of major extensions and redevelopments and expect to invest an estimated £348 million:

- at intu Watford we have commenced site clearance for the £178 million extension. Pre-lets stand at over 50 per cent with Cineworld and Debenhams anchoring the leisure-led extension. This project is expected to deliver a return on costs of 6-7 per cent, including 1-2 per cent generated through the existing centre
- we are finalising pre-lets before commencing the £75 million (intu share) redevelopment of intu Broadmarsh and £95 million leisure extension at intu Lakeside

**intu Potteries**
Increased leisure opportunities are leading to rising retailer demand

# Operating review continued

**intu on television**

The first nationwide shopping centre TV campaign, for Christmas 2015, had over three million views on social media

**Industry recognition**

- BSCS Opal Awards 2015 for commercialisation – three awards including the highest honour, an Aurora Award, for our partnership with Ratchet Clothing, providing a multichannel environment suited to the young retailer's brand ethos, including a pop-up at intu Lakeside and an online boutique on intu.co.uk
- BSCS Purple Apple Marketing Awards 2015 – eight awards including the Golden Apple Award for intu Metrocentre's launch of 'The Heart of a Thousand Crystals' chandelier
- Sceptre Awards 2015, recognising best practice and best people – six awards including the highest honour, the Grand Prix, awarded for best overall owner/managing agent
- Transform Awards Europe 2015 – three gold awards recognising the impact of our rebrand on our business, including best visual identity in the retail sector and best overall visual identity

### Future opportunities

Beyond 2018, we have a £1.1 billion pipeline of opportunities across several centres with major extensions planned at intu Lakeside, intu Victoria Centre, Cribbs Causeway and intu Braehead, and an upgrade and remodelling of intu Milton Keynes. The first two projects have planning approvals and we are in the planning process on the latter three. We will bring these projects forward in line with tenant demand.

For active asset management projects we expect to generate a stabilised initial yield of 6 to 10 per cent and around 7 per cent on major projects. Where no significant additional space is created we assess project returns in the context of an internal rate of return based on the anticipated impact on overall centre performance.

For more information see our growth story on pages 10 and 11.

## Making the brand count

Over the last three years we have created a national brand that our shoppers and retailers know and understand. By combining our scale, expertise and insight to create compelling experiences we are seeing the benefit of the brand grow year-on-year.

### Digital connectivity

Wifi registrations at our centres have continued to grow steadily to over 2.5 million individuals. We are still seeing approximately 60 per cent of registrants opt in to marketing communications and offers which, along with sign ups through other channels, has increased our active marketing database to over two million individuals. Our targeted marketing campaigns are achieving well above the industry standards for email performance, including open and click-through rates.

Traffic to intu.co.uk continues to grow with over 24 million website visits in the last 12 months, an increase of over 30 per cent on the previous year. We now have more than 350 affiliate retailers

trading on our transactional website, giving customers access to the majority of our retailers online and in centre and our retailers an additional sales channel.

The power of our digital offering is producing increased sales through intu.co.uk and demand from retailers for email marketing campaigns using the intu platform.

In September 2015 we previewed our new app before its national launch in early 2016. The app provides in centre blue dot Apple wayfinding, personalised special offers and centre information in one easy-to-use service. It was developed by our in-house digital innovation team, working with Apple to map all intu centres, and takes advantage of our own high-quality wifi infrastructure which allows accurate location-based services.

### Events with a difference

Our national events programme gives customers reasons to come more often and stay longer which in turn provides retailers with enhanced footfall and sales opportunities. In early summer, our third annual 'Everyone's Invited' festival, focusing heavily on the family audience, showed net promoter scores increasing by around 25 per cent for the weekend. The start of the new university year saw 128,000 students, an increase of over 20 per cent on the 2014 event, attending the student nights at 16 of our centres.

intu Experiences, our in-house team which delivers immersive brand partnerships, mall commercialisation and advertising, generated net income exceeding £15 million in 2015, around 4 per cent of our rent roll. A greater share of this revenue is now from media and promotional activity rather than the traditional mall kiosks thereby enhancing the customer experience.


**intu Asturias**
The rebranding and mall refresh have been well-received, with increased sales and footfall

**Spanish market**

The Spanish economy continues to recover with improving labour market conditions, customer confidence at the highest level since 2000, increasing retailer sales and GDP growth.

Occupiers, in particular major fashion retailers, are looking to consolidate their positions in the best locations as the economy improves. Coupled with new international entrants this is driving strong leasing activity in prime locations.

The investment market remains vibrant with intense competition from international buyers and large SOCIMIs (Spanish equivalent of a REIT) for the best assets.

**Puerto Venecia**
The country's leading retail resort is the model for intu's future developments in Spain

With over half of the UK's population visiting an intu centre at some point through the year in person or online, we are increasingly working with global brands on a national basis to provide high-quality promotional events, both physically and digitally, to our customers. We partnered with MasterCard to deliver a multichannel campaign for the Rugby World Cup 2015 and, following the success of the launch of their film Home at intu centres, 20th Century Fox again teamed up with us to promote the new Snoopy film over the autumn half term holiday.

### World class service

The Tell intu measure of net promoter score continues to improve as we constantly aim to enhance the customer experience in our centres. Net promoter score for 2015, where we have like-for-like figures, is running at over 20 per cent higher than the same period in 2014.

## Seizing the growth opportunity in Spain

Our Spanish strategy is to create a business of scale through the acquisitions to date and our pipeline of development projects. Concentrating on the top-10 key catchments, we aim to establish a market-leading position in the country through ownership and management of prime shopping resorts. We have consolidated this position in 2015.

### Acquisitions

In January 2015 we completed the €451 million acquisition of Puerto Venecia shopping resort in Zaragoza. In September 2015 we introduced CPPIB as our 50 per cent joint venture partner, extending our partnership, which started with the purchase of intu Asturias, to cover two of Spain's top-10 shopping centres.

We also exercised the option for the prime development site for a shopping resort near Málaga, now referred to as intu Costa del Sol. The total cost to date of the land and predevelopment expenditure is €60 million.

### Operational performance

Our two centres, intu Asturias and Puerto Venecia, Zaragoza, are benefiting from our active asset management approach and the improving Spanish economy, with footfall and retailer sales up by 3 per cent and 10 per cent respectively.

Occupancy is 100 per cent at intu Asturias and 95 per cent at Puerto Venecia.

We agreed 22 new long-term lettings in the year, amounting to €2 million new annual rent, at an average of 12 per cent above previous passing rent (like-for-like units) and in line with valuers' assumptions. New names to our Spanish centres included Adidas, Levi's, Fnac and Décimas.

intu's 50 per cent share of Puerto Venecia was valued at €225 million at 31 December 2015, in line with the acquisition price. intu's share of intu Asturias increased by €14 million (13 per cent) in the year to €121 million, an increase of 36 per cent since acquisition.

### Development pipeline

Our development pipeline in Spain consists of the intu Costa del Sol project on the site we acquired in 2015 near Málaga and three future development opportunities – we have options on sites in Valencia, Vigo and Palma.

Our plan for intu Costa del Sol is a 175,000 sq m shopping resort positioned on the main Costa del Sol highway with access to a catchment of around three million residents and 10 million tourists annually. Discussions are progressing well with the key retail and leisure anchors who have shown strong interest in the development.

We continue to develop plans at the three other sites, with the next development, likely to be intu Valencia, following on from intu Costa del Sol.

# Financial review

Recent acquisitions, positive like-for-like net rental income and continued increases in asset values have resulted in increases to both underlying earnings and NAV per share

### Presentation of information

The Group accounts for its interests in joint ventures using the equity method as required by IFRS 11 Joint Arrangements which applied for the first time in the 2014 consolidated financial statements. This means that the income statement and the balance sheet include single lines for the Group's total share of post-tax profit and the net investment in joint ventures respectively.

Management both review and monitor the business, including the Group's share of joint ventures, on an individual line basis rather than a post-tax profit or net investment basis and therefore the figures and commentary presented are consistent with this management approach. The other information section gives reconciliations between the two bases on pages 164 to 166.

## Overview

Recent acquisitions, positive like-for-like net rental income and continued increases in asset values have resulted in increases to both underlying earnings and NAV per share:

— underlying earnings of £186.6 million, up 15 per cent on 2014, reflecting the acquisition of Puerto Venecia, Zaragoza in January 2015 and a full year's impact from the acquisitions and disposals in the first half of 2014
— underlying earnings per share of 14.2 pence, up 7 per cent on 2014
— NAV per share of 404 pence; total financial return for the year of 10 per cent

Financing metrics remain strong due to property valuation increases and recent refinancing activity:

— debt to assets ratio at 43.1 per cent (31 December 2014: 44.2 per cent), below the Group's target maximum level of 50 per cent; debt to assets ratio pro forma for the sale of the Group's interest in Equity One shares in January 2016 of 41.0 per cent
— interest cover ratio of 1.91x (31 December 2014: 1.82x), above the Group's target minimum level of 1.60x
— cash and available facilities of £588.4 million (31 December 2014: £670.8 million) remains high but has reduced due to acquisitions and capital expenditure in the year; cash and available facilities pro forma for the sale of our interest in Equity One shares of £790.3 million

Major transactions:

— in January the Group completed the acquisition of Puerto Venecia, Zaragoza for €450.8 million. The acquired debt was refinanced on acquisition with €225.0 million of debt raised. In September the Group introduced CPPIB as a 50 per cent joint venture partner
— in June the Group renegotiated the £351.8 million term loan within the Secured Group Structure (SGS), extending this by two years to March 2020 and reducing the interest rate margin by 1.5 per cent
— in September the Group agreed a one year extension to the £600 million revolving credit facility (RCF) which is now in place until 2020
— in December the Group agreed a new facility of £95.8 million for intu Bromley, drawn down in January 2016, replacing the existing facility

# Results for the year

## Income statement

The Group recorded a profit for the year of £517.6 million, a reduction on the £599.8 million reported for the year ended 31 December 2014. This was primarily due to a lower gain on property valuations of £350.7 million including the Group's share of joint ventures (2014: £648.2 million), offset by:

— a positive movement in the fair value of the Group's financial instruments. 2015 includes a credit of £5.3 million (2014: charge of £157.0 million)
— lower exceptional finance costs of £31.4 million (2014: £50.7 million) largely due to the lower level of interest rate swap terminations in connection with debt refinancing
— lower exceptional administration costs of £1.5 million (2014: £13.9 million). 2014 included costs in relation to the acquisition of intu Merry Hill, intu Derby and Sprucefield

The Group's investments in joint ventures contributed £108.6 million to the profit of the Group in 2015 (2014: £99.7 million) including £24.7 million of underlying earnings (2014: £18.6 million) and a gain on property valuations of £85.8 million (2014: £80.4 million).

| | Year ended 31 December 2015 | Year ended 31 December 2014 |
|---|---|---|
| Profit for the year (£m) | **517.6** | 599.8 |
| Underlying earnings (£m) | **186.6** | 161.7 |
| Underlying EPS (pence) | **14.2** | 13.3 |
| Net rental income[1] (£m) | **427.8** | 396.6 |

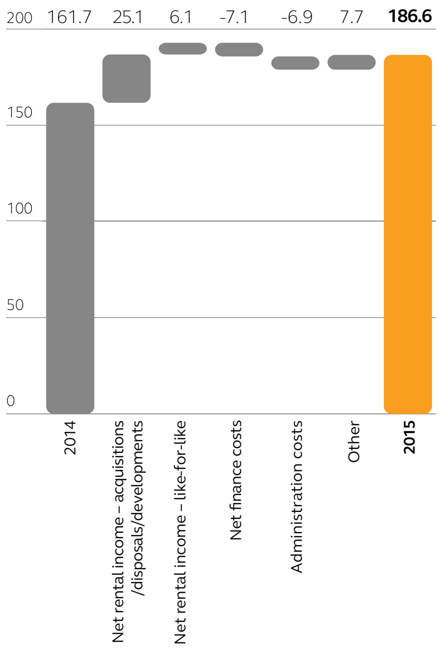
1 Including Group share of joint ventures.

Underlying earnings increased by £24.9 million to £186.6 million with underlying earnings per share increasing by 7 per cent to 14.2 pence. Underlying amounts exclude valuation movements, exceptional items and related tax and are presented as they are considered to be a key measure of the Group's performance and an indication of the extent to which dividend payments are supported by underlying operations. The underlying profit statement is presented in full in the other information section on page 167.

The principal components of the change in underlying earnings are as follows:

— net rental income increase of £25.1 million due to the acquisition of Puerto Venecia, Zaragoza in 2015, a full year's impact from 2014 acquisitions and disposals and property held for development
— like-for-like net rental income increased by £6.1 million, 1.8 per cent (see operating review)
— underlying net finance costs increased by £7.1 million reflecting the full impact of funding 2014 acquisitions and the acquisition of Puerto Venecia, Zaragoza in 2015. These are partially offset by the favourable impact of lower interest rates following debt refinancings
— ongoing administration expenses increased by £6.9 million, largely due to the costs of managing recently acquired properties and the administration of the Spanish properties and developments
— other includes a saving of £2.9 million following the conversion of the 3.75 per cent convertible bonds in July 2014

Underlying earnings bridge (£m)




As detailed in the table below, the Group's net rental income margin including share of joint ventures is in line with 2014 at 87.0 per cent. Property operating expenses largely comprise car park operating costs and the Group's contribution to shopping centre marketing programmes. The Group's ratio of total costs to income, as calculated in accordance with EPRA guidelines, remains low at 16.0 per cent.

| | Year ended 31 December 2015 £m | Year ended 31 December 2014 £m |
|---|---|---|
| Gross rental income | **514.0** | 480.4 |
| Head rent payable | **(22.4)** | (23.4) |
| | **491.6** | 457.0 |
| Net service charge expense and void rates | **(23.7)** | (21.2) |
| Bad debt and lease incentive write-offs | **(6.2)** | (7.2) |
| Property operating expense | **(33.9)** | (32.0) |
| Net rental income | **427.8** | 396.6 |
| Net rental income margin | **87.0%** | 86.8% |
| EPRA cost ratio (excluding direct vacancy costs) | **16.0%** | 15.5% |

"Underlying earnings increased by £24.9 million to £186.6 million"

# Financial review continued


**National scale**

Smiggle is using intu's scale to get national coverage, signing leases for 10 units in 2015, which takes its UK portfolio to 42 stores

## Balance sheet

The Group's net assets attributable to shareholders have increased by £452.4 million to £4,976.4 million at 31 December 2015 reflecting the retained profit for the year.

As detailed in the table, net assets (diluted, adjusted) have increased by £442.3 million from 31 December 2014 to £5,411.2 million at 31 December 2015.

Investment and development property has increased by £634.9 million primarily due to the £350.7 million valuation gain in the year, capital expenditure of over £120 million (including the exercise of the option over land in Málaga) and the acquisition of Puerto Venecia, Zaragoza, with intu's 50 per cent holding valued at £166.1 million at 31 December 2015.

Investments of £265.0 million principally comprise the Group's interests in the US and India. The US investment of 11.4 million shares in a US venture controlled by Equity One, a listed US REIT, is valued at £209.4 million based on the 31 December 2015 Equity One share price. The Group subsequently sold this investment on 19 January 2016 for proceeds of £201.9 million. The India investment largely comprises a 32 per cent interest in Prozone (£36.4 million), a shopping centre developer listed on the Indian stock market, and a direct interest in Empire (£18.3 million), owner and operator of a shopping centre in Aurangabad. See notes 24 and 25 for further details.

Net external debt is discussed in the cash flow and net external debt section below.

Derivative financial instruments comprise the fair value of the Group's interest rate swaps. The net liability at 31 December 2015 is £340.5 million, a reduction of £6.7 million in the year. Cash payments in the year totalled £44.1 million, £26.5 million of which has been classified as an exceptional finance cost as it relates to payments in respect of unallocated swaps. The balance of the payments has been included as underlying finance costs as it relates to ongoing interest rate swaps used to hedge debt.

As previously detailed, the Group has a number of interest rate swaps, entered into some years ago, which are unallocated due to a change in lenders' practice. At 31 December 2015 these swaps have a market value liability of £239.1 million (31 December 2014: £242.5 million). It is estimated the Group will be required to make cash payments on these swaps of around £24 million in 2016.

The Group's investment in joint ventures, on an equity accounted basis, is £991.9 million as at 31 December 2015 (2014: £851.5 million). The movement in the year reflects increases from the net investment in Puerto Venecia, Zaragoza of £86.1 million and intu's share of property valuation gains of £85.8 million. At 31 December 2015 the investment in joint ventures reflects investment property of £1,119.8 million (2014: £869.2 million) and net debt of £115.3 million (2014: £5.5 million).

The non-controlling interest at 31 December 2015 relates to our partner's 40 per cent stake in intu Metrocentre.

The Group is exposed to foreign exchange movements on its overseas investments. The Group's policy is to ensure that the net exposure to foreign currency is less

| | **2015** | | | 2014 |
|---|---|---|---|---|
| | **Group balance sheet as presented £m** | Share of joint ventures £m | **Group including share of joint ventures £m** | Group including share of joint ventures £m |
| Investment and development property | **8,403.9** | 1,119.8 | **9,523.7** | 8,888.8 |
| Investment in joint ventures | **991.9** | (991.9) | **–** | – |
| Investment in associates and other investments | **265.0** | – | **265.0** | 227.7 |
| Net external debt | **(4,023.8)** | (115.3) | **(4,139.1)** | (3,963.4) |
| Derivative financial instruments | **(338.5)** | (2.0) | **(340.5)** | (347.2) |
| Other assets and liabilities | **(243.6)** | (10.6) | **(254.2)** | (209.1) |
| Net assets | **5,054.9** | – | **5,054.9** | 4,596.8 |
| Non-controlling interests | **(78.5)** | – | **(78.5)** | (72.8) |
| **Attributable to shareholders** | **4,976.4** | – | **4,976.4** | 4,524.0 |
| Fair value of derivatives (net of tax) | **322.1** | – | **322.1** | 333.6 |
| Other adjustments | **96.5** | – | **96.5** | 89.1 |
| Effect of dilution | **16.2** | – | **16.2** | 22.2 |
| **Net assets (diluted, adjusted)** | **5,411.2** | – | **5,411.2** | 4,968.9 |

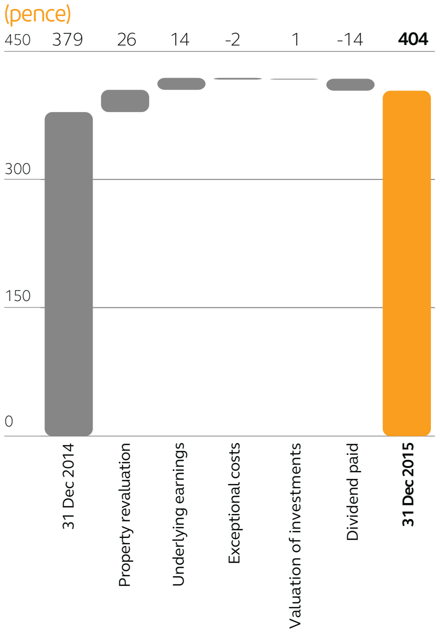

**Improving retail mix**
Active asset management is bringing new brands to Puerto Venecia such as Fnac

than 10 per cent of the Group's net assets attributable to shareholders. At 31 December 2015 the exposure was 8 per cent, higher than the 6 per cent at 31 December 2014 due to the Group's acquisition of Puerto Venecia, Zaragoza in January and the exercise of the Málaga option in May. This exposure reduces to less than 4 per cent pro forma for the sale of our interest in Equity One shares in January 2016.

## Adjusted net assets per share

As illustrated in the chart below, diluted, adjusted net assets per share have increased from 379 pence per share at 31 December 2014 to 404 pence per share at 31 December 2015. The increase was driven by the property valuation gain of 26 pence per share.

Adjusted net asset value per share bridge (pence)




## Cash flow and net external debt

During 2015 the Group generated an increase in cash of £61.1 million. Cash flow from operating activities of £160.2 million is £103.7 million higher than 2014, primarily due to the lower level of exceptional swap termination costs compared to 2014 and working capital movements.

Cash flows from investing activities reflect the cash outflow for the acquisition of Puerto Venecia, Zaragoza of £203.1 million and an inflow of £81.0 million from the subsequent sale of a 50 per cent interest to CPPIB net of new debt issued. Capital expenditure of £100.8 million was incurred in the year. 2014 reflected a cash outflow on the acquisition of intu Merry Hill, intu Derby and Sprucefield of £851.3 million and an inflow from the disposal of 80 per cent of intu Uxbridge of £174.1 million.

Cash flows from financing activities include net debt drawdowns of £138.9 million primarily to fund the acquisition of Puerto Venecia, Zaragoza. Dividends paid in cash during the year were £104.9 million. 2014 included an inflow of £492.0 million from the rights issue undertaken to part-fund acquisitions and net borrowings raised of £314.3 million.

Net external debt (including Group share of joint ventures) has increased by £175.7 million. Cash has increased by £41.3 million. Debt has increased by £217.0 million reflecting the key cash flows above.

| | **2015 £m** | 2014 £m |
|---|---|---|
| **Group cash flow as reported** | | |
| Cash flows from operating activities | **160.2** | 56.5 |
| Cash flows from investing activities | **(175.0)** | (719.1) |
| Cash flows from financing activities | **76.2** | 724.1 |
| Foreign currency movements | **(0.3)** | (0.1) |
| **Net increase in Group cash and cash equivalents** | **61.1** | 61.4 |
| **Net external debt (including Group share of joint ventures)** | | |
| Cash (including Group share of joint ventures) | **301.4** | 260.1 |
| Debt (including Group share of joint ventures) | **(4,440.5)** | (4,223.5) |
| **Net external debt (including Group share of joint ventures)** | **(4,139.1)** | (3,963.4) |

# Financial review continued

## Financing

### Debt structure

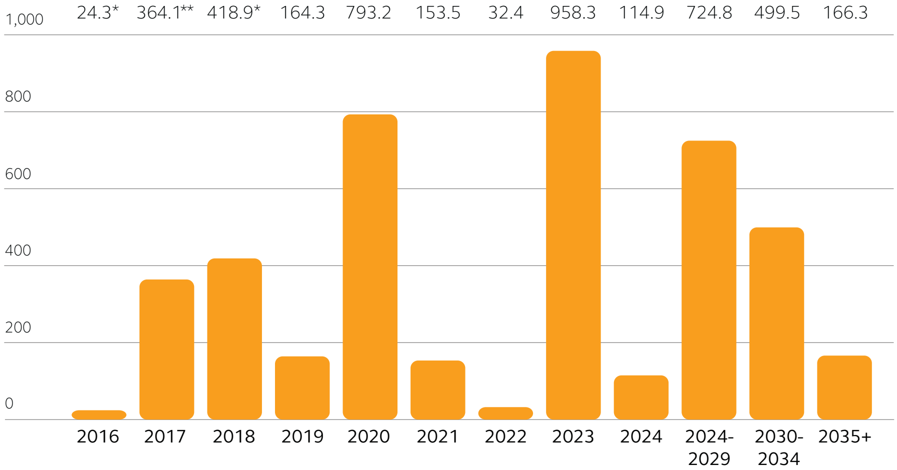
As a result of the significant refinancing activity in recent years, the Group has diversified its sources of funding. We now have a range of debt instruments including CMBS and other secured bonds plus syndicated bank debt secured on individual or pools of assets, with limited or non-recourse from the borrowing entities to other Group companies outside of these arrangements. Corporate-level debt remains limited to the revolving credit facility and the £300 million convertible bond.

During 2015 the main financing activities undertaken included:

— in January, €225.0 million of new debt was secured against Puerto Venecia, Zaragoza, refinancing the acquired debt
— in June the Group renegotiated its £351.8 million Secured Group Structure term loan, extending the maturity by two years to March 2020 and reducing the margin by 150 basis points
— in September the Group agreed a one year extension to the RCF which is now in place until 2020
— in December a new five year £130.0 million facility was secured against intu Uxbridge; intu's share is £26.0 million
— in December the Group agreed a new facility of £95.8 million for intu Bromley, drawn down in January 2016, replacing the existing facility which was due in April 2016

"The debt to assets ratio has reduced to 43.1 per cent"

Debt maturity (£m)




* Reflects the re-financing of intu Bromley agreed in December 2015 but not actioned until January 2016.
** 2017 includes £191 million relating to intu Merry Hill which has an initial maturity of 20 September 2016 extendable at intu's option to 20 September 2017. It is anticipated that this option will be exercised at the earliest opportunity.

The chart above illustrates that there is no major refinancing requirement due until 2017.

The table below summarises the Group's main debt measures, all including the Group's share of joint ventures.

The debt to assets ratio has reduced to 43.1 per cent with the increase in property valuations offsetting the increase in net external debt resulting from the acquisition of Puerto Venecia, Zaragoza and capital expenditure in the year. The debt to assets ratio is well below the Group's target maximum level of 50 per cent. Pro forma for the sale of the Group's interest in Equity One shares in January 2016 the debt to assets ratio would reduce to 41.0 per cent.

Interest cover of 1.91x has increased reflecting the impact of recent acquisitions and lower interest rates following recent debt refinancing and remains above the Group's targeted minimum level of 1.60x.

The weighted average debt maturity has reduced to 7.8 years and includes the benefit from the extension of the SGS term loan.

The weighted average cost of gross debt has reduced to 4.6 per cent (excluding the revolving credit facility) reflecting the lower rates achieved on recent refinancing activity.

The Group uses interest rate swaps to fix interest obligations, reducing cash flow volatility caused by changes in interest rates. The proportion of debt with interest rate protection has reduced slightly in the year to 86 per cent within the Group's policy range of between 75 per cent and 100 per cent. The reduction is due to the higher level of borrowing against the Group's revolving credit facility.

Cash and available facilities have reduced to £588.4 million at 31 December 2015. This comprises cash of £301.4 million in addition to undrawn facilities of £287.0 million.

| | **31 December 2015** | 31 December 2014 |
|---|---|---|
| Debt to assets | **43.1%** | 44.2% |
| Interest cover | **1.91x** | 1.82x |
| Weighted average debt maturity | **7.8 years** | 8.4 years |
| Weighted average cost of gross debt | **4.6%** | 4.7% |
| Proportion of gross debt with interest rate protection | **86%** | 88% |
| Cash and available facilities | **£588.4m** | £670.8m |

**intu Trafford Centre**
The lasting appeal of the Orient

### Covenants

Full details of the debt financial covenants are included in the financial covenants section of this report on pages 162 and 163. The Group is in compliance with all of its covenants.

### Capital commitments

The Group has an aggregate cash commitment to capital projects of £65.2 million at 31 December 2015 including the Group's share of joint ventures.

In addition to the committed expenditure, the Group has an identified uncommitted pipeline of active management projects, major extensions and developments that may become committed over the next three years (see operating review on page 43).

## Other information

### Tax policy position

Like all Real Estate Investment Trusts (REITs), tax on property operating profits is paid at shareholder level to the UK government rather than by intu itself. REIT status brings with it the requirement to operate within the rules of the REIT regime (for further information see glossary on pages 173 and 174).

As a good corporate citizen we believe that paying and collecting taxes is an important part of our role as a business and our wider contribution to society. We are committed to acting with integrity and transparency in all tax matters and have an open, up-front, and no surprises policy in dealing with HMRC, and as a result look to minimise the risk that anything that we do could be considered to be tax avoidance. In particular, the Group carries out regular risk reviews, seeks pre-clearance from HMRC in complex areas and actively engages in discussions on potential or proposed changes in the taxation system that might affect the Group.

The Group pays tax directly on overseas earnings, any UK non-property income under the REIT rules, business rates, and transaction taxes such as stamp duty land tax. In the year ended 31 December 2015 the total of such payments to tax authorities was £23 million, of which £19 million was in the UK, £0.5 million in the US and £3.5 million in Spain. In addition, the Group also collects VAT, employment taxes and withholding tax on dividends for HMRC and the Spanish tax authorities. Business rates, principally paid by tenants, in respect of the Group's UK properties amounted to around £297 million in 2015 (2014: £297 million).

### Dividends

The Directors are recommending a final dividend of 9.1 pence per share bringing the amount paid and payable in respect of 2015 to 13.7 pence, unchanged from 2014. A scrip dividend alternative may be offered. Details of the apportionment between the PID and non-PID elements per share will be confirmed in due course.

As at 31 December 2015 the Company has distributable reserves in excess of £1.3 billion, sufficient to cover around seven years of dividends at the 2015 level. The Company typically pays dividends which are covered by the current year earnings of the Group and does not anticipate that the Group's level of distributable reserves will create any restrictions on this approach in the foreseeable future.

**Matthew Roberts**
**Chief Financial Officer**
26 February 2016

# Corporate responsibility


For more detail please see our corporate responsibility report

We are committed to supporting our local communities, delivering economic growth and operating with environmental responsibility

£1.8m
cash equivalent of total donations

£3.1m
total energy savings since 2011

Customers engaged in surveys

28,000
(2014: 26,500)

Employee engagement score

769
(2014: 747)

Net promoter score

74
(2014: 60)

## Why corporate responsibility matters

As a national and growing international brand, how people perceive us today and in the future is essential to our long-term success. This success benefits our local communities, the people who work at our centres, our tenants and our shareholders. A responsible approach to our corporate behaviour is intrinsically linked to our day-to-day activities and longer-term focus. Senior level buy-in and employee engagement are key to our continued corporate responsibility (CR) activities; we believe it's the only way to do business.

Genuine and visible CR has never been more important than now as businesses operate increasingly in the public eye. People have always wanted to do business with people they trust and their desire and ability to make informed choices is increasing with technology.

As well as our customers we are subject to external scrutiny from investors, environmental, social and governance indices, public bodies and community leaders.

There are some significant external trends that we know will impact us in the future. The most important of these is the changing face of retail and responding to the changing needs and wants of our consumers and retailers. Ageing populations and significant urbanisation will also put pressure on public resources and change the use of public realm space, something we will need to respond to in order to remain relevant to customers. These inform our material impacts and the issues we should focus on.

## Our approach to CR

At intu, we create not just compelling experiences for our customers, but ones that are for all to access and enjoy. Sustainable shopping centres create a nicer shopping environment, meaning people are happy to stay for longer.

We base our CR on three key pillars that support the long-term success of intu: communities and economic contribution, environmental efficiency and relationships. This approach allows us to focus on the concerns and issues that are most important to our many and varied stakeholders and our business.

We believe CR must be driven by the strategic aims of our business and be subject to the same quality of governance controls. We want intu to be a long-term and sustainable business. We can only do this if we care for the communities where our shopping centres are located and look after the communities we all share.

As such, CR forms part of our Board Committee structure, giving it the prominence in decision-making needed to embed it into our day-to-day operations.

This year we have made significant headway in achieving our long-term 2020 commitments to reduce our environmental impact and increase our community contributions. Notably, we have saved a further 10 per cent in carbon emissions, which means we are on track to meet our 50 per cent reduction in carbon intensity.

We have surpassed our target to divert 99 per cent of waste from landfill by 2020, this year achieving a diversion rate of 99.7 per cent.

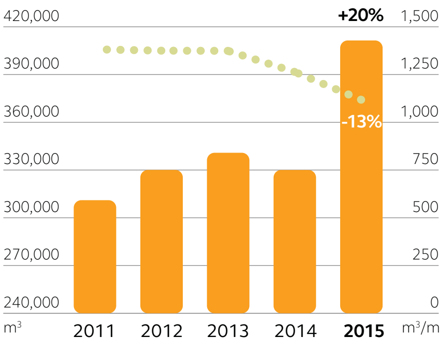
Our community contributions totalled £1.8 million and the amount of time given by our employees almost doubled, showing the company-wide support for our communities.

## Our progress in 2015

| Pillar | Impact | Commitment | 2015 performance |
|---|---|---|---|
| **Communities**  | Community | Support relevant community initiatives | £1.8m charitable donations |
| | | Extend employability programmes to all centres by 2025 | New retail employability programme at intu Braehead |
| | | Improve community partner evaluation | Positive feedback from community partners |
| | Economic contribution | Demonstrate total economic impact | £4.2bn GVA |
| **Environment**  | Energy and carbon | 50% intensity reduction in carbon emissions by 2020 against 2010 baseline | 10% intensity reduction |
| | Waste management | 99% of waste diverted from landfill by 2020 | 99.7% diverted |
| | | 75% of waste generated recycled by 2020 | 71% recycled |
| | Water management | 10% intensity reduction of m³/million customers by 2020 against 2010 baseline | 13% intensity reduction |
| **Relationships**  | Relationships | Further develop engagement process | Full participation |
| | | Improve customer experience score | 74 (2014: 60) |
| | People | Increase employee volunteering | 101 volunteers (2014: 95) |
| | | Increase employee awareness of CR | 70% staff aware of CR programmes |

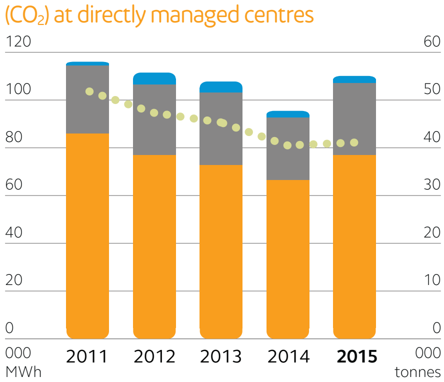
## Better for the environment in 2015

### Water use at directly managed centres



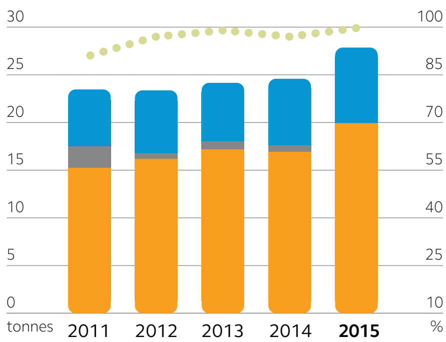

Absolute water consumption (m³)
Water intensity m³/million customers

### Absolute energy use and carbon emissions ($CO_2$) at directly managed centres




Electricity (thousand MWh)
Gas (thousand MWh)
District heating (thousand MWh)
$CO_2$ emissions (thousand tonnes)

### Waste disposal at directly managed centres




Waste recycled (tonnes)
Waste to landfill (tonnes)
Waste to energy (tonnes)
Waste diverted from landfill (%)

# Our pillars in action

## Communities

### Why it is important
Our shopping centres are integral to the communities we serve. We build social cohesion by providing the space for people to come together to eat, drink, socialise and be entertained.

**Challenging youth stereotypes**
Supported by intu Lakeside, schoolchildren take part in the Future Theatre Sugar & Spice production in 2015

We create significant economic contributions to our communities, not just in employment, but also by supporting community groups to address fundamental societal issues affecting our long-term success such as anti-social behaviour, young people and education.

### What we are doing
— we have increased our volunteering to over 10 per cent of total employees through expanding the opportunities and better promoting them to staff
— our 'apprenticeships for retail' programme expanded to intu Braehead with 26 young people already benefiting

### What we plan to do
— increase volunteering to 15 per cent of total intu staff
— set up a retail training programme at intu Watford
— make partnership working easier by sharing best practice between charity partners

## Environment

### Why it is important
We have a responsibility to minimise our operational environmental impacts, but we also see the benefits of increasing our operational efficiency to create a better retail environment. We focus our efforts on the common areas of our shopping centres where we have direct control.

We also share good practice and influence our delivery partners, retailers and visitors to more sustainable behaviour so we can all enjoy the benefits of environmental efficiency.

**Sustainable travel**
Every centre has a sustainable travel plan to encourage people to use their car less and make healthier travel choices

### What we are doing
— our LED programme continues to reap energy and carbon savings. This year we have reduced our carbon intensity by 13 per cent
— implemented energy audits and presented recommendations to senior management
— revised our waste contracts to ensure better management and reporting of waste streams
— explored and trialled options for reducing water intensity at our centres

### What we plan to do
— embark on phase four of our LED lighting installation
— conduct feasibility studies to expand our on-site generation beyond Ground Source Heat Pumps at intu Victoria Centre
— attain ISO 50001 accreditation

## Relationships

### Why it is important
Strong and open relationships are fundamental to us doing business and our long-term success. We use a variety of channels to engage our stakeholders, ensuring a continuous dialogue throughout the year and engaging on key issues.

Understanding their concerns and expectations means we can respond accordingly, support our communities and our people and serve our customers better.

### What we are doing
— now in its third year, we have reviewed and refreshed our annual 360 stakeholder engagement
— raised employee awareness of CR and the eco hero scheme through targeted communications
— held a community and local and national government parliamentary reception to bring together key stakeholders

**Graduates of retail employability programme at intu Braehead**
Working in partnership with local skills providers and retailers helps us to deliver the next generation of high-quality retail workers

### What we plan to do
— introduce a new stakeholder session on communication and sharing information
— appoint a community manager at intu Eldon Square and intu Metrocentre
— better communicate our CR strategy to customers

### Business class at intu Derby

We are working with Business in the Community in Derby to create partnerships between businesses and schools, aiming to make an impact in four core areas: leadership, curriculum, enterprise and employment. intu is partnered with the City of Derby Academy where we have provided employability support for 160 young people aged 11-16, such as sending students through the same assessment centre that intu uses to recruit staff. The programme gives them the opportunity to develop skills and improve their employability and all those participating report a direct positive impact on their quality of life.

### A winning partnership

intu Trafford Centre partnered with local autism charity, the Together Trust, to become the first autism-friendly shopping centre in the UK.

Busy, vibrant spaces can be challenging environments for people who are on the autism spectrum. We want all our customers to enjoy visiting intu so 400 staff were trained to understand the issues and how to support people with autism.

We had extremely positive feedback and plan to extend this programme to other centres so all customers can enjoy a consistent experience.

### Making our staff eco heroes

This summer we launched our 'eco hero' campaign. Providing simple and informative messages to help our staff be more eco-friendly, not just at work, but at home as well where they can see the benefit in their energy bills.

The eco hero pack contains all the information needed to become an intu eco hero – energy use facts, energy-saving tips for at home and at work, checklists for energy use audits and thermometers to help regulate heating.

## Our contributions

**We provide significant local employment**

93,000
employed in our centres

**We are investing in the future**

£1.7bn
UK development pipeline over 10 years

**We work with our communities and help to protect the environment**

2,000
people directly reached by community projects

**We contribute to the local and national economy**

£297m
business rates paid by intu and our tenants

**intu centres directly support a**

£1.6bn
wage bill per annum

**....all of which results in a total economic contribution in 2014 of**

**£4.2 billion GVA**

# Our people

## Our people are at the heart of intu's success and are passionate about what they do, helping to deliver compelling shopping experiences to our customers

### Highlights of the year

- intu Retail Services achieved silver Investor in People accreditation at 14 intu branded shopping centres and for its central team, and retained gold standard at intu Trafford Centre
- Every member of staff has taken part in brand engagement development
- Our new national apprenticeship scheme took on its first apprentices at intu Lakeside and intu Milton Keynes
- 11 senior managers from across the business took part in the Firefly leadership development programme, with a further 15 working through other programmes which will feed in

### Our values

**BOLD**

We look at the familiar and we see something different; we are insightful and imaginative, but not for their own sake, for we never lose sight of what is important and relevant

**CREATIVE**

We act confidently and decisively, always knowingly, perhaps at times controversially, but never rashly or without consideration

**GENUINE**

We are true to ourselves, act fairly and communicate clearly; we say what we mean and we mean what we say. We recognise our obligations to our stakeholders and the wider society, and commit to put our utmost into everything we do

**We increasingly recognise the importance of our people to our business. From apprentices to senior managers, we look for the best people in the business to keep us at the forefront of the shopping centre industry and provide the trademark intu experience and embodiment of our values that sets us apart from our competitors.**

As our business grows our strategy is to ensure our people grow with it. We focus on finding and retaining the best people, engaging them in our purpose, developing their talent and rewarding their effort. We measure our success by reducing turnover and increasing the number of posts we fill from internal promotions.

### Our employees

We have 2,544 staff employed in 16 locations across the UK, in 15 centres and at 40 Broadway, and in Spain. Of these, 2,131 are frontline shopping centre staff, directly employed by intu Retail Services. Turnover was 21 per cent for frontline staff and 14 per cent at 40 Broadway.

### Recruitment

We ensure we have the right talent to be able to promote from within the business supported by processes that mean we employ the best potential talent from outside. This year we recruited 529 staff externally and promoted 50 from within.

### Talent development

Our aim this year has been to give more staff insight and understanding of the strategic direction of the business and to increase the opportunities for people to take on new skills. We introduced the Firefly leadership programme 'Building better futures' to 11 senior managers and 15 other managers embarked on a 'Leading self, leading others, leading change' programme. We built on the success of our world class service programme with development sessions for all staff focusing on delivering a compelling experience and we introduced a national apprenticeship scheme to 'grow our own talent'. An outstanding success has been the achievement by intu Retail Services of silver Investor in People accreditation at 14 intu-branded shopping centres and its central team, and retaining the gold standard at intu Trafford Centre.

### The apprentice

Adam Gillespie was among the initial intake of intu's first national apprenticeship programme, joining the customer services team at intu Lakeside in October but circulating around a number of departments for his first year to help his longer-term career choice.

Adam says: "I thought apprenticeships were a good way to get into the work environment; you get paid and get a qualification at the end. It is harder than college but I prefer it. You can really make a difference to people. I helped plan our Halloween event and had a sense of fulfilment watching the customers smile as they looked at the display of pumpkins knowing that I had played a part in it."

84%
of staff are proud to work for intu
(2014: 83%)

89%
of all staff took part in the survey
(2014: 84%)

### Gender profile

Female
1,032
(2014: 973)

Male
1,512
(2014: 1,486)

### Gender profile senior managers

Female
9
(2014: 9)

Male
20
(2014: 22)

### Reward and recognition

This year we introduced Win Your Dream, a peer-to-peer nomination programme that acknowledges staff who have shown exceptional performance in displaying our values and delivering our brand proposition. The programme includes a tiered award structure with monthly prizes at each centre and 40 Broadway, four national quarterly winners and the ultimate accolade, the annual winner who receives £10,000 to spend on their dream.

### Employee engagement

Making sure our staff understand our business and know how they can contribute to intu's success is crucial to our progress.

We use a range of channels to communicate with our staff, wherever they work in the business, from the intranet and staff meetings to 'toolbox talks'. This year we have improved internal communications networks further by ensuring each location has its own staff consultative forum.

Our annual staff survey continues to reflect widespread employee engagement, with 84 per cent (2014: 83 per cent) of staff proud to work for intu, and 94 per cent (2014: 91 per cent) agreeing intu puts customers at the heart of everything we do. This year 89 per cent of all staff took part in the survey, up five per cent from 2014, and the overall engagement index improved for the fifth year in succession, from 747 to 769.

Understanding of intu's values and vision both now stand at 90 per cent and there were major improvements in staff recognition that performance is accurately evaluated and rewarded appropriately and that individuals could contribute directly to our success.

We continue to encourage staff to achieve their personal and professional goals and to take part in our corporate responsibility, community support and sustainability programmes.

### Our plans for 2016

As the intu business spectrum expands we will be providing more opportunities for functional specialists to develop a broader understanding of our strategic direction.

### Human rights

At intu we respect the dignity, liberty and equality of everyone we work with. Our policies and procedures are consistent with the United Nations' universal declaration of human rights, which sets "a common standard of achievement for all peoples and all nations". We are committed to implementing the UN guiding principles on business and human rights. We only work with people who choose to work freely and we respect their rights to equal opportunities and freedom of association.

We work with our suppliers, retailers and associated companies to ensure they meet acceptable standards of human dignity in their own sourcing policies. We will continue to evaluate the pay and conditions of all our employees, in particular new staff on or near to minimum wage, to bring them into line with the rest of our staff in terms of wages and benefits and ensure fair working conditions. Fair treatment of people who work for intu or our suppliers is a key focus of our corporate responsibility approach. As appropriate our Board CR Committee and CR Management Committee consider the potential human rights risks faced by intu and assess approaches to mitigate those risks. We will implement the Modern Slavery Act in 2016 to ensure our suppliers meet our standards on human rights.

We will continue to develop our leadership programmes and extend the capabilities of our talented management, both in 40 Broadway and in operational management in our centres.

We will work to achieve the National Equality Standard, a groundbreaking initiative for businesses to set clear equality, diversity and inclusion criteria that can be independently assessed.

Our graduate programme is to be more structured to enable graduates to gain a broader experience across the business and enhance their chances of becoming future leaders in intu.

We are also going to link our induction and training programmes, so that employees benefit from a complete development package that is more consistent with intu's values.

# Governance

“We have maintained our commitment to the highest standards of governance, with a focus during the year on refreshing composition of the Board and its Committees in line with our succession plans”

## Dear shareholder

I am pleased to introduce intu’s corporate governance report for 2015.

A revised version of the UK Corporate Governance Code (‘the Code’) was issued in September 2014 and is applicable to the Company for the first time for the year ended 31 December 2015.

The Board has reviewed its revised obligations under the 2014 version of the Code and determined that it remains fully compliant with all Code provisions. This reflects the Board’s robust approach to good governance, with a continuing emphasis on matching or exceeding the best practice expectations of a major quoted company.

### Key strategic matters discussed in 2015

**Optimise asset performance**
- review and approval of the Group’s strategic plan
- review and approval of centre-focused refinancings
- Board visit to intu Merry Hill

**UK development momentum**
- management and oversight of the Group’s capital investment programme
- Board visit to intu Bromley
- regular Capital Projects Committee meetings

**Make the brand count**
- supporting development of the Group’s digital strategy and operations
- focus on Group net promoter score performance

**Seize the growth opportunity in Spain**
- the Group’s Spanish strategy
- the strengthening of the Group’s partnership with CPPIB, announced in June, to include our Puerto Venecia shopping resort in Spain
- extended Board visit to review our Spanish operations during the year

### Other key matters discussed
- appointment and induction of two new Non-Executive Directors in accordance with the Board’s succession planning
- formal commencement of succession planning for the Chairman’s scheduled 2017 retirement
- Committee governance, as a result of new appointments and the extension of the Senior Independent Director’s term
- continuing focus on risk modelling and analysis, including cybersecurity risk
- the new viability statement

### Areas of focus in 2016
- continuation of progressive refreshing of the Board, in line with agreed succession planning
- progression of Nomination and Review Committee processes for the new Chairman appointment
- monitoring and progression of corporate objectives for 2016
- rigorous maintenance of a strong controls environment around UK and Spanish development pipeline
- continuing oversight of strategic and operational delivery

## 2015 governance highlights

### Composition and succession planning

During the year I led our annual review of the Board's composition and succession plans. The review took into account the fact that experienced and valued Board members were approaching the maximum tenure permitted for independent non-executive directors under the Code.

As a direct consequence, the Board decided to strengthen its composition and in September welcomed two new Non-Executive Directors, Rakhi (Parekh) Goss-Custard and John Strachan, with expertise in digital and global real estate matters respectively.

The processes which led to Rakhi and John's selection and appointment were co-ordinated by the Nomination and Review Committee, in line with relevant Board policies, and with appropriate input from an independent executive search adviser Korn Ferry. Further information can be found in the Nomination and Review Committee report on page 76.

In the light of Neil Sachdev not seeking re-election at the 2016 annual general meeting, we have made changes in the composition of our Committees. During the year the Board also extended the term of the Senior Independent Director, Andrew Huntley, for one year.

The Board has previously outlined its support for the recommendations of The Davies Review, and I am therefore particularly pleased to confirm that, as a result of the recent appointments to the Board, intu met the target for 25 per cent female representation before the end of 2015. We outline our approach to diversity further in the main report on pages 67 and 76.

### Board communication

Having identified enthusiasm for additional informal update meetings by conference call, as an important area for improvement last year, we improved and streamlined the quality and focus of Board materials both formally and informally, further integrated electronic papers and have encouraged more informal interaction between Board members. We took advantage of this during centre visits, at the away day in October, on Board update calls and at the Chairman's twice-yearly working dinners.

The Board visited intu Bromley in April and the annual strategy away day was held at intu Merry Hill, our super-regional centre in the West Midlands.

In June the Board travelled as a group to intu Asturias and Puerto Venecia in Spain to carry out an assessment of the newly acquired centres, receive presentations from local advisers regarding local market dynamics and prospects and gain closer familiarity with the Spanish market.

### Risk

The effective assessment and management of risk is key to the delivery of the Group's strategy. The setting of the Group's risk appetite by the Board provides the framework within which the Group's risk management process operates.

Risk management is embedded throughout the business with all employees aware of the role they play in this. The Board has overall responsibility for risk management and the Audit Committee monitors and reviews the effectiveness of the risk management process. The Group's risk management process is set out in more detail on pages 70 and 71, and the Group's principal risks are discussed on pages 37 to 39.

Given the high profile of cybersecurity risks, Trevor Pereira, Group Digital and Commercial Director, attends all Board meetings to advise on digital and cyber matters.

The Group has presented a viability statement for the first time this year in line with the provisions of the Code. While the requirement to include the statement is new, the key inputs to this assessment are those which the Group produces as a matter of course and would consider to be best practice. These include the Group's strategic plan, analysis of sensitivity to risks, operating metrics such as the weighted average life of debt and features of the industry in which we operate.

The Audit Committee assessed the Group's viability position alongside its review of going concern and reported its recommendations to the Board. The viability statement is presented on page 71.

**Patrick Burgess**
**Chairman**
26 February 2016

> The Group has presented a viability statement for the first time this year in line with the provisions of the Code. While the requirement to include this statement is new, the key inputs to this assessment are those which the Group produces as a matter of course

# Board of Directors

## Chairman, Deputy Chairman and Executive Directors

### Patrick Burgess OBE, DL
**Chairman**
Age 71

**Appointed to the Board:** Appointed as a Non-Executive Director of the Group in 2001 and Chairman on 1 August 2008

**Career:** Patrick Burgess qualified as a solicitor in 1972 and became a partner in Gouldens in 1974, serving as head of the Corporate Department for 14 years and as senior partner for six, culminating with the merger of Gouldens with Jones Day in 2003, from which he retired in 2007. He stepped down as a Non-Executive Director of ICBC Standard Bank in October 2015. He has also been active in a number of charitable and community organisations.

**Skills and experience:** At Jones Day, Patrick specialised in mergers and acquisitions and corporate restructuring. He has considerable experience in compliance, regulatory and stock exchange matters.

**Other appointments:** None.

*Chairman of the Capital Projects Committee, Chairman of the Nomination and Review Committee, Chairman of the Corporate Responsibility Committee*

### John Whittaker
**Deputy Chairman**
Age 73

**Appointed to the Board:** Appointed as Deputy Chairman and a Non-Executive Director on 28 January 2011

**Career:** John Whittaker is the Chairman of the Peel Group which he founded in 1971 and developed into a leading UK infrastructure, transport and real estate enterprise.

**Skills and experience:** John is a highly regarded real estate investor, and has overseen the growth of the Peel Group across many sectors such as land, real estate, ports, airports, renewable energy and media. John is an experienced property developer and business leader illustrated by projects such as The Trafford Centre and MediacityUK. His appointment to the Board followed the acquisition by intu of The Trafford Centre from the Peel Group.

**Other appointments:** Chairman of the Peel Group.

### David Fischel
**Chief Executive**
Age 57

**Appointed to the Board:** Appointed Finance Director in 1988, Managing Director in 1992 and Chief Executive in March 2001

**Career:** David Fischel qualified as a chartered accountant in 1983 at Touche Ross & Co before joining the Group in 1985.

**Skills and experience:** At Touche Ross, David worked in the corporate finance department with experience in acquisitions, flotations and capital raisings. During his 30-year career with intu, David has gained significant executive experience in numerous aspects of the shopping centre industry including shopping centre acquisitions and developments. He has also been closely involved with the Group's corporate development including equity and debt financings and a wide range of other corporate transactions, including the 2010 demerger of Capital & Counties from intu.

**Other appointments:** Non-Executive Director of Prozone Intu Properties Limited, resigned as a Non-Executive Director of Equity One, Inc (NYSE: EQY) with effect 19 January 2016.

*Chairman of the Executive Committee*

### Matthew Roberts
**Chief Financial Officer**
Age 52

**Appointed to the Board:** Appointed as Finance Director on 3 June 2010

**Career:** Matthew Roberts was previously the Finance Director of Debenhams plc from 1996 to 2003, and Chief Financial Officer of Gala, subsequently Gala Coral Group Ltd, from 2004 to 2008.

**Skills and experience:** Matthew Roberts (FCA) joined intu as Finance Director in May 2010 and was part of the team which acquired The Trafford Centre, Manchester, in the UK's largest ever single property transaction. In spring 2013 he led the establishment of intu's secured Group structure with initial issue of £1.15 billion of bond and bank debt. Since then he has led a series of further transactions which have raised over £2 billion of leverage. In January 2016 Matthew also assumed responsibility for intu's centre-based operations, while retaining his existing responsibilities.

## Non-Executive Directors

### Adèle Anderson
Age 50

**Appointed to the Board:** Appointed as a Non-Executive Director on 22 February 2013

**Career:** Adèle Anderson commenced her career at KPMG where she became a partner and held a number of senior roles, including Chief Financial Officer. She is currently Chairman of the Audit Committee of easyJet plc and a trustee of Save the Children UK.

**Skills and experience:** Adèle graduated from Kent University with BSc Hons in mathematics and computer science. She is a qualified ACA and has gained extensive financial experience throughout her career and has significant Audit Committee experience.

**Other appointments:** Non-Executive Director of easyJet plc; a member of the board of trustees of Save the Children UK.

*Chairman of the Audit Committee*

### Louise Patten
Age 62

**Appointed to the Board:** Appointed as a Non-Executive Director on 22 September 2011

**Career:** Louise Patten began her career at Citibank, working mainly in retail financial services until she joined global strategy advisers Bain & Company Inc in 1993 where since 1997 she has been a senior adviser.

**Skills and experience:** Louise has extensive Board level experience at a number of retail and property companies including as Chairman of Brixton plc and interim Chairman of Somerfield plc, and Non-Executive roles at Marks and Spencer plc, where she chaired the Remuneration Committee, GUS plc, Hilton Group plc, Harveys Furnishings plc and Control Risks Group.

**Other appointments:** Non-Executive Director at Abcam plc.

*Chairman of the Remuneration Committee*

## Key to Committees

- Audit Committee
- Remuneration Committee
- Nomination and Review Committee
- Executive Committee
- Corporate Responsibility Committee
- Capital Projects Committee

### Richard Gordon

Age 57

**Appointed to the Board:** Appointed as a Non-Executive Director in May 2010

**Career:** Richard Gordon previously served as a Non-Executive Director of Capital Shopping Centres plc between 1996 and 2006 and was appointed as an alternate Director in respect of Graeme Gordon's Directorship of the Group in 2001.

**Skills and experience:** Richard has also served on the boards of a number of companies within the Liberty Life Group and various companies within the commercial and residential real estate sector, mainly in South Africa.

### Andrew Huntley

Age 77

**Appointed to the Board:** Appointed as a Non-Executive Director on 8 July 2009 and Senior Independent Director with effect from 1 August 2013

**Career:** Andrew Huntley's career commenced some 41 years ago with Richard Ellis where he served as Chairman from 1993 until 2002. He was a Non-Executive Director of Pillar Property plc from 2000 to 2005 and a Non-Executive Director of LondonMetric Property plc from 2010 until 2013.

**Skills and experience:** Andrew is a chartered surveyor and an experienced property adviser.

**Other appointments:** Non-Executive Director of Capital & Counties Properties plc.

### Rakhi (Parekh) Goss-Custard

Age 41

**Appointed to the Board:** Appointed as a Non-Executive Director on 7 October 2015.

**Career:** Rakhi's early career included roles at TomTom, content management provider Article27 and 11 years at Amazon until 2014, where she held a number of key roles including responsibility for the Amazon UK Media category.

**Skills and experience:** Rakhi has an up-to-date perspective on retail and consumer trends, as well as deep insight and knowledge of the digital environment. Rakhi has a BA in marketing and communications from the University of Pennsylvania.

**Other appointments:** Non-Executive Director of Rightmove plc. Non-Executive Director at Be Heard Group plc. With effect 1 February 2016, a Non-Executive Director of Kingfisher plc.

### Neil Sachdev

Age 57

**Appointed to the Board:** Appointed as a Non-Executive Director in November 2006. Neil will step down from the Board at the 2016 annual general meeting in May.

**Career:** Neil Sachdev joined Tesco plc in 1978, rising to the position of Property Director before joining J Sainsbury plc as Commercial Director in March 2007. He was subsequently appointed Property Director in June 2010 and he held this position until leaving J Sainsbury plc in March 2014. He was Chairman of the Institute of Grocery Distribution until April 2014.

**Skills and experience:** Neil has an MBA from Stirling University and has gained significant experience in retail and property matters throughout his career.

**Other appointments:** Deputy Chairman of HSS Hire Group plc. Chairman of Martins Property Limited and Market Tech Holdings Limited. Director of Barleygold Limited, Clevertec Limited, and Sixth Sense Partnership Limited. Non-Executive Director of NHS Property Services Limited. Council Member of the University of Warwick.

### John Strachan

Age 65

**Appointed to the Board:** Appointed as a Non-Executive Director on 7 October 2015

**Career:** John was Global Head of Retail Services at Cushman and Wakefield until December 2015. John's career commenced at Healey and Baker in 1972 where he rose to become head of UK and European retail from 1996 to 2000. Healey and Baker was acquired by Cushman and Wakefield in 2000.

**Skills and experience:** John brings a wealth of experience from the retail property sector, an international perspective including extensive knowledge of the Spanish retail property market. He is known for his creative and entrepreneurial approach to developing new business opportunities. He is a fellow of the Royal Institution of Chartered Surveyors.

**Other appointments:** Advisory Board member of Truecap Private Equity; a member of the European Executive Committee and Advisory Board of the International Council of Shopping Centres.

### Andrew Strang

Age 63

**Appointed to the Board:** Appointed as a Non-Executive Director on 8 July 2009.

**Career:** Andrew Strang started his career with Richard Ellis 40 years ago. He served as Managing Director of Threadneedle Property Investments Limited for 17 years until January 2008. He was Chairman of Hermes Real Estate Investment Management from 2009 to 2011. He was a Director of the British Property Federation from 1994 to 2013. He is a current member of the Norges Bank Investment Management real estate advisory board, a member of the investment and governance committees at AEW UK and he was appointed as Director of The Pollen Estate Trustee Company Limited between August 2014 and January 2016.

**Skills and experience:** Andrew is a chartered surveyor and has substantially focused on property investment throughout his career.

**Other appointments:** Non-Executive Director of Capital & Counties Properties plc.

# Executive Committee

**Kate Bowyer** Director of Finance
Joined the Group in 2000 as Group Financial Controller and managed the Group's investor relations from 2008 until 2014. She was appointed Director of Finance in August 2014. Kate qualified as a chartered accountant with Coopers & Lybrand (now PricewaterhouseCoopers) in 1995, working in their Canadian and corporate finance practices.

**Martin Breeden** Development Director
Joined the Group in 2002 and was appointed Group Development Director and a member of the Executive Committee in January 2016. Martin has direct responsibility for intu's development programme across the UK and intu's Spanish business. Martin has worked on almost all of intu's assets and has over 25 years' experience in the retail property industry. He is a fellow of the RICS and a member of the advisory panel of the British Council of Shopping Centres.

**Hugh Ford** General Counsel & Group Treasurer
Joined the Group as General Counsel in 2003. Appointed General Counsel & Group Treasurer in April 2015. Previously he was General Manager Legal at Virgin Atlantic Airways, and before that a commercial lawyer with British Airways plc. He qualified as a solicitor in 1992 with Freshfields.

**Susan Marsden** Group Company Secretary
Joined the Group as Company Secretary in 2000. A fellow of the Institute of Chartered Secretaries and Administrators, Susan began her career at the London Stock Exchange, and has been company secretary of two FTSE real estate sector companies before joining intu.

**Trevor Pereira** Digital and Commercial Director
Joined the Group in 2007 as Commercial Director, Capital Shopping Centres plc. He was subsequently appointed Group Digital and Commercial Director, responsible for digital activities, commercialisation, marketing and customer experience. Previously worked for airport Group BAA plc for 21 years, latterly as Retail and Commercial Director for Heathrow Airport.

**Dushyant Sangar** Corporate Development Director
Joined the Group in 2010 and appointed Corporate Development Director and a member of the Executive Committee in 2014. He has been closely involved in all of the Group's major acquisitions and new joint ventures in the UK and Spain. He previously worked for MGPA, a real estate private equity investment advisory business and for UBS. He is a Non-Executive Director of Prozone Intu Properties Limited.

**Julian Wilkinson** Asset Management Director
Appointed Group Asset Management Director and a member of the Executive Committee in January 2016, Julian has responsibility for optimising the performance of intu's shopping centres. He has held similar positions at director level over the last 25 years on behalf of both retailers and landlords.

## Executive management team

Biographies of the executive management team are available on our website at:
**intugroup.co.uk/who-we-are/our-people/executive-management/**

# The Board

## The role of the Board and its Committees

Led by the Chairman, the Board takes primary responsibility for defining the Group's strategic objectives, risk appetite and controls environment; for monitoring delivery of strategy by the Executive Directors; and for shaping the resourcing, culture and values by which the wider business delivers targeted performance.

**The Board**

### Audit Committee

**Chairman**
Adèle Anderson
**Members**
Neil Sachdev, Andrew Strang, Rakhi (Parekh) Goss-Custard
**Key responsibilities**
Monitors the integrity of financial statements, internal controls and risk management process and reviews the effectiveness of the internal and external auditors.

See page 72 for more information

### Remuneration Committee

**Chairman**
Louise Patten
**Members**
Adèle Anderson, Neil Sachdev, Andrew Huntley
**Key responsibilities**
Sets remuneration policy for all Executive Directors and the Chairman and recommends and monitors the level and structure of remuneration for senior management.

See page 78 for more information

### Nomination and Review Committee

**Chairman**
Patrick Burgess
**Members**
Andrew Huntley, Neil Sachdev, Louise Patten
**Key responsibilities**
Ensures that the Board is comprised of individuals with an appropriate balance of skills, knowledge and experience.

See page 76 for more information

### Capital Projects Committee

**Chairman**
Patrick Burgess
**Members**
John Whittaker, David Fischel, Matthew Roberts, Andrew Huntley, Neil Sachdev
**Key responsibilities**
Reviews new projects and project expenditure in detail and, as appropriate, comments on certain projects for the Board. Has no power to approve proposals or authorise expenditure.
**The Capital Projects Committee is not a formal Committee of the Board.**

### Corporate Responsibility Committee

**Chairman**
Patrick Burgess
**Members**
David Fischel, Neil Sachdev, Alexander Nicoll (CR Director), Jennifer Sandars/Helen Drury (CR Manager)
**Key responsibilities**
Oversees the management of the Group's CR activities.

See page 52 for more information

### Executive Committee

**Chairman**
David Fischel
**Members**
Matthew Roberts, Kate Bowyer, Martin Breeden, Hugh Ford, Susan Marsden, Trevor Pereira, Dushyant Sangar, Julian Wilkinson
**Key responsibilities**
Considers investment proposals, reviews progress on projects and project expenditure in detail and receives updates on other business matters. Has delegated authority, within limits, to authorise initiatives and expenditure.
**The Executive Committee is not a formal Committee of the Board.**

See left for more information

# The Board continued

## The Board

The business model described on pages 28 and 29 illustrates the key value creation and operational drivers for intu's strategy and the means by which the Board ultimately delivers long-term growth and sustainable returns for its shareholders and debt investors.

Appropriate and effective corporate governance is taken seriously at intu and is intrinsic to all aspects of the Board's activities.

The Board has therefore established a governance framework which underpins the culture and workings of the Group. This framework consists of:

- committees with specific delegated responsibilities (as shown in the diagram on page 63)
- delegated authority limits, which apply at all levels of the business and are incorporated into the standard procedures for the execution of all leases, licences, contracts and other relevant documentation by the Group
- internal policies, procedures and controls (including delegated authority limits and a related parties protocol) which are regularly reported on, reviewed and updated by the Board and relevant committees
- internal processes which are communicated to all staff and are available at all times on the Group's intranet site

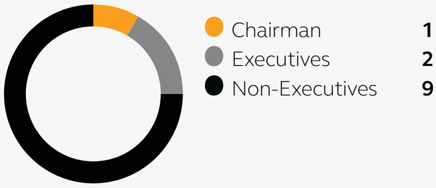
### Our approach to CR

The Group's approach to corporate responsibility is a key element of its governance framework. We have consistently demonstrated a strong commitment to high standards of corporate responsibility, particularly focused on the local communities where our shopping centres are embedded.

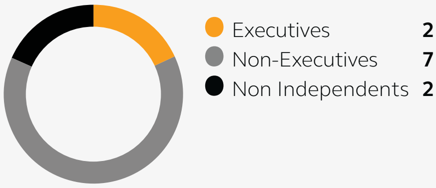
Further details of our related activities can be found in the CR report on pages 52 to 55

## Structure of the Board and independence

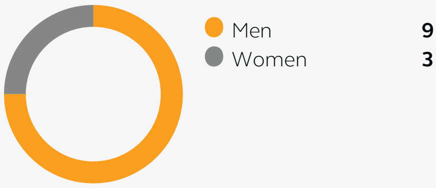
### Board structure



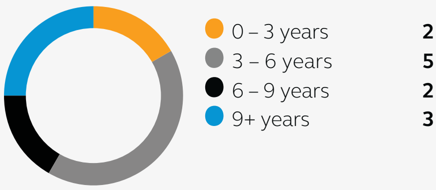

### Board independence (excluding Chairman)




### Gender split




### Length of tenure of Directors




## Board culture

The intu Board and its workings are characterised by the strong relationships between individual Directors and the senior executives. Those relationships have been formed over several years of collaborative working, with very few changes to the Board's composition or key positions necessary prior to the new appointments announced in October.

The Chairman is directly accountable for the culture of the Board, which is defined by a conservative, measured approach to business, allied to a willingness to take considered risks through investment to achieve strategic goals, as demonstrated by intu's strategic growth in Spain since 2013.

The Board's culture permeates through the Group's operations, with a comprehensive suite of policies to reinforce the open dialogue between management and staff and tone set by Board members.

Board processes have been refined over many years of consistent application, and are consequently now well understood with very high levels of adherence. The Board's culture and thinking nevertheless remain reflective of the Group's values, which encourage all staff to be creative, bold and genuine at all times.

> "The Board's culture permeates through the Group's operations, to reinforce the open dialogue between management and staff"

**Patrick Burgess**
**Chairman**

## Roles and responsibilities
### Overview

| Role | | Responsibility |
|---|---|---|
| **Chairman** | Patrick Burgess | Leading the Board, setting its agenda, achieving clarity of decision-making, ensuring its effectiveness in all aspects of its remit and heading up the culture of accountability |
| **Chief Executive** | David Fischel | Delivery of the Group strategy, primary accountability for day-to-day operational management, implementation of the policies and strategies developed by the Board, and developing the abilities and skills of the Group's personnel to their maximum potential |
| **Chief Financial Officer** | Matthew Roberts | Responsibility for the Group's funding strategy, financing, reporting and investor programme, encompassing leadership of the finance function. From January 2016 also responsible for intu's centre-based operations |
| **Non-Executive Directors** | Louise Patten, Adèle Anderson, Neil Sachdev, Andrew Strang, John Whittaker, Andrew Huntley Rakhi (Parekh) Goss-Custard, John Strachan, Richard Gordon | Bring an external and independent view to the Board's discussions, providing constructive challenge to executive management when appropriate |
| **Senior Independent Director** | Andrew Huntley | Provides advice and additional support and experience to the Chairman as required, and is available to act as an intermediary for the other Directors if necessary |
| **Alternate Directors** | Steven Underwood, Raymond Fine | Ensure that key strategic and operational decision-making is best aligned with the interests of the Group's major shareholders |

#### Non-Independent Directors
intu has two representatives of different significant shareholders appointed to non-executive board positions, including the Deputy Chairman John Whittaker. Those representatives are also permitted to appoint alternate directors in accordance with the Company's Articles of Association.

Direct shareholder Board representation ensures that key strategic, operational and governance decision making is shaped with input from those individuals, and is more closely aligned with the interests of both the direct shareholder groups they represent and other institutional and retail investors generally. In this respect the Group surpasses the expectations of the stewardship code.

However, the representative directors also contribute strongly to the Board's culture and personality, adding insight and influence from their varied commercial backgrounds, their experience and expertise. We discuss the rigorous Board policies and enhanced processes the Board operates to manage potential conflicts of interest arising from these relationships in a specific case study on page 66 of this report.

#### Roles of the Chairman and Chief Executive
The roles of the Chairman Patrick Burgess, and of the Chief Executive David Fischel, are separate and have been defined in writing by the Board. In summary, the Chairman's responsibilities include leading the Board, setting its agenda, achieving clarity of decision making and ensuring its effectiveness on all aspects of its remit. He also ensures that the Board maintains effective two-way communication with shareholders and senior management and holds the management to account.

The Chief Executive's key responsibilities include delivery of the Group strategy, primary accountability for day-to-day operational management, implementation of the policies and strategies developed by the Board, and developing the abilities and skills of the Group's personnel to their maximum potential.

#### Non-Executive Directors
The Non-Executive Directors bring an external and independent view to the Board's discussions, providing constructive challenge to executive management when appropriate. Biographical details of each Director are set out on pages 60 and 61.

#### The Senior Independent Director
Andrew Huntley was appointed as Senior Independent Director in August 2013. In his role, Andrew provides advice and additional support and experience to the Chairman as required, and is available to act as an intermediary for the other directors if necessary. Andrew also leads the appraisal of the Chairman's performance annually in discussion with the other Non-Executive Directors, and is available as an additional point of contact for shareholders should they feel that communication through the normal channels of the Chairman, Chief Executive, Secretariat or Investor Relations teams has failed or is otherwise inappropriate.

During the year the Nomination and Review Committee decided to extend Andrew's term of appointment as Senior Independent Director for a further 12 months, through to the 2017 annual general meeting. Andrew, in his capacity as Senior Independent Director, is expected to play a leading role in planning and managing the Chairman's succession.

#### Alternate Directors
John Whittaker and Richard Gordon, both significant shareholders, have appointed Steven Underwood and Raymond Fine respectively as their alternates under the terms of the Company's Articles of Association. The Board has generally invited the Alternate Directors to attend Board meetings.

The presence of John and Richard in person on the Board ensures that key strategic and operational decision making is best aligned with the interests of all the Group's significant shareholders.

# The Board continued

## Matters reserved for the Board

Responsibility for day-to-day operational management of the Group is delegated by the Board to the Executive Directors, the Executive Committee, and senior management. Aspects of these delegated powers are supported by delegated authority limits which are documented and kept under review by the Board. Certain matters have been reserved solely for decision by the whole Board and a schedule setting out a list of these is reviewed regularly.

These include, but are not limited to:

- all matters relating to strategy
- the application of the Board protocol for dealing with related party matters
- dividend payments and policy
- major acquisitions and disposals, other capital expenditure and controls
- risk management
- regulatory matters, including material shareholder communications

The Board also receives regular reports on the proceedings of its Committees and considers their recommendations. It has been the Board's custom over many years to ensure that major decisions are taken after a reiterative process which involves examination and review at several levels.

In part, this examination and review process is dealt with by the Board and other Committees as mentioned on page 63.

## Communication between Board meetings

Directors are kept fully informed of progress on key matters, including operational and financial performance, between formal meetings. This is in particular achieved by way of either scheduled conference calls or less formal update meetings each month when there is not a formal Board meeting. Ad hoc meetings and working visits to centres are also regularly arranged to support the Chairman's policy of open communication. As the Chairman

### Board: Related party protocol

The Group completed two transactions with subsidiaries of the Peel Group in 2015. The first involved the exercise in May of an option granted by Peel to intu in 2012, under which a site for a prime retail and leisure resort in Málaga, Spain, was acquired for development. The second, in November, involved a lease for commercial use from intu to Peel for a 30.96 acre site, known as KGV West, which neighbours the Group's intu Braehead centre.

Given the presence of representative directors on the Board, intu has a specific Board protocol for related party matters. Those procedures require all Directors to report all contingent, potential or actual conflicts of interest and to recuse themselves from Board discussions when appropriate.

The governance procedures also require independent verification and, for property transactions, the Group's real estate advisers are asked to provide written independent third-party validation for the proposed valuation.

John Whittaker followed all aspects of the Board protocol for both transactions with the Peel Group in 2015.

In accordance with the requirements of the Companies Act 2006, the Group also sought shareholder approval prior to completion of both the Málaga option and the KGV West lease, and shareholders overwhelmingly supported the proposed transactions at specifically convened general meetings during the year.

**intu's proposed Málaga development**
An impression of the plans for the acquired land

**Lease secured for KGV site, Braehead**
An aerial image of the KGV West site for which the lease was agreed in 2015

explains on page 59, this has been an area of focus in 2015. The Chairmen of the Audit Committee and Remuneration Committee communicate regularly with relevant staff and external advisers, including but not limited to the Head of Risk and Internal Audit, the Company Secretary and the Remuneration Committee's consultants, Deloitte.

## Effectiveness

### Balance, composition and culture

The Nomination and Review Committee regularly reviews the balance (including skills and experience) and composition of the Board to ensure that it operates efficiently. The Board determined that new candidates for the role of non-executive director should have sector relevant qualifications and experience, notably in property, retail, finance and digital to ensure that these areas of importance to intu are well represented.

Those criteria were applied to the appointment of Rakhi (Parekh) Goss-Custard and John Strachan during the year, who bring experience of digital strategy and global real estate markets to the Board.

In November the Board approved the following committee changes, in anticipation of Neil Sachdev stepping down from all positions with the Group at the 2016 AGM: Louise Patten and Andrew Huntley were appointed as Chairman and as an additional member of the Remuneration Committee respectively, and Rakhi (Parekh) Goss-Custard was appointed as a member of the Audit Committee.

The appropriate balance of skills, independence, experience and knowledge does not in itself ensure the efficient operation of a Board. To this end, the Chairman's style and leadership of the Board are essential to creating an environment where the Non-Executive Directors are able to draw on their own experience to constructively challenge the views of the executive management.

The Chairman and Company Secretary ensure that all Directors are provided with fully accurate and timely information to facilitate informed discussion at Board meetings. The Chairman is particularly mindful that the views of all Directors should be taken into consideration and that the range of experience of our Non-Executive Directors must be drawn upon to provide insight and alternative perspectives to aid the Board's decisions on key strategic matters.

The Board reviews the independence of its Non-Executive Directors on an annual basis. With the exception of John Whittaker and Richard Gordon, both representatives of significant shareholders, the Board has concluded that all other Non-Executive Directors continue to demonstrate their independence and commitment to their roles. The balance of the Board is illustrated on page 64.

### Board meetings

The attendance of Directors at all Board meetings held in 2015 is set out in the table below:

**Board attendance table 2015**

| | Board[1] | Audit | Nomination & Review | Remuneration |
|---|---|---|---|---|
| Patrick Burgess | 4/4[2] | 4/4[4] | 3/3[2] | 5/6[4] |
| John Whittaker | 4/4 | – | – | – |
| David Fischel | 4/4 | 4/4[4] | 3/3[4] | 6/6[4] |
| Matthew Roberts | 4/4 | 4/4[4] | – | – |
| Andrew Huntley | 3/4 | – | 3/3 | 1/1 |
| Adèle Anderson | 4/4 | 4/4[2] | 3/3[4] | 6/6 |
| Richard Gordon | 4/4 | – | – | – |
| Rakhi (Parekh) Goss-Custard | 0/1[5] | 0/0 | – | – |
| Louise Patten | 3/4 | – | 3/3 | 6/6[3] |
| Neil Sachdev | 4/4 | 4/4 | 3/3 | 5/6[3] |
| John Strachan | 1/1 | – | – | – |
| Andrew Strang | 4/4 | 4/4 | – | – |

1 Scheduled Board meetings only, excludes Board away day, Spanish centres visit and calendar of Board update conference calls.
2 Board or Committee chair.
3 Louise Patten assumed the Committee chair with effect from 9 November 2015 from Neil Sachdev.
4 Attends meetings in a non-voting capacity.
5 Unavailable for Board meeting immediately following appointment, due to prior commitment.

The Board meets regularly during the course of the year and met a total of four times in 2015. There were four scheduled meetings as well as a Board away day focused on strategy and planning for 2016. No unscheduled meetings were held during the year as there were no matters arising between the scheduled meetings which needed to be dealt with at short notice. At each scheduled meeting, the Executive Directors, the Chief Operating Officer and the Digital and Commercial Director, Trevor Pereira, each give reports on their key areas of responsibility. In addition, the chairmen of the Audit, Remuneration and Nomination and Review Committees give updates on the workings of and progress made by those Committees, highlighting any areas requiring escalation to, or consideration by, the full Board. Other matters for discussion are added to the agenda for scheduled Board meetings, or discussed at additionally convened Board meetings, as required.

### Key matters discussed/approved by the Board in 2015

A summary of the key matters discussed and approved by the Board in 2015 can be found with the Chairman's introduction on page 58.

Read more on page 64

# The Board continued

**Time commitment, external activities and conflicts of interest**
Non-Executive Directors are generally appointed for a three-year term and their continuing service thereafter is subject to review by the Board. Their annual time commitment varies according to their membership of Board Committees and the specific corporate activities of the business in any given year. The terms of appointment of the Non-Executive Directors set out minimum expectations with regard to preparation for and attendance at all Board meetings, Board Committee meetings wherever appropriate, ad hoc meetings and the annual Board away day. Non-Executive Directors are required to confirm on accepting their appointment, and annually, that they are able to allocate sufficient time to meet the expectations of their role.

The terms of appointment for each of the Non-Executive Directors are available for inspection at the Company's registered office, or on written request from the Company Secretary.

Directors have a statutory duty under the Companies Act 2006 to avoid situations in which they have or may be deemed to have interests that conflict with those of intu, including when a Director takes up a position with another company. The obligations are relaxed wherever the conflict is first authorised by the Board.

> "The appointment of Rakhi (Parekh) Goss-Custard and John Strachan bring additional experience of digital strategy and global real estate markets to the Board"

The Board has adopted a formal procedure for the identification of conflicts under which Directors must notify the Chairman of any potential conflicts. The Chairman then decides whether a conflict exists and recommends its authorisation by the Board where appropriate. In certain circumstances, the conflicted Director may be required to recuse himself from the Board's discussions on a matter in which he or she is conflicted. Directors must also notify the Chairman when they take on any additional responsibilities or external appointments, and it is their responsibility to ensure that such appointments will not prevent them from meeting the time commitments discussed above.

In addition, the Board has implemented a related party protocol for situations where a proposed transaction could be captured by the related party provisions of the Listing Rules or by the Companies Act 2006, and maintains accurate records of all actual and potential related party transactions involving Directors and their connected persons or associates. Further detail on the protocol can be found on page 66.


**Strategic focus**
**CPPIB joint venture**
In June 2015, the Group announced it had agreed to introduce CPPIB as a 50 per cent joint venture partner of Puerto Venecia, Zaragoza. This followed intu's acquisition of the centre for €451 million in January 2015.

The transaction required that intu develop new governance arrangements for the operation of the centre with CPPIB.

To facilitate completion of the transaction in September 2015, the Board agreed to complete a listing of the asset management holding company, Zaragoza Properties SOCIMI S.A., as a Spanish real estate investment trust on the Mercado Alternativo Bursatil ('MAB') exchange. The complex listing application, and associated Spanish structuring transactions related to CPPIB's investment, were both led by our Company Secretary, Susan Marsden, working in conjunction with the Group's Spanish legal advisers, Linklaters, and the listing sponsor, Renta4. As a result intu now complies with obligations across three separate jurisdictional listings in London, Johannesburg and Madrid. Susan is pictured opening trading at the MAB exchange in Madrid in September.

# Relations with shareholders

380+
investor meetings in 2015

190
investment institutions engaged with in 2015

**Overall approach**

intu places considerable emphasis on maintaining an open and frank dialogue with investors. Our programme of investor relations activities is based around the financial reporting calendar and seeks to:

— develop existing and potential investors' understanding of intu's business strategy, operations, performance and investment case
— provide to the Board and executive team an insight into the differing views of intu's institutional and other significant investors together with a cross-section of retail shareholders

With these objectives in mind, the executive team (including, on occasion, the Chairman) together with the Head of Investor Relations attended over 380 meetings with representatives of 190 investment institutions during 2015 to keep them informed of our performance and plans, to answer their specific questions and to understand their views. In addition the investor section of our Group website provides all shareholders with a great deal of immediate as well as general information and a feedback facility. Regular visits to our centres enable investors to learn more about the culture and values of the Group and gain insight into operational delivery.

## Key components of the investor relations programme

**One-on-one meetings with principal shareholders:** The Chairman is available to meet with key investors to answer their questions and to better understand their views, particularly with regard to governance matters.

**Results-related meetings:** Institutional shareholders are invited to a presentation with a question and answer session by the executive team on the day of announcement of final and interim results. The Chairman and a number of the Non-Executives also attend these presentations.

**Road shows:** Following results announcements, executive management conducts one-to-one and Group meetings with institutional shareholders in the UK, South Africa, Europe and the US, giving the opportunity to meet other fund managers as well as the sector specialist of each institution. Unattributable feedback from these meetings is provided to the Board.

**Investor and analyst property visits:** Institutional shareholders are invited to attend at least one property visit each year with presentations on intu's business. This gives an opportunity for formal and informal interaction with the executive team and the next tier of management. In 2015, investors visited Puerto Venecia and intu Lakeside to see recent changes and to hear about our strategic objectives.

**Investor conferences:** Several investment banks hold conferences for investors and companies in the real-estate sector. They are a good opportunity for the executive team to meet a large number of current and potential investors in a mixture of group and one-to-one meetings, and informally. intu attended five such conferences in 2015 in the UK, Europe and the US.

5
investor conferences

**General meetings:** The annual general meeting (AGM), usually held in May, gives the opportunity for all shareholders (private and institutional) to ask questions of the Board, including the Chairmen of both the Audit and Remuneration Committees. The entire Board is also available to talk to shareholders before and after the meeting.

**Interaction with 'sell side' analysts:** Many investors develop their understanding of the Company partly through discussions with independent analysts. intu engages with analysts from 20 institutions in order to improve the accuracy and insight of their research. The Board is kept informed of analyst commentary and recommendations.

20
sell-side institutions cover intu

**Debt investors:** Representatives of intu's key relationship banks are invited to the results presentations and meet periodically with the Chief Financial Officer. Institutional investors in certain of the Group's listed debt are invited to periodic updates on the Group's business and performance. We welcome the moves by some credit-side institutional investors towards more openness regarding holdings of debt instruments and 'road show' style one-to-one meetings.

Read more at intugroup.co.uk/investors

# Focus on risk

## The effective assessment and management of risk is key to the delivery of the Group's strategy

The effective assessment and management of risk is key to the delivery of the Group's strategy. The setting of the Group's risk appetite by the Board provides the framework within which the Group's risk management process operates. Risk management is embedded throughout the business with all employees aware of the role they play.

An independent review of the maturity of the intu risk processes was performed during 2015. intu's risk management was benchmarked as equivalent to or better than that of peers in property and retail. Risk processes were found to be sound and the business was found to be engaged in managing risk.

### Risk appetite

Our risk appetite remains broadly unchanged in 2015. Risk appetite is the level of risk the Group is willing to take to achieve its strategic objectives and is set by the Board. The Board looks at the Group's appetite to risk across a number of areas including the property market, financing, operations, strategy and execution, developments, cybersecurity and technology and brand.

The Group's risk appetite is set in the context of our focus on one sector – prime shopping centres. As experts in this sector we are able to mitigate the risk involved in growing the business by acquisition, development and our active asset management strategy. This focus on our core strengths is balanced by a more cautious approach to risk in other areas. In financing we set a target Group debt-to-asset ratio of 40-50 per cent and require interest cover of more than 160 per cent, giving us significant headroom against our loan covenants to ensure that we are in a strong position in the event of any substantial falls in property values. We continue to look to minimise interest rate risk with a policy of hedging at least 75 per cent of the exposure and seek to refinance debt early to reduce risk. This does not however prevent us looking at innovative debt structures that provide the Group with diverse funding options.

### Risk management framework

Monitoring and reporting responsibility

Implementation and compliance responsibility

| | |
|---|---|
| **Board** | — ensure that risk is managed across the business<br>— define the Group's appetite for risk<br>— with the Executive Committee, assess the Group's principal risks |
| **Audit Committee** | — monitor and review the effectiveness of the Group's risk management system<br>— monitor and review the Group's overall approach to monitoring areas of risk |
| **Risk and internal audit** | — lead the development of risk management<br>— collate outputs of risk management exercises including risk registers for presentation to Audit Committee, Executive Committee and Board<br>— identify emerging risks across the business |
| **Executive Committee** | — input into Board's process for setting risk appetite<br>— implement strategy in line with the Group's risk appetite<br>— lead operational management's approach to risk<br>— with the Board, assess the Group's principal risks |
| **Operational management** | — create an environment where risk management is embraced and the responsibility of risk management is accepted by all employees<br>— implement and maintain risk management processes<br>— produce and maintain risk registers including identification of risks, mitigating controls and actions required |
| **Employees** | — active in the day-to-day management of risk |

## Risk management process

intu's Board has overall responsibility for risk management. The effectiveness of the risk management system is monitored and reviewed by the Audit Committee and through periodic external review. Risk management is embedded in intu's culture, from cleaners making sure that the centres are free of hazards to the construction team ensuring the right contractors are selected for developments.

All businesses need to take risk in order to generate returns. Risk management assists in understanding the risks that we are taking; it does not try to prevent us from taking risks. Risks are identified and assessed to ascertain if they are within the acceptable risk appetite of the business. If not, action is taken to reduce the risk to an acceptable level.

Our assessment of risk is underpinned by a formal risk review process conducted for each area and every level of the business including for each centre, each department and the executive team. These reviews identify risks and assess them for controllability and stability.

Risks are measured for impact and likelihood, and an assessment is made of how quickly the risks would impact the business and how long those risks would impact the business for. Impact and likelihood change as businesses and external factors evolve. intu's ongoing risk management ensures that changes in impact and likelihood are identified and managed appropriately.

The risk registers created through this process are subject to at least an annual review, facilitated by the risk and internal audit team. Operational management are responsible for managing the risks and for updating the risk registers. The Audit Committee oversees the risk management process, receiving risk updates at least four times a year.

The principal risks identified by this process are discussed in more detail on pages 37 to 39.

### Viability statement

In accordance with provision C.2.2 of The UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than that required in adopting the going concern basis of accounting. Based on the result of this analysis, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years. This period is considered appropriate because of the combination of the following factors:

— the Group's strategic plan covers 10 years, with a greater degree of detail and rigour applied to the first five years

— the Group's weighted average unexpired lease term, which at 31 December 2015 was 7.9 years

— the Group's weighted average debt maturity, which at 31 December 2015 was 7.8 years

— the term of the Group's Revolving Credit Facility, which currently extends to 2020

The strategic plan incorporates the Group's strategic objectives and considers the impact of the principal risks. The plan considers net rental income, cash flows, development expenditure, potential corporate transactions and refinancing plans over the 10 year period. It highlights the impact of the relevant principal risks on key metrics such as debt to assets ratios, earnings per share and financial headroom and models the impact of potential corporate transactions and their impact. We also consider the impact on the Group's financial position of changes in key input assumptions including asset values, income and refinancing. Key assumptions and sensitivities addressed include:

— refinancing of debt; £1.6 billion (around 35 per cent) of the Group's debt is due for repayment in the next five years

— falls in the value of investment property of up to 25 per cent

— falls in income of up to 10 per cent

### Insurance renewal

As part of the renewal processes for 2015, insurers were invited to visit intu centres to see the business in action. As a result significant interest was generated and a reduction in intu's insurance renewal rates of more than £1 million on a like-for-like basis was achieved and passed on to tenants.

The site visits were accompanied by a detailed presentation highlighting how intu's proactive approach reduces risk for both the insurers and the business, for example:

— National Counter Terrorism Security Office links for all centres

— documented crisis management plan and procedures

— documented emergency plans, for example threat level response, business impact assessments

— annual desktop testing of emergency plans for all centres

— investing in ongoing training and development for employees to help them carry out responsibilities to a high standard

— retailer duct work inspection process to mitigate risk of fire

— independent fire surveys carried out at all managed centres

— direct relationships with loss mitigation company to minimise the impact of incidents

— 24-hour CCTV in use at all centres

— police presence at centres including a number of police offices within the centres

# Audit Committee

Key Matters of 2015
— cybersecurity
— international operations
— partners and joint ventures
— viability statement

Members in 2015

**Chairman**

**Adèle Anderson**
(Independent Non-Executive Director)

**Members**

**Rakhi (Parekh) Goss-Custard**
(Independent Non-Executive Director)

**Neil Sachdev**
(Independent Non-Executive Director)

**Andrew Strang**
(Independent Non-Executive Director)

Areas of focus in 2016
— developments
— international operations
— partners and joint ventures

## Dear shareholder

As the Chairman of the Audit Committee it is my role to present to you the Audit Committee report for 2015.

The Committee has this year continued to focus on risk management, particularly in relation to the evolving digital environment, our partners and joint ventures and our expanding operations in Spain. The Committee has carried out a comprehensive risk review with the results also presented to and discussed with the full Board. The Group's approach to risk management is described in detail on pages 70 and 71 and the principal risks are detailed on pages 37 to 39.

Following our annual review of auditor quality and independence (see page 74 for more detail), we have recommended that PricewaterhouseCoopers (PwC) be reappointed for the 2016 audit.

The EU Audit Regulation (537/2014) and Audit Directive (2014/56/EU) become applicable from 17 June 2016 and must be implemented in the UK by the same date. These limit the length of tenure an audit firm can serve and put in place requirements for the audit tender process. PwC has been intu's audit firm for more than 20 years and a tender process will be carried out to coincide with the end of the current audit partner's five-year tenure such that a new audit firm will be in place for the year ending 31 December 2018.

**Adèle Anderson**
**Chairman of the Audit Committee**
26 February 2016

## Responsibilities

The Audit Committee's key responsibilities are to monitor and review:

— the integrity of the financial statements, including a review of the significant financial reporting judgements and accounting policies
— the effectiveness of the Group's internal control and risk management
— the effectiveness of the internal audit function, including the work programme undertaken by the function
— the Group's policy on whistleblowing
— the Group's overall approach to monitoring areas of risk
— the Company's relationship with the external auditor, including its independence

## Main activities during the year

The Audit Committee considered the following key matters in 2015:

— the Group's investment property valuation process
— the Group's cybersecurity plans
— accounting treatment of the most significant transactions in the year including the acquisition of Puerto Venecia and subsequent creation of a joint venture with CPPIB
— financial control of Spanish businesses
— the 2015 internal audit plan and audit charter
— the new viability statement
— discussion on the appropriateness of those items classified as 'exceptional' in the year and therefore excluded from underlying earnings
— the results of a review of the carrying value of the Group's investment in Prozone
— the Group's counter-terrorism approach

## Key financial reporting and significant judgements

During the year the Committee discussed the planning, progress and final conclusions of the external audit process. The audit plan was reviewed and approved at the July 2015 Committee meeting. The significant risk areas identified were: investment property valuations; revenue recognition; and management override of controls. International Standards on Auditing (UK and Ireland) identify these latter two risks as significant for all companies.

These issues were discussed by the Committee following finalisation of the audit.

The Committee takes into account the views of the external auditor in understanding and assessing whether suitable accounting policies have been adopted, whether management has made appropriate estimates and judgements and whether disclosures are balanced and fair. The main issues discussed by the Committee in the year are detailed in the table below.

| Issue | Action taken |
|---|---|
| **Valuation of investment and development property** | For the interim results at 30 June the Audit Committee carried out a review of the investment property valuations. The full Board carried out a review of the 31 December valuations included in this report.<br><br>Due to the overall importance of the valuations to the Group's results, the relevant Audit Committee and Board meetings included a presentation from Cushman & Wakefield as part of the discussions considering the valuation process.<br><br>The Audit Committee review included discussion with management and the auditor of the key assumptions and results of the valuation process undertaken by the independent third party valuers.<br><br>This review also included understanding which general factors had influenced the valuers in concluding on appropriate yields to use in the valuations. This involved factors affecting both the investment and occupier markets and recent comparable market transactions.<br><br>Particular emphasis was given to understanding the factors that had resulted in individual property valuations being either significantly above or below the average movement in the Group's valuations. |
| **Presentation of information** | Operating through joint ventures is a core part of intu's strategy. Management both review and monitor the business, including the Group's share of joint ventures, on an individual line basis not on a post-tax profit or net investment basis. The figures and commentary presented in the strategic report have therefore been presented consistently with this management approach. Reconciliations between the management and statutory bases are provided in the other information section on pages 164 to 166.<br><br>The Committee has reviewed the prominence given to both statutory information and information on a management basis, and concluded that the approach adopted provides the most useful analysis of the results for the year. |
| **Going concern** | The Company's 'going concern' review which is based on an 18-month cash flow projection with particular focus on the next 12 months, was discussed with management. The projections cover the major trading cash flows, being rental income and interest expense, and capital expenditure plans in the context of the latest debt maturity profile.<br><br>Stress tests of the projections were considered, covering reductions in net rental income levels and the value of the Group's properties and what impact such changes may have on both the Group's liquidity and its ability to meet the financial covenants on its debt facilities. The discussion also considered what actions were available to the Group to mitigate the impact of such reductions on the cash flow projections.<br><br>Following discussions with management, the Committee agreed with the conclusions reached and the treatments relating to the above issues adopted in these financial statements. |
| **Viability statement** | In accordance with provision C.2.2 of The UK Corporate Governance Code, the Board has assessed the prospects of the Company over a longer period than that required in adopting the going concern basis of accounting. The viability statement is included on page 71 and sets out the conclusion of that assessment. The Audit Committee assessed the viability position and reported its recommendations to the Board. |

### Fair, balanced and understandable

At the request of the Board, the Committee considered whether the 2015 annual report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess intu's performance, business model, position and strategy. As part of its considerations the Committee took into account the preparation process detailed below which, together with opinions of key executives and the external auditor, has been designed to assist the Audit Committee in reaching its view:

- at an early stage, a matrix is produced identifying key themes and the sections in which those themes should be reflected
- individual sections of the annual report are drafted by appropriate senior management with regular review meetings to ensure consistency across the whole document
- a verification process is undertaken to ensure that information contained is appropriately supported and factually accurate
- detailed reviews of drafts of the annual report are undertaken by members of the Executive Committee and other senior management
- drafts are discussed with the Group's legal advisors and brokers
- a final draft is reviewed by the Audit Committee and discussed with senior management prior to consideration by the Board

As a result of its considerations the Committee is satisfied that, taken as a whole, the annual report is fair, balanced and understandable and has recommended as such to the Board.

# Audit Committee continued

## External auditor

The Audit Committee has assessed the effectiveness of the external auditor, PwC, in line with the approach set out in the Financial Reporting Council's Audit Quality Practice Aid. In carrying out their evaluation the Audit Committee has held discussions without the auditor, asked the auditor to explain the risks to audit quality that they have identified and their firm-wide controls relied upon, enquired about the findings from internal and external inspections of their audit, probed and challenged the auditor's strategy and plan and discussed the outputs of the audit with the auditor. This included direct meetings, review of reporting issued by the external auditor and review of independent reports:

- senior finance staff reviewed the detailed execution of the 2014 audit plan with the engagement team and identified specific improvements for the 2015 plan
- the report of the Financial Reporting Council (FRC)'s May 2015 Audit Quality Inspection review of PwC was reviewed and found to be supportive of the firm's overall systems of quality control
- the Chairman of the Audit Committee and the Chief Financial Officer each met privately with a senior partner of PwC unrelated to the engagement shortly after the publication of the Group's annual report to review the performance of the firm
- the Audit Committee reviewed the audit plan provided by PwC, including the risks identified and its approach to these

The Company has complied with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 and in doing so has applied the transitional provisions related to the audit tender process. PwC has been intu's audit firm for more than 20 years without a formal tender process having been completed in recent years. A tender process will be carried out to coincide with the end of the current audit partner's five-year tenure such that a new audit firm will be in place for the year ending 31 December 2018.

The EU Audit Regulation (537/2014) and Audit Directive (2014/56/EU) become applicable from 17 June 2016 and must be implemented in the UK by the same date. The above plans are in line with the requirements of these.

A resolution to reappoint PwC for the 2016 audit will be proposed at the 2016 annual general meeting.

The Committee will continue to review the effectiveness and independence of PwC each year.

## Non-audit services

The Group has a policy to ensure that the provision of any non-audit services by the incumbent external auditor does not impair the external auditor's independence or objectivity.

The Audit Committee has considered the option of putting material non-audit work out to tender. While recognising that the circumstances of a particular transaction may make it most sensible to use the incumbent external auditor for such work (for example where the nature of the transaction would not allow a new firm sufficient time to assimilate the requisite knowledge of the Group's operations in order to carry out the non-audit work), the Audit Committee has recommended that non-audit work should be undertaken by someone other than the external auditor wherever practical.

The Audit Committee has delegated to the Executive Directors the authority to contract for non-audit services with the external auditor subject to observing certain guidelines including:

- Executive Directors have the authority to commission the external auditor to undertake non-audit work up to a specified value
- the Executive Directors must consider whether the proposed arrangements will maintain audit independence
- the external auditor must satisfy the Company that it is acting independently

Details of the amounts paid to the external auditor for audit and non-audit services are included in note 9 to the financial statements. The Company engaged PwC to carry out certain non-audit work in 2015 including assurance services in respect of the Group's 2015 interim report and work associated with the listing of Puerto Venecia, Zaragoza as a SOCIMI in Spain.

The above safeguards were adhered to when awarding this non-audit work and PwC were chosen for the work on Puerto Venecia as this primarily related to producing interim review reports for the entities in the structure. Fees paid to PwC in respect of non-audit work represented 15 per cent of the total fees paid. During 2015 the Group used accounting firms other than PwC for a number of assignments.

The EU Audit Regulation (537/2014) and Audit Directive (2014/56/EU), which come into force on 17 June 2016, impose restrictions on certain non-audit services. A number of non-audit services will be prohibited and others will require approval by the Audit Committee. There will be an overall fee limit of 70 per cent of the average of audit fees charged in the past three years, though this and other rules are expected to be subject to transitional arrangements and it is anticipated that non-audit services required under EU or national regulation will be excluded from this test. Further to recent consultations the UK regulator is expected to release the final text on the implementation of these directives in the UK in the second quarter of 2016. intu's current policy on non-audit services set out above continues in force for the time being. As soon as there is more clarity on the new regulations, and in particular which services are impacted, intu will review its policy and make any necessary amendments to comply with the new rules.

The table below summarises the fees paid to auditors over the last three years. The three-year average ratio of non-audit fees to audit fees is 109 per cent. The higher levels of non-audit fees in 2013 and 2014 principally related to reporting accountant

| | **2015 £000** | 2014 £000 | 2013 £000 |
|---|---|---|---|
| Audit fees | **628** | 566 | 370 |
| Non-audit fees | **96** | 1,034 | 573 |
| Total fees paid to auditors | **724** | 1,640 | 943 |
| Ratio of non-audit fees to audit fees | **15%** | 190% | 155% |

work in respect of raising debt and the 2014 rights issue. This analysis does not remove certain non-audit fees which may be excluded from the calculation of the ratio when it comes into force in 2016.

## Risk management and internal control

The Board has overall responsibility to oversee the Group's system of internal control and to keep its effectiveness under review, as well as to determine the nature and extent of the risks it is willing to take in achieving its strategic objectives based on the balance of potential risks and reward. The Group's approach to risk management is described in detail on pages 70 to 71 and the principal risks are detailed on pages 37 to 39.

The Board conducts an annual review of the effectiveness of the risk management and internal control systems. During this review the Board has not identified nor been made aware of any failing or weakness which it has determined to be significant.

The key elements taken into account in this review include:

- the Group's internal audit function's work during the year (see below)
- the Group's risk management process (see pages 70 to 71)
- the Group's controls over its financial reporting process including: the comprehensive system for reporting results to the Board; the process for producing the consolidated financial statements; and the experience and quality of the team involved in the financial reporting processes

## Internal audit

The Group has a risk and internal audit function which reports to the Audit Committee. The risk and internal audit function reviews internal controls and reports to the Audit Committee on whether such controls are in place and are being operated effectively. The function covers intu properties plc and its subsidiaries and joint ventures.

The risk and internal audit function has a rolling programme of reviews ensuring that all centres, functions and areas of the business are reviewed regularly. The most significant areas covered in 2015 included shopping centre healthchecks (or follow-up reviews) at six centres, a post-acquisition review of Puerto Venecia, Zaragoza, information and communication technology change management, valuations, construction and development, treasury and anti-terrorism processes. Additionally, annual assurance activities were performed, including a review of gifts and hospitality and executive expenses.

The Audit Committee regularly reviews the effectiveness of the risk and internal audit function and in particular ensures that the function remains sufficiently independent of the wider business to ensure it can carry out its work effectively. An independent review of the risk and internal audit function is carried out every five years and was last performed at the end of 2013. An external review of the Group's risk management process was carried out during 2015 as discussed in the focus on risk section on page 70.

## Whistleblowing policy

The Audit Committee is responsible for overseeing the Group's whistleblowing policy and procedures, under which employees can raise concerns about possible improprieties (whether financial or otherwise) within the Group on a confidential basis. The arrangements are monitored by the committee throughout the year. All whistleblowing incidents are reported to the Committee and fully investigated with procedures reviewed and improved where appropriate.

During 2015, the Committee:

- continued to review the scope, resourcing and application of the existing whistleblowing policy to make sure this remained appropriate to intu's operations and employees
- extended the policy to cover the Group's operations in Spain, in particular Puerto Venecia, Zaragoza acquired in January 2015
- initiated a process to extend the Group's policy to include key suppliers

There were two whistleblowing incidents relating to the intu Group during 2015. The first related to alleged misuse of CCTV and was found to be unsubstantiated. The outcome was not challenged by the original complainant. The second, an allegation against a staff member, was not corroborated by evidence on investigation, but has been noted by the Audit Committee for follow-up action.

## Audit Committee effectiveness

As part of the Board evaluation process, the Audit Committee reviewed its own effectiveness and this confirmed that the Committee remained effective at meeting its objectives.

**Adèle Anderson**
**Chairman of the Audit Committee**
26 February 2016

# Nomination and Review Committee

### Highlights of 2015

— Appointment of Rakhi (Parekh) Goss-Custard and John Strachan in October
— Changes to Board Committee governance in line with new appointments
— Advanced medium-term succession planning and governance risk assessment

### Members in 2015

**Chairman**

**Patrick Burgess**
(Chairman of the Board)

**Members**

**Andrew Huntley**
(Independent Non-Executive Director)
**Louise Patten**
(Independent Non-Executive Director)
**Neil Sachdev**
(Independent Non-Executive Director)

### Areas of focus 2016

— Continued refreshing of Board composition in line with succession plans
— Commencement of process for new Chairman to be appointed in 2017

## Dear shareholder

2015 has been an important and busy year for the Committee.

As Chairman of the Committee it is my responsibility to ensure that we follow a robust process and best governance practice whenever key decisions are taken by this Committee, in particular relating to new appointments.

The Committee was pleased to recommend the appointments of Rakhi (Parekh) Goss-Custard and John Strachan to the Board with effect from 7 October 2015. The Board is already benefiting from their respective expertise in digital and global real estate areas.

As a result of the changes in Directors, intu now has 25 per cent female representation on the Board. The Board is supportive of Lord Davies's aspirational target of 33 per cent female Board representation by 2020. Further information regarding our diversity policy is set out below.

### Responsibilities and how they were discharged in 2015

The principal role of the Nomination and Review Committee is to evaluate the skills available on the Board and to determine when appointments and retirements are appropriate.

In addition to its key responsibilities set out above, the Committee is also responsible for carrying out the annual performance evaluation of the Board, its Committees and individual Directors, as well as making recommendations to the Board on appointments to the Board, including the induction programme for newly appointed Directors, and on succession planning.

The Committee met three times in 2015 with its main focus on the composition of the Board and succession planning.

### Statement on diversity policy

The Nomination and Review Committee, and the Board, recognise the importance of boardroom diversity and the Committee's policy is to seek to ensure that a range of suitable candidates is taken into account when drawing up shortlists. The priority of the Committee is to ensure that the Group continues to have the most effective Board possible and all appointments to the Board are made on merit against objective criteria.

> "The Committee's main focus in 2015 was the composition of the Board and succession planning"

### Board composition

The Committee's discussions regarding the composition of the Board continued to be framed by the Company's previously stated goal of reducing the overall size of the Board. The Committee is satisfied that the balance of skills, knowledge and experience on the Board and its Committees is appropriate following the appointment of the new Non-Executive Directors in October. The Committee has begun the process of planning for the retirements at the AGM in 2017 of the Chairman and Senior Independent Director.

### Appointment of John Strachan

The Committee considers that John Strachan is fully independent. The Committee has taken account of the fact that John was, until December 2015, a partner of Cushman & Wakefield which is one of several real estate advisory firms which carries out valuation work for intu. He continues on a limited consultancy basis with Cushman & Wakefield, serving as a member of the International Council of Shopping Centres.

John has in the past provided strategic advice to intu, notably in relation to the Group's entry into Spain, but he has not had any direct involvement in valuation work carried out by Cushman & Wakefield for intu during the three years prior to his appointment.

## Talent development

Talent development is a key focus of the Committee and a comprehensive talent and leadership development programme, including succession planning, has been implemented for senior management across the entire Group. The Committee receives regular update reports regarding progress and remains confident in the future potential of the Group's most promising executives and staff.

## Renewal of Non-Executive appointments

All Directors, other than Neil Sachdev who is stepping down, will submit themselves for election or re-election at the forthcoming annual general meeting in May 2016.

## Training and development

The Chairman, with the assistance of the Nomination and Review Committee, regularly considers the need for Directors to update and expand their skills and knowledge. Training is provided for Non-Executive Directors in the form of presentations at Board meetings, as well as attendance at relevant seminars and courses.

The Board also recognises the need for Directors to keep up to date with relevant legislative and regulatory developments as well as changes to corporate governance best practice and investor expectations. The Company Secretary reports to each Board meeting on these matters, drawing attention to any issues of particular relevance. In addition, the Company Secretary maintains an up-to-date comprehensive schedule summarising legislative and regulatory developments relevant to the Company and rated according to risk/impact on the Group, which is available to the Board and senior management.

**Patrick Burgess**
**Chairman**
26 February 2016

### Induction for new Directors

There is a comprehensive induction programme for new directors which is tailored by the Chairman, in consultation with the Chief Executive and Company Secretary, depending on the type of appointment. The programme ordinarily includes meetings with Board members, senior management and external advisers, as well as a high-level review of all current projects, Board strategy and an in-depth review of the Group's assets. Additional elements are added to the programme on discussion between the Chairman and the individual Director.

Where required, the Company Secretary provides guidance or facilitates the provision of training on Directors' duties under the Companies Act 2006 and on legal, regulatory and governance matters with which the Company, Board and individual Directors must comply.

### Performance evaluation

Every year, the Board conducts an evaluation of the performance of the Board and its Committees. In addition, the Chairman reviews the performance of each Director and the Senior Independent Director oversees the review of the Chairman's performance. The evaluation exercise conducted during 2014 identified three areas requiring attention during 2015. Progress against those areas is shown in the table below:

| Areas identified for attention in 2015 | Action taken |
|---|---|
| **Board succession planning** | Rakhi (Parekh) Goss-Custard and John Strachan were appointed in the year in anticipation of forthcoming retirements from the Board |
| **Enhancing Board communication** | Board members have taken every opportunity to meet, formally or informally, on numerous occasions throughout the year in order to enhance communication and forge stronger relationships. This has included additional centre visits, including to the Group's Spanish centres as further described on page 59 |
| **Risk as a standard agenda item** | The Audit Committee discusses risk as a standard agenda item at each meeting |

#### 2015 performance evaluation

The 2015 performance evaluation was conducted by way of an internal questionnaire, with the expectation that the 2016 evaluation will be conducted by an external facilitator. The key points identified in 2015 formed the basis for recommendations which the Board used to establish a specific action plan for 2016. The main areas covered by the action plan are:

— **succession and development planning** – planning for the forthcoming retirement of the Chairman and the Senior Independent Director
— **Nomination and Review Committee** – increase in number of meetings and Board succession as a standard agenda item
— **Board Committees** – review of Board Committees' terms of reference, and in particular a review of the interaction between the Capital Projects Committee and the Board

# Directors' remuneration report

### Members and meetings in 2015

| | Remuneration Committee[1] (6 meetings) | |
|---|---|---|
| | A | B |
| Louise Patten (Chairman – appointed 9 November 2015) (Independent Non-Executive Director) | 6 | 6 |
| Neil Sachdev (Stepped down as Chairman 9 November 2015) (Independent Non-Executive Director) | 6 | 5 |
| Adèle Anderson (Independent Non-Executive Director) | 6 | 6 |
| Andrew Huntley (with effect from 9 November 2015) (Independent Non-Executive Director) | 1 | 1 |

A = Maximum number of meetings eligible to attend.
B = Number of meetings actually attended.
1 The Committee normally invites the Chairman and the Chief Executive to attend the scheduled meetings. The Chairman attended five of the scheduled meetings in 2015. The Chief Executive attended all of the six scheduled meetings. No individual is present when his or her remuneration is being determined.

### Remuneration governance aligned features

| | |
|---|---|
| Malus provisions for both the annual bonus and the PSP | ✓ |
| Clawback provision for both the annual bonus and the PSP | ✓ |
| Time horizon extending to five years for a portion of the PSP | ✓ |
| Full retrospective disclosure of annual bonus financial targets including minimum and maximum target range | ✓ |

## Dear shareholder

I am pleased to present intu's 2015 Directors' remuneration report to you, which has been prepared by the Remuneration Committee and approved by the Board.

This is my first year as Chairman of the Remuneration Committee and I would like to thank Neil Sachdev for his work as Committee Chairman prior to my appointment. The substantive review of our remuneration arrangements, which Neil oversaw during 2012, was well received by shareholders and we have been pleased to have received a consistently positive response from shareholders to our remuneration approach. This is in large part due to Neil's guidance and hard work during his tenure.

### Results and context of remuneration

intu continues to focus on delivering long-term strategic objectives. In 2015 we have seen benefits from this focus, with the return to positive like-for-like net rental income growth and strong operating metrics that have outperformed national benchmarks. We have also delivered a total shareholder return of 10 per cent and have received excellent customer feedback and improved customer metrics at our newly opened developments. We continue to develop our in-house digital operations and are at the forefront of our sector in terms of digital and customer experience. While achieving these results we have maintained financial headroom throughout the year. Our forward-looking financial strategy is well progressed and we have made significant progress in the Spanish market.

### Remuneration policy

We are not proposing to make any changes to our Directors' remuneration policy this year. Our Directors' remuneration policy, which was approved by shareholders at the 2014 annual general meeting, will continue to apply for a third year. In the interests of succinct reporting we have not reproduced the full policy report. A summary table, setting out an overview of remuneration elements and policy for 2015 is included in the body of the report. The approved policy table is included at the end of this report for ease of reference. The full policy report can be found on our website, intugroup.co.uk. In 2016 we will be

### Key areas of focus and decisions in 2015 and for 2016

The key decisions made in applying our policies in 2015 and for 2016 included the following:

— the Chief Executive's salary will be increased by 3.9 per cent to £587,000, and the Chief Financial Officer's salary by 4 per cent to £463,320. The average salary increase for executive directors was lower than the average increase for other staff in the business
— the annual bonus awarded to the Executive Directors for the year ended 31 December 2015 was 114.4 per cent of salary representing 95.3 per cent of maximum opportunity, based on EPS performance in the year and the achievement of key strategic objectives
— the first tranche of the 2013 PSP award is due to vest at 37.6 per cent, reflecting intu's strong Absolute Total Return (NAV per share plus dividends) over a three-year period
— no changes have been made to the performance measures for the annual bonus and performance share plan
— performance share plan awards of 250 per cent of salary were made to each of the Executive Directors. These will only vest subject to the achievement of stretching Total Shareholder Return (TSR) and Absolute Total Return performance conditions, over three, four and five years
— all incentive awards in respect of 2015 have malus and clawback provisions under which incentive amounts delivered to the Executive Directors may be reclaimed in certain circumstances

undertaking a review of the Policy ahead of submitting it to shareholder vote at the 2017 annual general meeting, as required by regulations. We would consult with shareholders prior to any substantive changes to our policy.

## Alignment with long-term success

The Committee believes that our remuneration philosophy and incentive policy is aligned with the long-term success of the Company. Our long-term incentive plan has time horizons extending to five years, and 50 per cent of our annual bonus is deferred into shares. Performance pay is linked to:

- out-performance of total shareholder return (TSR) against our peers
- delivering absolute total return for our shareholders
- annual EPS performance
- achievement of our strategic initiatives that will build value for the longer term

## Shareholder annual general meeting

The Directors' remuneration report will be put to the shareholder vote at our 2016 AGM and we look forward to receiving your views and support.

**Louise Patten**
**Chairman of the Remuneration Committee**
26 February 2016

## Compliance statement

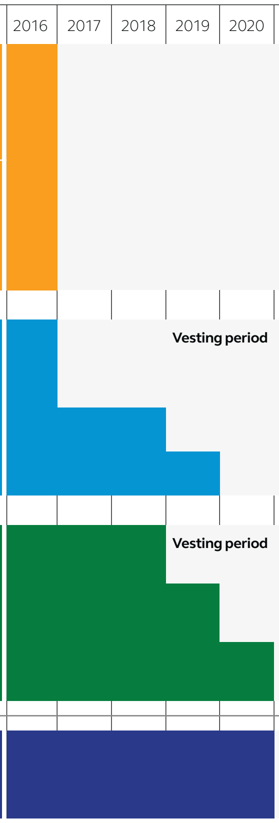
This is the Directors' remuneration report of the Company which has been produced pursuant to, and in accordance with, the Listing Rules, section 420 of the Companies Act 2006 and Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended 2013). The Company also complies with the requirements of the UK Corporate Governance Code (the 'Code').

This report contains both auditable and non-auditable information. The information subject to audit is set out in the Directors' remuneration report, in sections marked with §.

A copy of our shareholder-approved Directors' remuneration policy can be found on the Company's website at **intugroup.co.uk/who-we-are/governance/corporate-policies**

## Overview of Executive Director remuneration

An overview of the key remuneration elements in place for Executive Directors is set out below. We have made no changes to the operation of our policy this year.




| Key elements | Summary of policy | Details of policy for 2016 |
|---|---|---|
| **Base salary** | — Salaries are reviewed annually and will take into account factors such as: market pay levels for the role, increases for the rest of the Group and individual and Company performance | — Salaries for 2016 are:<br>– David Fischel, Chief Executive: £587,000<br>– Matthew Roberts, Chief Financial Officer: £463,320<br>— This is in line with increases to staff across the business |
| **Pension and benefits** | — The Company operates an approved defined contribution pension arrangement, where the contribution is 24 per cent of basic salary. The Chief Executive receives an extra six per cent in recognition of the benefit foregone on the closure of the defined benefit scheme<br>— Benefits include a car allowance (up to £18,000), private medical insurance, life assurance and long-term sickness insurance | |
| **Annual bonus** | — Maximum opportunity of 120 per cent of salary<br>— A proportion earned is deferred into intu shares, which vest over two and three years subject to continued employment<br>— At least two-thirds of this award is based on Group financial measures or quantitative key performance measures | — For 2016 performance is based two-thirds on EPS and one-third on strategic and operational objectives. This is the same framework which applied for 2015<br>— 50 per cent of the award deferred into shares |
| **Long-term incentives** | — The normal maximum grant size is 250 per cent of salary per annum; however this may be increased to 375 per cent in exceptional circumstances<br>— Awards under the plan vest one-third after each of three, four and five years | — Awards of 250 per cent of salary<br>— For 2016, the awards will be based:<br>– 50 per cent on TSR relative to the top five listed REITs<br>– 50 per cent on Absolute Total Return (NAV per share growth plus dividends)<br>— Targets unchanged from 2015 |
| **Shareholding guidelines** | — Executive Directors must build up, over a period of three to five years, a holding with a value equivalent to 200 per cent of salary (Chief Executive) and 150 per cent of salary (Chief Financial Officer) | |

# Directors' remuneration report continued

## Annual remuneration report

This report sets out how the Directors' remuneration policy of the Company has been applied in the year and details of how the Committee intends to apply the policy going forward. In accordance with section 439 of the Companies Act 2006, an advisory shareholder resolution to approve this report will be proposed at the 2016 annual general meeting of the Company. Subsections marked with § have been audited in accordance with the relevant statutory requirements.

### Key responsibilities

The principal role of the Remuneration Committee is to determine and then agree with the Board the framework and policy for the remuneration of the Chief Executive, the Chief Financial Officer, the Chairman of the Company and such other members of the executive management as it is tasked to consider.

### Key principles of remuneration policy

The Company's remuneration policy aims to attract, motivate and retain high-calibre executives by rewarding them appropriately with competitive compensation and benefit packages. The policy seeks to align the interests of Executive Directors with the performance of the Company and the interests of its shareholders.

Our incentive arrangements are designed to reward performance on our key performance indicators. Our aim is to focus management on delivering sustainable long-term performance and support the retention of critical talent.

### Total remuneration in 2015 §

The table below sets out the total remuneration received by each Director for the year to 31 December 2015.

| | Salary or fees £000 | | Benefits £000 | | Annual bonus (cash and deferred shares) £000 | | Long-term incentive (PSP) £000 | | Pension £000 | | Total remuneration £000 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Director | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| **Executive** | | | | | | | | | | | | |
| David Fischel | **560** | 545 | **20** | 20 | **646** | 425 | **259** | – | **168** | 164 | **1,653** | 1, 154 |
| Matthew Roberts | **442** | 427 | **20** | 20 | **510** | 327 | **199** | – | **106** | 103 | **1,277** | 877 |
| **Chairman** | | | | | | | | | | | | |
| Patrick Burgess | **407** | 400 | **8** | 7 | **–** | – | **–** | – | **–** | – | **415** | 407 |
| **Independent Non-Executive** | | | | | | | | | | | | |
| Adèle Anderson | **78** | 76 | **–** | – | **–** | – | **–** | – | **–** | – | **78** | 76 |
| Andrew Huntley | **79** | 77 | **–** | – | **–** | – | **–** | – | **–** | – | **79** | 77 |
| Louise Patten | **70** | 66 | **–** | – | **–** | – | **–** | – | **–** | – | **70** | 66 |
| Neil Sachdev | **91** | 89 | **–** | – | **–** | – | **–** | – | **–** | – | **91** | 89 |
| Andrew Strang | **63** | 61 | **–** | – | **–** | – | **–** | – | **–** | – | **63** | 61 |
| Rakhi (Parekh) Goss-Custard (appointed 7 October 2015) | **15** | – | **–** | – | **–** | – | **–** | – | **–** | – | **15** | – |
| John Strachan (appointed 7 October 2015) | **14** | – | **–** | – | **–** | – | **–** | – | **–** | – | **14** | – |
| **Other Non-Executive** | | | | | | | | | | | | |
| Richard Gordon | **58** | 56 | **–** | – | **–** | – | **–** | – | **–** | – | **58** | 56 |
| John Whittaker[1] | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – |
| **Total** | **1,877** | 1,797 | **48** | 47 | **1,156** | 752 | **458** | – | **274** | 267 | **3,813** | 2,863 |

1 John Whittaker did not receive any remuneration in 2015 or 2014 in connection with his position as Deputy Chairman and Non-Executive Director of the Company. A management fee of £207,500 was paid to Peel Management Limited for the provision by Peel of management and advisory services, as further described on page 89.

The figures have been calculated as follows:
- Base salary: amount earned for the year.
- Benefits: the taxable value of annual benefits received in the year. The main benefits are life assurance, long-term sickness insurance, private healthcare and company car cash allowance. The value of the company car cash allowance is £18,000.
- Pension: the value of the Company's contribution during the year (30 per cent salary supplement in lieu of contributions for the Chief Executive, 24 per cent SIPP contribution, part taken as a salary supplement in lieu of SIPP contributions, for the Chief Financial Officer).
- Annual bonus (cash and deferred): the value at grant of the annual incentive payable for performance over 2015.
- PSP: awards made in 2013, one third subject to each of three-, four- and five-year performance periods. The amount shown is the amount due to vest in respect of the first tranche, with a three-year performance period to 31 December 2015 and calculated using a three month average share price of £3.28. Further information regarding the vesting can be found on page 83.

## Performance out-turns and incentives

### Annual bonus §

The maximum award for both the Chief Executive and Chief Financial Officer in 2015 was 120 per cent of salary, of which 50 per cent is deferred for two and three years. This will remain unchanged for 2016.

Annual bonus payments are based on pre-determined performance measures. Two-thirds is based on adjusted EPS performance in the year, split evenly between performance versus budget and prior year figures. The overall structure ensures that the maximum EPS related bonus is only achievable if management deliver both the Board's expectations for the year and if there is an increase in EPS on the prior year.

The remaining third is based on achievement of strategic and operational objectives against a scorecard of measures. The Remuneration Committee considers the objectives carefully each year to align with intu's strategic objectives, and include quantitatively assessed financial and operational measures and milestones. Each objective relates directly to the strategic plan. Under the scorecard approach, the weightings of each objective vary between Executive Directors to reflect their roles and responsibilities. For 2016, the scorecard will include objectives in the following key areas:

— optimising assets
— key capital expenditure projects
— building the intu brand and delivering customer experience
— maximising the growth opportunities internationally
— financial flexibility
— talent development and staff engagement.

### Annual bonus – 2015 out-turn §

Performance against the targets for the 2015 short-term incentive arrangements is given below. As in previous years, full retrospective disclosure of financial targets is provided.

| | | Target | | | | |
|---|---|---|---|---|---|---|
| Performance element | Weighting | Threshold | Target | Maximum | 2015 performance | Out-turn (% max element) |
| Adjusted EPS vs. budget | 33% | 12.5p | 13.2p | 13.9p | 14.2p | 100% |
| Adjusted EPS vs. prior year | 33% | 100% | 102.5% | 105% | 106.8% | 100% |

| | | | David Fischel | Matthew Roberts |
|---|---|---|---|---|
| Scorecard of strategic and operational measures | 33% | See details of scorecard achievements | 86% | 86% |
| **Total** | | | 95.3% | 95.3% |

The strategic objectives in the annual bonus are a key part of the remuneration framework for incentivising and rewarding achievements and milestones which are the foundation for value creation in the future. The Committee follows a rigorous process in the setting and monitoring of scorecard objectives and then exercises judgement in assessing performance in the key areas selected. This includes determination of objectives by reference to the approved Board strategy, quarterly reviews of quantitative and qualitative data, and an end of year full review with supporting evidence, to ensure a robust assessment of performance against the objectives.

# Directors' remuneration report continued

For 2015, the scorecard weightings and out-turns were as follows:

| Scorecard<br>(Including specific objectives under each area of focus) | Weighting<br>David Fischel | <br>Matthew Roberts | Summary achievement against objectives |
|---|---|---|---|
| Optimising performance of existing assets | 25% | 20% | — Delivery of key strategic priorities, including year-on-year improvement in net rental income in 2015<br>— Material outperformance of IPD index and other industry benchmarks<br>— Strong regional and centre specific strategic delivery, together with active management initiatives, contributing to strong pan-portfolio performance in UK and Spain<br>UPPER QUARTILE ACHIEVEMENT |
| Progress on key capital expenditure projects | 20% | 20% | — Good progress with existing centre developments, with construction phases at both intu Victoria Centre, Nottingham (restaurants and reconfigurations) and intu Potteries, Stoke-on-Trent (cinema and restaurants) completed to schedule<br>— Renovation projects commenced at intu Bromley, intu Eldon Square and intu Metrocentre<br>— Improvements to forecast returns, including yields, for extensions and renovated centres through construction phases<br>— Achievement of planning and pre-construction milestones for Charter Place redevelopment at intu Watford, commencing construction in early 2016 and supported by exchange for anchor tenancy with Debenhams; planning progress made for extension at intu Broadmarsh, Nottingham, on track to commence construction in 2017<br>UPPER QUARTILE ACHIEVEMENT |
| Branding and customer relationships | 20% | 15% | — Significant outperformance across net promoter score performance measures and targets in year, following introduction in 2014<br>— Clear improvement against new 'Baseline Spontaneous Awareness' metric<br>— Continued integration of digital offering, including further strengthening of online, wifi and mobile infrastructure and content in accordance with digital strategy<br>— Strong performance by digital operations against financial budget and traffic KPI measures<br>UPPER QUARTILE ACHIEVEMENT |
| Financial flexibility | 10% | 20% | — Maintained financial flexibility throughout 2015, exceeding the Board's minimum headroom threshold throughout year<br>— Centre-specific refinancing projects successfully delivered<br>— Financing strategy for 2016 and subsequent years well progressed, in particular for newly acquired Spanish centres and development pipeline<br>MAXIMUM ACHIEVEMENT |
| International growth opportunity | 15% | 15% | — Spanish centres both delivering net rental income improvements, and valuation uplifts in excess of forecast at acquisition<br>— Acquisition and integration of Puerto Venecia, Zaragoza delivered, with strategic joint venture with existing partner CPPIB agreed in June<br>— Planning approval for intu Costa del Sol advancing well, with regional government approval anticipated in 2016<br>UPPER QUARTILE ACHIEVEMENT |
| Talent development and staff engagement | 10% | 10% | — Strong improvement in employee satisfaction, by 23 points to 769 (2014: 747)<br>— 'Second tier' talent management initiative delivered to support the leadership development program commenced in 2014<br>— Phased introduction of enhanced leadership training modules<br>UPPER QUARTILE ACHIEVEMENT |

The resulting total short-term incentive payouts for David Fischel and Matthew Roberts in respect of 2015 were 114.4 per cent and 114.4 per cent of salary (95.3 per cent and 95.3 per cent of maximum opportunity), respectively.

### Deferral into shares

50 per cent of the 2015 short-term incentive for both David Fischel and Matthew Roberts was deferred into shares of the Company.

Executive Directors must remain in employment with the Company for a period of two years (half of award) and three years (half of award) after the date of award before such shares are released.

## Long-term incentives §

### Awards with performance periods ending in the year – Performance Share Plan (PSP)

The LTIP awards shown in the single figure relate to the first tranche of the 2013 PSP awards which is due to vest in May 2016. The second and third tranches of this award are due to vest in May 2017 and May 2018 respectively.

The performance condition was as follows:

— half of awards vest by reference to TSR relative to the top-five UK-listed REITs with 25 per cent minimum vesting for TSR in line with the third-ranked company; vesting of 60 per cent for TSR in line with the second-ranked company; full vesting for TSR in line with the top-ranked company; and straight line vesting between points, proportionate to TSR achieved. This portion is also subject to a committee-operated discretionary assessment of underlying financial performance
— half of the awards vest by reference to Absolute Total Return (NAV growth per share plus dividends) with 25 per cent minimum vesting for 6 per cent per annum; full vesting for 10 per cent per annum; straight-line vesting in between). Awards will lapse for growth of less than 6 per cent per annum

Over the three-year period to 31 December 2015:

— intu's TSR was ranked 6th against the comparator group resulting in 0 per cent vesting for this element of the tranche.

— Absolute Total Return was 8.7 per cent per annum resulting in 75.3 per cent vesting for this element of the tranche.

Based on the above performance the Remuneration Committee has determined that 37.6 per cent of the first tranche of the 2013 PSP awards will vest in May 2016.

### Awards granted during the year §

This table summarises awards granted during the year in March 2015:

| | | Face value of 2015 award* | | % vesting | Performance period end | | |
|---|---|---|---|---|---|---|---|
| Individual | Type of interest | £ | % of salary | at threshold | 3 years | 4 years | 5 years |
| David Fischel | PSP** (nil cost options) | 1,364,000 | 250% | 25% | 31 December 2017 | 31 December 2018 | 31 December 2019 |
| Matthew Roberts | | 1,075,000 | 250% | 25% | 31 December 2017 | 31 December 2018 | 31 December 2019 |
| David Fischel | Deferred bonus award (restricted shares) | 213,000 | 38.3% | | | | |
| Matthew Roberts | | 169,000 | 38.3% | | | | |

* Face value calculated using an average share price at date of grant of £3.49 for the PSP and £3.49 for the Deferred Bonus Award.
** Vesting of awards is based 50 per cent on relative TSR and 50 per cent on Absolute Total Return (NAV growth per share plus dividends) performance, with targets equivalent to the 2016 award.

# Directors' remuneration report continued

**Awards for 2016**
Awards for 2016 will be 250 per cent of salary.

Awards under the plan vest one-third after each of three, four and five years.

A summary of the applicable targets are as follows:

| | Absolute Total Return (NAV growth per share plus dividends) (50% of award) | Total Shareholder Return relative to top-five UK-listed REITs (50% of award) |
|---|---|---|
| Minimum vesting (25% of element vesting) | 6 per cent per annum | TSR in line with the third-ranked company |
| Full vesting (100% of element vesting) | 10 per cent per annum | TSR in line with the top-ranked company |
| | Straight line vesting between points | Straight line vesting between points, proportionate to TSR achieved, with 60% vesting for TSR in line with the second-ranked company. Subject to a Committee-operated discretionary assessment of underlying financial performance |

## Malus and clawback
Shares awarded under the deferred bonus plan and the performance share plan are subject to malus provisions. The Committee may apply malus at its discretion in circumstances including (but not limited to):

— a material misstatement of the Company's audited financial results
— a material failure of risk management by the Company, any Group company or business unit
— a material breach of any applicable health and safety or environmental regulations by the Company, any Group company or business unit
— serious reputational damage to the Company, any Group company or business unit
— serious misconduct of the individual

The annual bonus and the performance share plan (PSP) are also subject to clawback provisions. The Committee may at its discretion seek to apply clawback in circumstances of:

— a material misstatement of the Company's audited financial results where the individual is responsible or accountable (and where Executive Directors would always be deemed to have management responsibility)
— serious misconduct of the individual

Clawback provisions may be applied up to two years following the determination of the annual incentive and up to one further year following vesting for awards under the performance share plan. Taking into account the three, four and five year vesting timescales, this means that PSP awards may be reclaimed for up to four, five and six years, respectively, from the date of award.

## Other share scheme information
The Company operates an employee share ownership plan ('ESOP') which has in the past used funds provided to purchase shares required under the annual bonus scheme.

The Company operates a share incentive plan ('SIP') for all eligible employees, including Executive Directors, who may receive up to £3,600 worth of shares as part of their annual bonus arrangements. As part of the SIP arrangements, the Company offers eligible employees the opportunity to participate in a 'partnership' share scheme, the terms of which are governed by HM Revenue & Customs regulations.

## Season ticket loan

All employees of the Group are entitled to an interest-free travel season ticket loan which is repaid over the year via deductions from salary. Neither David Fischel nor Matthew Roberts received a season ticket or other loan from the Group during 2015.

## Chief Executive pay increase in relation to all employees

The table below sets out details of the percentage change in salary, benefits and annual bonus for Chief Executive and wider employee comparator group. For these purposes, head office employees (who have been in employment over both periods) have been used as a comparator group as this is considered to be a reasonable, practical sub-set of the all-employee population.

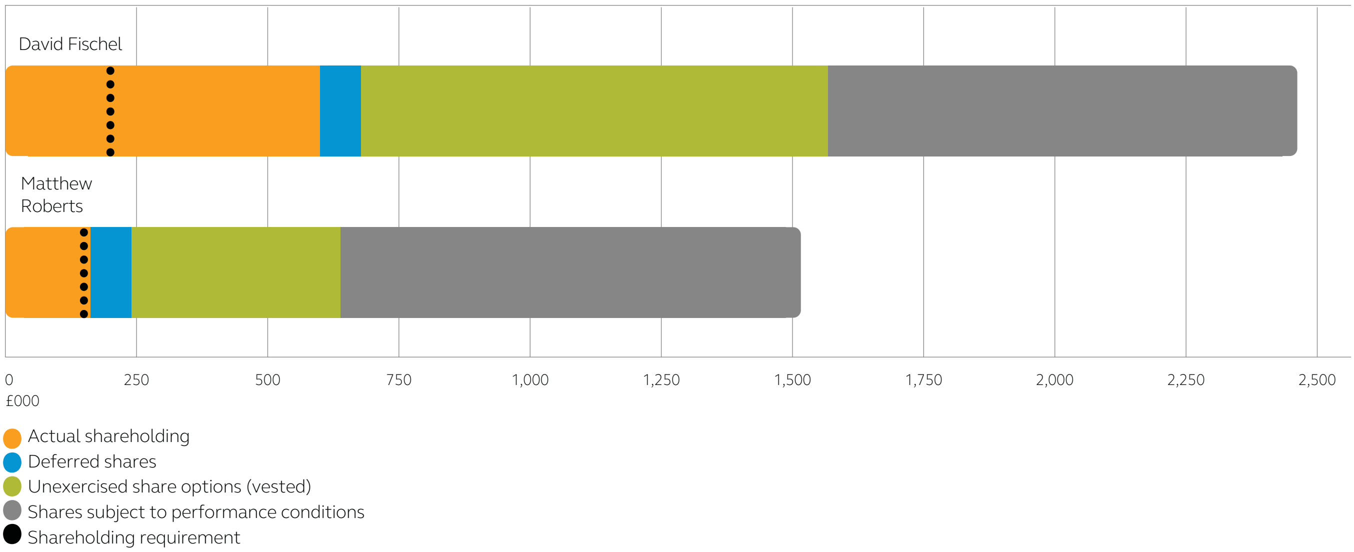
| | Percentage change in remuneration from 31 December 2014 to 31 December 2015 | | |
|---|---|---|---|
| | Percentage change in base salary | Percentage change in benefits | Percentage change in annual bonus |
| Chief Executive | 3.6% | (0.7)% | 51.9% |
| Head office employees | 5.7% | 0.7% | 33.6% |

## Shareholding and share interests §

Executive Directors must build up, over a period of three to five years, a holding of intu shares with a value equivalent to 200 per cent of salary (David Fischel) and 150 per cent of salary (Matthew Roberts). This requirement has been effective from 1 January 2013.

The graph below illustrates the shareholdings of the Executive Directors as a percentage of salary. Note that only actual holdings count towards the shareholding requirements. Shares subject to deferral and/or performance conditions have also been shown for reference.

Shareholding of intu ordinary shares as at 31 December 2015 (% of salary)*




* Value of shareholding calculated based on 12 month average share price to 31 December 2015.

As shown above, both David Fischel and Matthew Roberts have exceeded their shareholding requirements.

# Directors' remuneration report continued

The table below sets out the Directors' interests in shares as at 31 December 2015.

| | Number of shares owned (including connected persons) | | Unvested awards: Conditional shares not subject to performance conditions | | Unvested awards | | Vested awards | | |
|---|---|---|---|---|---|---|---|---|---|
| | Held in own name | Held in SIP trust for > 5 years | Deferred Shares | Held in SIP trust for < 5 years | PSP subject to performance conditions[1] | Options subject to performance conditions | Unexercised unapproved options[2] | Unexercised approved options | Options exercised in the year[3] |
| **Executive** | | | | | | | | | |
| David Fischel | 993,534 | 5,963 | 120,206 | 10,273 | 1,488,342 | – | 1,469,021 | 12,906 | 1,469,021 |
| Matthew Roberts | 213,133 | – | 95,364 | 8,384 | 1,152,390 | – | 511,339 | 11,203 | 511,339 |

1 PSP awards held as fixed-value zero-cost options and jointly owned shares.
2 Held as jointly owned shares. The outstanding options represent the unexercised element of the jointly owned shares portion of the 2009 unapproved options.
3 On 9 March 2015, David Fischel exercised capped options granted in 2009 and 2010 and Matthew Roberts exercised capped options granted in 2010. These capped options formed part of the jointly owned shares arrangement.
4 Outstanding share awards were adjusted as a result of the 25 April 2014 rights issue.
5 No changes in the interests of Directors have occurred between 31 December 2015 and 26 February 2016.

**Vested**

2009 ESOS awards — Awards of market value share options, with an exercise price of 232.41 pence. These awards became exercisable on 28 February 2013 and may be exercised until 28 May 2019.

2010 ESOS awards — Awards of market value share options, with an exercise price of 267.75 pence. These awards became exercisable on 26 May 2013 and may be exercised until 26 May 2020.

**Unvested**

2013 PSP award — Awards of performance shares, granted on 21 May 2013. Vesting is based on TSR (relative to the top five UK-listed REITs) and Absolute Total Return performance (ranging from 6 per cent pa to 10 per cent pa), in three equal tranches over three, four and five years. Any awards that vest may be exercised until 21 May 2023.

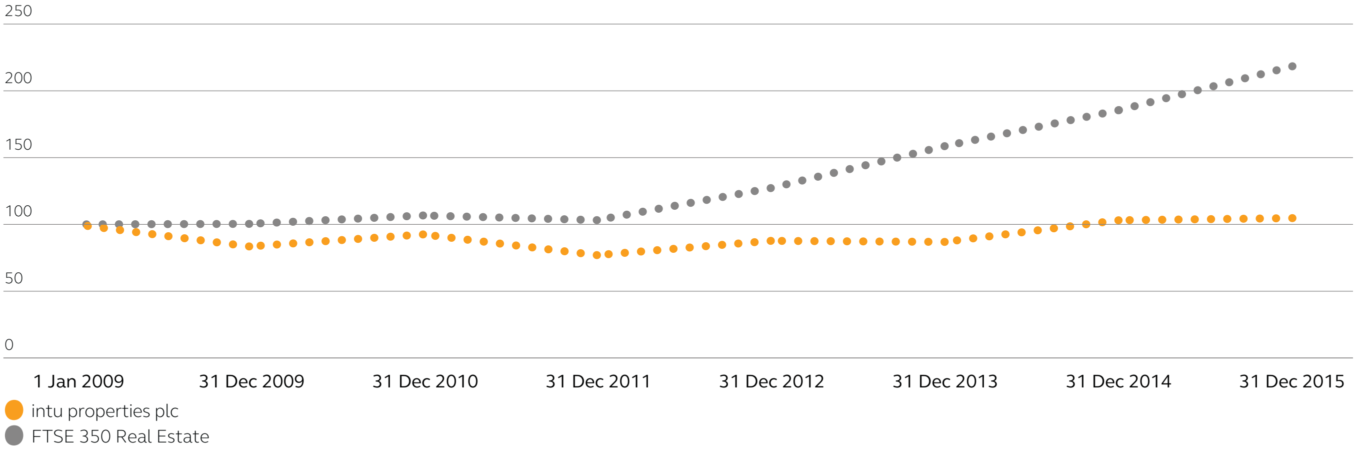
2014 PSP award — Awards of performance shares, granted on 12 May 2014. Vesting is based on TSR (relative to the top five UK-listed REITs) and Absolute Total Return performance (ranging from 6 per cent pa to 10 per cent pa), in three equal tranches over three, four and five years. Any awards that vest may be exercised until 12 May 2024.

2015 PSP award — Awards of performance shares, granted on 11 March 2015. Vesting is based on TSR (relative to the top five UK-listed REITs) and Absolute Total Return performance (ranging from 6 per cent pa to 10 per cent pa), in three equal tranches over three, four and five years. Any awards that vest may be exercised until 11 March 2025.

## Seven-year TSR chart

The following graph shows the Total Shareholder Return (TSR) for intu properties plc over the seven-year period ended 31 December 2015, compared with our closest comparator group for this purpose, the FTSE 350 Real Estate. TSR is defined as share price growth plus reinvested dividends.

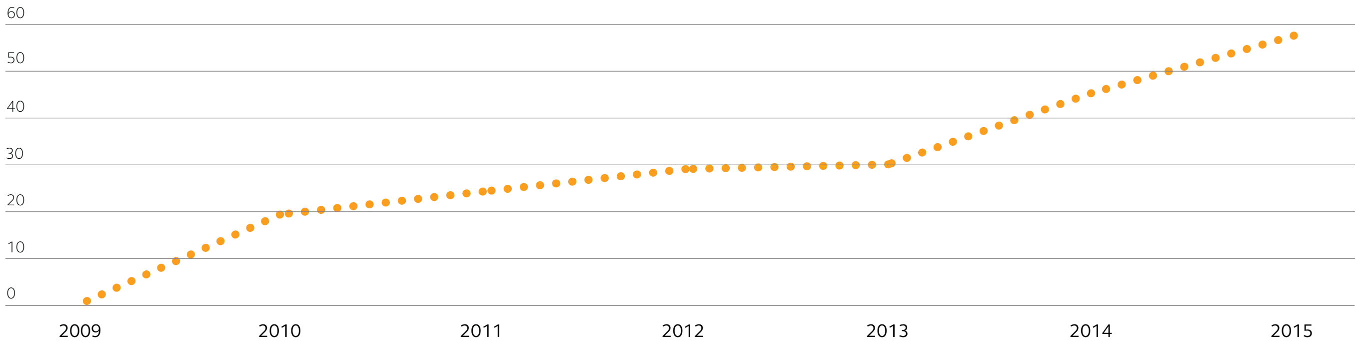
Seven-year Total Shareholder Return (TSR) performance



UK real estate is a cyclical sector. Since 2009, a key driver for growth in value within the UK real estate market has been exposure to central London properties. As a result of the demerger of Capital & Counties from Liberty International (now intu properties plc) in 2010, intu's portfolio does not include properties in central London and intu has therefore not benefited from the recent uplift experienced by those property companies with exposure to London. However, given the cyclical nature of the property sector, we would not expect this trend to endure over the long-term cycle.

For additional context, the following graph shows the Absolute Total Return (NAV growth plus dividends).

Absolute Total Return (cumulative) (%)




## Chief Executive remuneration history

The table below sets out historical details of Chief Executive pay.

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | **2015** |
|---|---|---|---|---|---|---|---|
| CEO single figure of total remuneration | £1,044k | £1,350k | £1,275k | £1,810k | £1,081k | £1,154k | **£1,653k** |
| Annual bonus payout (% maximum) | 50% | 100% | 83% | 70% | 55% | 65% | **95.3%** |
| Long-term incentive plan vesting in year (% maximum) | 0% | 0% | 0% | 100% | 0% | 0% | **37.6%** |

## Shareholder context

The table below shows the advisory vote on the 2014 Directors' remuneration report at the 2015 AGM. It is the Committee's policy to consult with major shareholders prior to any major changes, and to maintain an ongoing dialogue on executive remuneration matters.

| | For | Against | Abstentions |
|---|---|---|---|
| 2014 Annual Remuneration Report | 91.36% | 8.64% | 0.6m |

## Additional disclosures

### Other directorships

Executive Directors are not generally encouraged to hold external directorships unless the Chairman determines that such appointment is in the Group's interest and does not cause any conflict of interest. Where such appointments are approved and held, it is a matter for the Chairman to agree whether fees paid in respect of the appointment are retained by the individual or paid to the Company.

During 2015, David Fischel held three external directorships. His principal external appointments were with Equity One, Inc. and Prozone Intu Properties Limited. Equity One, Inc. is a US real estate investment trust with which intu operated a US venture controlled by Equity One until 19 January 2016 and at this point David Fischel stepped down as a Non-Executive Director. Prozone Intu Properties Limited is an Indian shopping centre owner and developer in which intu has a 33 per cent interest.

David Fischel also holds an external appointment as a Non-Executive Director of Marlowe Investments (Kent) Limited, a UK private company which relates to his family affairs and does not require any significant time commitment and does not conflict in any way with his role as Chief Executive of intu.

During 2015, David Fischel did not receive a fee in respect of his appointment as a Non-Executive Director of Prozone Intu Properties Limited. He received a fee of $65,500 in respect of his directorship of Equity One, Inc. He retained the fees paid in respect of his appointment with the Board's consent. In addition to his fee, restricted stock in Equity One, Inc. awarded to David Fischel vested during the year with a value on vesting of $95,253. He also received and retained a fee of £5,000 in respect of his non-executive directorship of Marlowe Investments (Kent) Limited.

# Directors' remuneration report continued

### Payments to former Directors §
A life presidency fee of £150,000 per annum (2014: £150,000) was paid to Sir Donald Gordon, the Group's Life President and former Chairman who founded the Company in 1980. The life presidency fee was agreed by the Board at the time of his retirement in June 2005 in recognition of his outstanding contribution to the Group. The payment is payable for the remainder of Sir Donald's life and is secured by deed.

### Payments for loss of office §
There were no payments for loss of office made to Directors in the year.

### Alternate Directors §
Steven Underwood and Raymond Fine serve as Alternate Directors to John Whittaker and Richard Gordon respectively. Neither Steven Underwood nor Raymond Fine received any fees in 2015 in respect of their appointment as Alternate Directors. Raymond Fine received a fee of £164,864 in respect of consultancy services provided to the Company in connection with South African tax and shareholder issues (particularly in respect of South African dividends tax), liaison with the Gordon Family and other related matters.

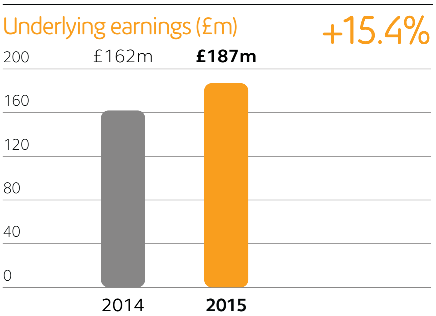
## Service contracts
Executive Directors and the Chairman have rolling service contracts which are terminable on 12 months' notice on either side.

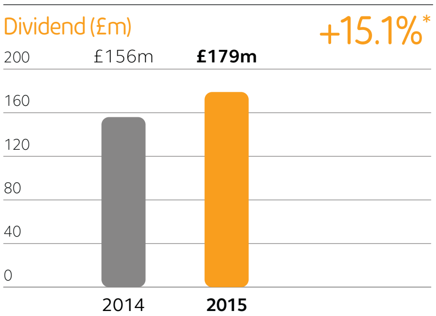
All Non-Executive Directors have been appointed under letters of appointment on fixed terms of two or three years, subject to renewal thereafter. Richard Gordon is deemed to have served for more than nine years and is now subject to a one-year term. All are subject to annual re-election by shareholders.

| | Notice period |
|---|---|
| David Fischel | 12 months |
| Matthew Roberts | 12 months |
| Patrick Burgess | 12 months |
| | Contract term expires |
| Adèle Anderson | 2016 AGM |
| Richard Gordon | 2016 AGM |
| Andrew Huntley | 2017 AGM |
| Rakhi (Parekh) Goss-Custard* | 2019 AGM |
| Louise Patten | 2017 AGM |
| Neil Sachdev | 2016 AGM |
| John Strachan* | 2019 AGM |
| Andrew Strang | 2018 AGM |
| John Whittaker | 2017 AGM |

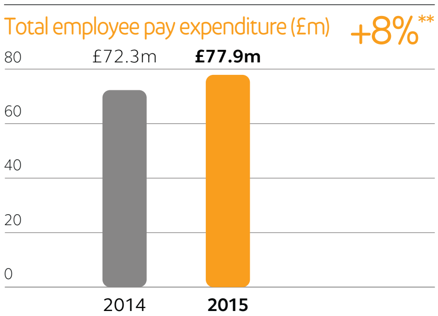
* Newly appointed directors, terms subject to election at 2016 annual general meeting.

## Distribution statement
The table below shows the percentage change in underlying earnings, dividends, and total employee compensation spend from the financial year ended 31 December 2014 to the financial year ended 31 December 2015.




* Increase due to issued share capital. Dividend per share was £0.14 (2014: £0.14).




** 2014 includes full year impact of intu Retail Services for first time. Average increase in staff salaries for 2015 was 5.7 per cent.

The Group employed an average number of staff of 2,446 during the financial year to 31 December 2015 (2014: 2,177).

### Chairman and Non-Executive Director fees for 2016 §

The Chairman receives a fee of £410,000 per annum.

The basic Non-Executive Director fee is £59,000 per annum. The Senior Independent Director receives an additional fee of £10,000 per annum. Committee Chairmen receive £15,000 per annum, and Committee members receive £5,000 per annum. Fees were last increased in April 2015 and will remain unchanged in 2016.

John Whittaker does not receive a fee in respect of his position as Deputy Chairman and Non-Executive Director. The Board has authorised the payment of a management fee of £210,000 per annum to Peel Management Limited for the provision by Peel of a Non-Executive Director and an Alternate Director and other management and advisory services, together with reasonable costs and out-of-pocket expenses. The management fee was last reviewed and increased with effect from April 2015. It is anticipated that the agreement will be renewed annually thereafter by agreement between the parties. This payment is disclosed in the related party transactions note on page 153.

### Remuneration Committee membership in 2015

The principal responsibilities of the Committee, which take full account of the recommendations contained within the Code, include:

- determining the remuneration policy for the Company's Executive Directors and senior executives
- determining individual remuneration packages for the Chairman, Executive Directors and senior executives
- setting appropriately stretching and achievable targets for the Company's incentive schemes in order to motivate executives to deliver high levels of performance in the interests of our shareholders, customers and employees
- overseeing any significant changes to remuneration policy for the wider employee population

The full duties and responsibilities are set out in the terms of reference of the Committee which are available on the Company's website.

The Remuneration Committee currently comprises four independent Non-Executive Directors. Throughout the year the Committee consisted of Neil Sachdev, Louise Patten, Adèle Anderson and Andrew Huntley (who joined the Committee in November 2015). During the year Louise Patten took over from Neil Sachdev as the Remuneration Committee Chairman. Neil Sachdev will not be seeking re-election at the May 2016 AGM.

The Chairman, Chief Executive, Company Secretary, HR Director and on occasion Chief Financial Officer are invited to attend Committee meetings to contribute to the Committee in its deliberations. However, no individual is present when his or her remuneration is being determined.

The Remuneration Committee met a total of six times in 2015, including four scheduled meetings and two additional drafting meetings. A summary of attendance at each scheduled meeting is set out on page 78.

### Advisers to the Committee

Deloitte LLP was appointed as the Committee's independent remuneration adviser in October 2013, following a competitive tender process.

During the year, Deloitte provided advice on remuneration governance developments, corporate reporting and investor engagement, market data and other remuneration matters that materially assisted the Committee. Representatives also attended Committee meetings during the year. The fees paid to Deloitte in respect of this work in 2015 totalled £75,750.

During the year Deloitte also provided to the Group tax compliance services, share scheme advice and financial advisory planning services in relation to intu Trafford Centre and intu Milton Keynes.

Deloitte is a founding member of the Remuneration Consultants Group, and adheres to its code of conduct. Deloitte was appointed directly by the Committee and the Committee is satisfied that the advice received was objective and independent.

The Committee also makes use of various published surveys to help determine appropriate remuneration levels.

On behalf of the Board

**Louise Patten**
**Chairman of the Remuneration Committee**
26 February 2016

# Directors' remuneration report continued

**Appendix: Policy table extract from the Directors' remuneration policy approved by shareholders on 8 May 2014.**
A full copy of our Directors' remuneration policy, binding for three years from May 2014, is included in the 2013 annual report (starting on page 83), which can be found on the Company's website, at intugroup.co.uk/investors/reports-presentations/annual-report-2013/. The Directors' remuneration policy was approved by 99.77 per cent of share holders at the 2014 annual general meeting.

| Element and link to strategy | Operation | Maximum potential value | Performance metrics |
|---|---|---|---|
| **Executive Directors** | | | |
| **Base salary**<br>To provide an appropriately competitive level of base pay to attract and retain talent. | Reviewed annually.<br>Salary levels take account of:<br>— size and nature of the responsibilities of each role<br>— market pay levels for the role<br>— increases for the rest of the Group<br>— the executive's experience<br>— changes to the size and complexity of the Group<br>— implications for total remuneration<br>— overall affordability<br>— individual and Company performance<br>The Committee may award an out-of-cycle increase if it considers it appropriate. | Base salary increases may be applied, taking into account the factors considered as part of the annual review. There is no maximum increase or opportunity.<br>For new appointments salaries may be set at a lower level. In such cases, there may be scope for higher than usual salary increases in the first three years as the individual progresses in the role. | None. |
| **Pension**<br>To help provide for an appropriate retirement benefit. | The Company operates an approved defined contribution pension arrangement.<br>A cash alternative may be offered in certain circumstances, for example where HMRC statutory limits have been reached. | Company pension contribution is 24 per cent of base salary.<br>The Chief Executive receives an additional 6 per cent of salary in recognition of the additional value of the benefit foregone on the closure of the defined benefit scheme. This amount was actuarially determined to be cost-neutral to the Company. | None. |
| **Other benefits**<br>To provide an appropriately competitive level of benefits. | Benefits include a car allowance, private medical insurance, life assurance and long-term sickness insurance. Other benefits may be provided if the Committee considers it appropriate.<br>In the event that an Executive Director is required by the Group to relocate, benefits may include, but are not limited to, relocation allowance and housing allowance. | Car allowance of up to £18,000 per annum.<br>The cost of insurance benefits may vary from year to year depending on the individual's circumstances.<br>There is no overall maximum benefit value but the Committee aims to ensure that the total value of benefits remains proportionate. | None. |
| **Short-term incentive**<br>To align annual reward with annual performance and to support retention and alignment with shareholders' interests through significant deferral of bonus into shares. | intu operates a short-term incentive arrangement with a maximum individual opportunity.<br>A proportion of any earned bonus is normally deferred in intu shares, vesting over two years and three years, subject to continued employment.<br>The Committee awards dividend equivalents in respect of dividends over the deferral period which may assume reinvestment on a cumulative basis.<br>The Committee has discretion to apply malus to unvested deferred bonus awards in certain circumstances including if there is a material misstatement in the annual financial statements or a material failure of risk management. | Maximum annual opportunity of 120 per cent of salary. | Executives' performance is measured relative to targets in key financial, operational and strategic objectives in the year.<br>The measures selected and their weightings vary each year according to the strategic priorities, however at least two thirds will be based on Group financial measures or quantitative reported key performance indicators.<br>Entry award level for financial measures is normally between 0 and 25 per cent of maximum. |

| Element and link to strategy | Operation | Maximum potential value | Performance metrics |
|---|---|---|---|
| **Executive Directors (continued)** | | | |
| **Long-term incentives**<br>To reward good long-term decisions which help grow the value of intu over a three to five-year horizon and support the retention of critical executives. | intu operates a performance share plan ('PSP'), which was approved by shareholders at the 2013 AGM.<br>Grants are made to eligible employees at the discretion of the Committee.<br>Awards can be made as performance shares, nil-cost options or jointly owned equity, and vest one third, one third, one third after three, four and five years respectively.<br>The Committee awards dividend equivalents in respect of dividends over the vesting period, which may assume reinvestment on a cumulative basis.<br>The Committee has discretion to apply malus to unvested awards in certain circumstances including if there is a material misstatement in the annual financial statements or a material failure of risk management by the Company. | Normal maximum grant size of 250 per cent of salary per annum.<br>In exceptional circumstances opportunity of up to 375 per cent of salary. To ensure that participants were not unduly disadvantaged as a result of the move towards longer time horizons, the first award under the plan had an opportunity of 375 per cent. | Long-term incentive performance conditions are reviewed on an annual basis, and are chosen to be aligned with the long-term success of the business.<br>The intention is that measures will be one or more of TSR, total return/NAV growth, EPS growth, relative total property return or return on capital.<br>For 2014, awards will be based:<br>— 50 per cent on relative TSR<br>— 50 per cent on total return (NAV growth plus dividends)<br>If the Committee considers that the level of vesting based on the extent to which the performance conditions have been satisfied is not a fair reflection of underlying financial performance, the Committee may adjust the level of vesting (upwards or downwards) accordingly. For the current performance measures this applies to the TSR portion only.<br>Entry vesting is 25 per cent of maximum. |
| **All employee share plans**<br>To align interests of employees with Company performance. | Executive Directors may participate in the HMRC-approved share incentive plan (SIP) on the same basis as all employees. | Participants can contribute up to the relevant HMRC limit. | None. |
| **Non-Executive Directors** | | | |
| **Fees**<br>To remunerate Non-Executive Directors | **Independent Non-Executive Directors**<br>The Chairman's fees are determined by the Remuneration Committee.<br>The Non-Executive Directors' fees are determined by the Board.<br>The level of fees takes into account the time commitment, responsibilities, market levels and the skills and experience required.<br>Non-Executive Directors normally receive a basic fee and an additional fee for specific Board responsibilities, including membership and chairmanship of committees.<br>The Chairman is entitled to receive certain benefits in addition to fees as detailed on page 87 of the 2013 annual report.<br>Additional fees may be paid to Non-Executive Directors on a per diem basis to reflect increased time commitment in certain limited circumstances.<br>Expenses incurred in the performance of non-executive duties for the Company may be reimbursed or paid for directly by the Company, as appropriate, including any tax due on the expenses. | | None. |
| | **Other Non-Executive Directors**<br>In addition to the above, in certain circumstances Non-Executive Directors. (other than those deemed to be independent) may receive a fee in relation to consultancy services (including alternate Directors).<br>Such fees may be provided directly to the Director or, in certain circumstances, paid to a third-party company under a consultancy services agreement. Such agreements may provide for the payment of an annual fee and reimbursement of expenses.<br>Such an agreement is currently in place with the Peel Group for the provision of non-executive director services (including alternative director services). | | None. |

# Directors' report

The Directors present their annual report and the audited financial statements of the Group and Company for the year ended 31 December 2015. Pages 2 to 93 inclusive of this annual report comprise the Directors' report that has been drawn up and presented in accordance with English company law and the liabilities of the Directors in connection with that report will be subject to the limitations and restrictions provided by such law.

## Use of financial Instruments

The financial review on pages 46 to 51, accounting policies on pages 109 to 113 and note 35 on pages 136 to 141 contain information on the use of financial instruments.

## Dividends

The Directors declared an interim ordinary dividend of 4.6 pence (2014: 4.6 pence) per share on 30 July 2015, which was paid on 24 November 2015, and have recommended a final ordinary dividend of 9.1 pence per share (2014: 9.1 pence).

## Share capital and control of the Company

Details of the Company's share capital including changes during the year in the issued share capital and details of the rights attaching to the Company's ordinary shares are set out in note 37 on pages 142 and 143.

No shareholder holds securities carrying special rights with regard to control of the Company. Shares held by the Company's employee share ownership plan rank pari passu with the shares in issue and have no special rights, but voting rights and rights of acceptance of any offer relating to the shares rest with the plan's Trustee and are not exercisable by the employees. There are no restrictions on voting rights or any arrangements by which, with the Company's co-operation, financial rights are held by a person other than the shareholder, or any agreements between shareholders known to the Company which may result in restrictions on the transfer of shares or on voting rights.

Under a £600 million revolving-facility agreement dated 25 February 2009 (as amended and restated on 19 February 2010, 18 November 2011, and 30 October 2014) between, among others, the Company and HSBC Bank PLC (as 'Agent')on a change of control, if directed by a lender, the Agent may by notice to the Company cancel the commitment of that lender and declare the participation of that lender in all outstanding loans, together with accrued interest and all other amounts accrued and owing to that lender under the finance documents, immediately due and payable.

Under the terms and conditions of the £300 million 2.5 per cent Guaranteed Convertible Bonds issued on 4 October 2012 by Intu (Jersey) Limited (the 'Issuer') and guaranteed by the Company, on a change of control of the Company bondholders would have a right for a limited period of 60 days to exercise their exchange rights at an enhanced exchange price (ie lower than the prevailing exchange price). In addition, bondholders would become entitled for a limited period of 60 days to require the Issuer to redeem their bonds at their principal amount, together with accrued and unpaid interest.

The Company is not party to any other significant agreements that would take effect, alter or terminate following a change of control of the Company.

The Company does not have any agreements with any Executive Director or employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Company share schemes may cause options and awards outstanding under such schemes to vest on a takeover. The terms of appointment of the Non-Executive Directors currently provide that in the event of change of control, the Directors will be compensated for any additional time commitment in certain limited circumstances, to be calculated on a per diem basis.

## Internal control

The statement on corporate governance on pages 58 to 93 includes the Board's assessment following a review of internal controls and consideration of the 2005 Financial Reporting Council's internal control guidance for directors.

## Directors

The Directors of intu who held office during the year were as follows:

| |
|---|
| **Chairman** |
| Patrick Burgess |
| **Deputy Chairman** |
| John Whittaker[1] |
| **Executive** |
| David Fischel |
| Matthew Roberts |
| **Non-Executive** |
| Adèle Anderson |
| Richard Gordon[1] |
| Andrew Huntley |
| Rakhi (Parekh) Goss-Custard (appointed with effect 7 October 2015) |
| Louise Patten |
| Neil Sachdev |
| John Strachan (appointed with effect 7 October 2015) |
| Andrew Strang |

1 John Whittaker and Richard Gordon have appointed Steven Underwood and Raymond Fine respectively as their alternates under the terms of the Company's Articles of Association.

In accordance with provision B.7.1 of the UK Corporate Governance Code, all continuing directors are subject to re-election, or election, at the forthcoming annual general meeting. Pursuant to the Articles of Association of the Company, the Company has indemnified the Directors to the full extent allowed by law. The Company maintains directors' and officers' insurance which is reviewed annually.

Additional information relating to the Directors can be found in note 50 on pages 158 and 159 on Directors' interests, in the governance section on pages 58 to 77, and in the Directors' remuneration report on pages 78 to 91.

The powers of the Directors are determined by UK legislation and the Articles of Association of the Company, together with any specific authorities that may be given to the Directors by shareholders from time to time, such as the power to allot shares and the power to make market purchases of the Company's shares which are described in note 37 on page 143.

### Articles of Association

The rules governing the appointment and replacement of Directors are contained in the Company's Articles of Association. Changes to the Articles of Association must be approved by shareholders in accordance with the legislation in force from time to time.

### Substantial shareholdings

The table at the foot of the page shows the holdings of major shareholders in intu's issued ordinary shares as at 31 December 2015 and 19 February 2016.

### Employees

intu actively encourages employee involvement and consultation and places emphasis on keeping its employees informed of the Group's activities and financial performance by such means as employee briefings and publication to all staff of relevant information and corporate announcements. In 2015, intu conducted one all-employee survey covering a range of topics. More details are provided in the our people section on pages 56 and 57.

The annual bonus plan arrangements help develop employees' interest in the Company's performance; full details of these arrangements are given in the Directors' remuneration report on pages 78 to 91. Note 50 on pages 158 to 159 contains details of conditional awards of shares under the annual bonus scheme and bonus shares currently outstanding.

intu operates a non-discriminatory employment policy and full and fair consideration is given to applications for employment from people with disabilities or other protected characteristics under the Equality Act where they have the appropriate skills and abilities, and to the continued employment of staff who become disabled.

intu encourages the continuous development and training of its employees and the provision of equal opportunities for the training and career development of disabled employees and those with protected characteristics.

Further information relating to employees is given on pages 56 to 57 and in note 8 on page 116. The Group provides retirement benefits for the majority of its employees. Details of the Group pension arrangements are set out in note 48 on page 158.

### The environment

We have an independent corporate responsibility (CR) strategy and details of our policies and the Group's aims alongside the latest full version of our annual CR report are to be found on the Company's website. An overview of the Group's CR activity (which includes disclosures relating to greenhouse gas emissions) is on pages 52 to 55, and a summary booklet is also available for download from the website or on request from the Company Secretary's office.

The Company recognises the importance of minimising the adverse impact on the environment of its operations and the obligation to carefully manage energy and water consumption and waste recycling.

The Company strives continuously to improve its environmental performance. The environmental management system and associated environmental policy and guide are regularly reviewed to ensure that the Company maintains its commitment to environmental matters.

### Additional disclosures

For the purpose of LR 9.8.4CR, the only information required to be disclosed by LR 9.8.4R relates to sub-section (1) thereof (interest capitalised) where the amount is £2.1 million (2014: nil) (see note 10 to the accounts). All other sub-sections of LR 9.8.4R are not applicable.

### Directors' disclosure of information to the auditors

So far as the Directors are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all reasonable steps to make himself or herself aware of any relevant audit information and to establish that the auditors are aware of that information.

### Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution seeking to reappoint them will be proposed at the forthcoming annual general meeting.

### Annual general meeting

The notice convening the 2016 annual general meeting of the Company will be published separately and will be available on the Company's website and distributed to those shareholders who have elected to receive hard copies of shareholder information.

By order of the Board

**Susan Marsden**
**Company Secretary**
26 February 2016

### Substantial shareholders

| | At 31 December 2015 | | At 19 February 2016 | |
|---|---|---|---|---|
| Shareholder | Number of shares notified | % interest in share capital | Number of shares notified | % interest in share capital |
| The Peel Group | 336,492,751 | 25.02 | 336,492,751 | 25.02 |
| Coronation Asset Management (Pty) Limited | 194,601,724 | 14.47 | 188,804,760 | 14.04 |
| The family interests of Sir Donald Gordon | 110,336,261 | 8.20 | 110,336,261 | 8.20 |
| Black Rock, Inc. | 78,363,390 | 5.83 | 78,363,390 | 5.83 |
| Public Investment Corporation | 90,197,225 | 6.71 | 89,433,457 | 6.65 |

# Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report, the Directors' remuneration 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 Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, the Directors are required to:

(a) select suitable accounting policies and then apply them consistently

(b) make judgements and accounting estimates that are reasonable and prudent

(c) 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

(d) 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 the Group and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's performance, business model and strategy. Each of the Directors, whose names and functions are listed in the governance section on pages 60 and 61 confirm that, to the best of their knowledge:

(a) the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the group

(b) the Directors' report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces

Signed on behalf of the Board on 26 February 2016

**David Fischel**
**Chief Executive**

**Matthew Roberts**
**Chief Financial Officer**

# Accounts



# Independent auditors' report to the members of intu properties plc

## Report on the financial statements

### Our opinion

In our opinion:

- intu properties plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2015 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union 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 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

### What we have audited

The financial statements, included in the Annual Report, comprise:

- the Group and Company balance sheets as at 31 December 2015;
- the Group consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the Group and Company statements of changes in equity for the year then ended;
- the Group and Company statements of cash flows for the year then ended; and
- the notes to the accounts, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the accounts. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

### Our audit approach

#### Context

During the year to 31 December 2015, there have been no significant changes to business operations, investment property market yields, or to accounting standards relevant to the Group. The most significant transactional activity was in relation to the acquisition and subsequent part disposal of Puerto Venecia, Zaragoza, in Spain. As a result our audit approach is largely consistent with the prior year, with the same recurring areas of focus.

#### Overview

| | |
|---|---|
| **Materiality** | — Overall Group materiality: £101 million (2014: £96 million) which represents 1 per cent of total assets<br>— Specific materiality: £9 million (2014: £8 million) which represents 5 per cent of underlying profit before tax and associates |
| **Audit scope** | — The Group and Company financial statements are produced by the Group's central finance department using a single, consolidated general ledger, and the whole business was subject to the same audit scope |
| **Areas of focus** | — Valuation of investment properties<br>— Acquisition of Puerto Venecia, Zaragoza, and subsequent part disposal, resulting in the Group's interest being accounted for as a joint venture |

#### The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

| Area of focus | How our audit addressed the area of focus |
|---|---|
| **Valuation of investment properties**<br>The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material change, warrants specific audit focus in this area.<br>The Group's investment properties are all shopping centres and comprise the majority of the assets in the Group balance sheet, their carrying value amounting to £8.4 billion. Refer to note 19. Additionally the carrying value of the Group's share of investment properties held within joint ventures is £1.1 billion. Refer to note 22.<br>The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental revenues for that particular property.<br>The valuations were carried out by third party valuers, CBRE, Knight Frank, Jones Lang LaSalle and Cushman & Wakefield (the "Valuers"). The Valuers were engaged by the Directors, and performed their work in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation – Professional Standards. The Valuers used by the Group are well-known firms, with considerable experience of the market in which the Group operates.<br>In determining a property's valuation the Valuers take into account property specific information such as the current tenancy agreements and rental income attached to the asset. They then apply assumptions as regards yield and Estimated Rental Value, which are influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation. Due to the unique nature of each shopping centre, the assumptions to be applied are determined having regard to the individual property characteristics at a granular, unit-by-unit level, as well as considering the qualities of the shopping centre as a whole. | Given the inherent subjectivity involved in the valuation of investment properties, the need for deep market knowledge when determining the most appropriate assumptions, and the technicalities of valuation methodology, we engage our internal valuation specialists (qualified chartered surveyors) to assist us in our audit of this significant risk area.<br>We read the valuation reports for all properties and attended meetings with each of the Valuers. We confirmed that the valuation approach for each was in accordance with RICS and suitable for use in determining the carrying value in the Group balance sheet.<br>We assessed the Valuers' qualifications and expertise and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We also considered other engagements which might exist between the Group and the Valuers. We found no evidence to suggest that the objectivity of any Valuer in their performance of the valuations was compromised.<br>We carried out procedures, on a sample basis, to test whether property-specific standing data supplied to the Valuers by management reflected the underlying property records held by the Group and which had been tested during our audit. We found them to be consistent.<br>Our work focused on the largest properties in the portfolio and those properties where the assumptions used and / or year-on-year capital value movement suggested a possible outlier versus market data for the shopping centre sector. We compared the investment yields used by the Valuers to an estimated range of expected yields, determined via reference to published benchmarks, and to recent transactions. We also considered the reasonableness of other assumptions that are not so readily comparable to published benchmarks, such as Estimated Rental Value, void rates and rent free periods. Finally, we evaluated year-on-year movements in capital value with reference to published benchmarks. Where assumptions were outside the expected range or otherwise deemed unusual, and/or valuations appeared to experience unexpected movements, we undertook further investigations and, when necessary, held further discussions with the Valuers in order to challenge the assumptions.<br>It was evident from our interaction with management and the Valuers and from reading the valuation reports that close attention had been paid to each property's individual characteristics at a granular, unit-by-unit level, as well as considering the overall quality, geographic location and desirability of the asset as a whole. The evaluation of what were the right assumptions to apply to any given property included determining the level of impact that recent significant market transactions should have on each individual property's valuation, given its unique characteristics. We observed discussions between management and the Valuers which evidenced that alternative assumptions were considered and evaluated before the final valuation was determined. We found that the assumptions used in the valuations were supportable in light of available and comparable market evidence. |

# Independent auditors' report to the members of intu properties plc continued

| Area of focus | How our audit addressed the area of focus |
|---|---|
| **Acquisition of Puerto Venecia, Zaragoza and subsequent part disposal**<br>On 19 January 2015 intu acquired the Puerto Venecia shopping centre in Zaragoza, Spain, with consideration of €273.5 million paid in return for investment property valued at €450.8 million, together with other assets and liabilities (including €181.0 million of external debt which was repaid and refinanced on acquisition). The acquisition was treated as a business combination. Refer to note 40.<br>Subsequently, on 30 September 2015, the Group entered into a joint venture agreement with CPPIB (intu properties' partner in the Parque Principado shopping centre), selling 50 per cent of its interest in Puerto Venecia for consideration of €122.3 million. This part disposal has resulted in Puerto Venecia, previously accounted for as a subsidiary, being accounted for as a joint venture from the date of part disposal. Refer to note 41. | With respect to the acquisition of Puerto Venecia we inspected the purchase agreements and assessed management's determination of the fair value of assets and liabilities acquired, including the valuation methodology applied and the assumptions underlying the acquisition date valuation. We assessed whether the classification as a business combination and treatment of the various aspects of the transaction were in accordance with IFRS 3 Business Combinations which defines a business as "an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants". Key factors we considered were that the acquisition involved the purchase of relevant inputs (the property and leases) and processes (including staff and management contracts to run the centre) that would enable the purchased business to operate independently of the rest of the Group in order to generate a return.<br>With respect to the part disposal, we read the sale and purchase agreement and other documents related to the sale to check whether it was appropriate to account for Puerto Venecia as a joint venture. No issues arose from these procedures: the shareholders' agreement grants each party an equal number of board members all with equal voting rights and, because all decisions about the relevant activities of the business require the consent of both parties, Puerto Venecia was deemed to be subject to joint control.<br>We also considered the disclosures in the financial statements in respect of the initial acquisition and the subsequent part disposal and found that they were in accordance with applicable accounting standards (IFRS 3 Business Combinations and IFRS 12 Disclosure of Interests in Other Entities). |

## How we tailored the audit scope

In establishing the overall approach to our audit, we assessed the risk of material misstatement, taking into account the nature, likelihood and potential magnitude of any misstatement. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Although the Group has some interests in shopping centre operations outside the UK and the Group is structured as two operating segments, it operates a single reporting process with a centralised accounting function, therefore the whole business was subject to the same audit scope. The Group and Company financial statements are produced using numbers which are maintained on a single, consolidated trial balance, by the Group's finance department. The majority of the underlying accounting records are maintained on the Group's single general ledger.

For Manchester Arndale, Cribbs Causeway, Centaurus Retail Park and St David's, Cardiff rental income and property expense numbers are submitted quarterly by external property managers to the Group's finance department, who then review and enter the numbers onto the Group's general ledger. We perform tests of controls over the review of the quarterly submissions and entry onto the Group's general ledger, and tests of details over the numbers within those submissions.

Quarterly submissions are also submitted to the Group's finance department for intu Asturias and Puerto Venecia, from the intu Spain finance team. We carry out controls testing over these submissions in the same manner as for the UK submissions. The UK audit team instructs the audit team in PwC Spain to perform specified substantive procedures on the submission packs for the Spanish centres. Puerto Venecia was in scope for the first time this year, following acquisition in 2015. The UK audit team determined the level of audit work required over the Spain submission packs by the audit team in Spain, and held regular discussions throughout the planning and execution phases of the audit. We assessed the findings of the work performed by the audit team in Spain in order to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | |
|---|---|
| **Overall Group materiality** | £101 million (2014: £96 million) |
| **How we determined it** | 1 per cent of total assets |
| **Rationale for benchmark applied** | in arriving at this judgement we had regard to the carrying value of the Group's assets, acknowledging that the primary measurement attribute of the Group is the carrying value of investment property. This represents a consistent year-on-year basis for determining materiality |
| **Specific Group materiality** | £9 million (2014: £8 million). Applied to net rental income and expenses |
| **How we determined it** | 5 per cent of underlying profit before tax and associates |
| **Rationale for benchmark applied** | in arriving at this judgement we have had regard to underlying operating profit acknowledging that this is a secondary measurement attribute of the Group |

We agreed with the Audit Committee that, for areas based on overall Group materiality, we would report to them misstatements identified during our audit above £10 million (2014: £8 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 109, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and Company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Company's ability to continue as a going concern.

## Other required reporting

### Consistency of other information

### Companies Act 2006 opinions

In our opinion:

— the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
— the information given in the Corporate Governance Statement set out on pages 58 to 93 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

# Independent auditors' report to the members of intu properties plc continued

### ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

| | |
|---|---|
| — Information in the Annual Report is:<br>– materially inconsistent with the information in the audited financial statements; or<br>– apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Company acquired in the course of performing our audit; or<br>– is otherwise misleading. | We have no exceptions to report. |
| — the statement given by the Directors on page 94, in accordance with provision C.1.1 of the UK Corporate Governance Code ("the Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company acquired in the course of performing our audit. | We have no exceptions to report. |
| — the section of the Annual Report on pages 72 to 75, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee. | We have no exceptions to report. |

### The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

| | |
|---|---|
| — the Directors' confirmation on page 37 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity. | We have nothing material to add or to draw attention to. |
| — the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated. | We have nothing material to add or to draw attention to. |
| — the Directors' explanation on page 71 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. | We have nothing material to add or to draw attention to. |

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the group and the Directors' statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

### Adequacy of accounting records and information and explanations received

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

— we have not received all the information and explanations we require for our audit; or
— adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
— the Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### Directors' remuneration

#### Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

#### Other Companies Act 2006 reporting

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

**Corporate governance statement**

Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the Company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the corporate governance statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

## Responsibilities for the financial statements and the audit

**Our responsibilities and those of the Directors**

As explained more fully in the statement of Directors' responsibilities set out on page 94, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

**What an audit of financial statements involves**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

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

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Ranjan Sriskandan (Senior Statutory Auditor)**
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 February 2016

Notes

— The maintenance and integrity of the intu properties plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
— Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Consolidated income statement

for the year ended 31 December 2015

| | Notes | 2015 £m | 2014 £m |
|---|---|---|---|
| **Revenue** | 3 | **571.6** | 536.4 |
| **Net rental income** | 3 | **381.8** | 362.6 |
| Net other income | 4 | **6.9** | 4.8 |
| Revaluation of investment and development property | 19 | **264.9** | 567.8 |
| (Loss)/gain on acquisition of businesses | 5 | **(0.8)** | 1.6 |
| Gain on disposal of subsidiaries | 41 | **2.2** | 0.6 |
| Gain on sale of other investments | | **0.9** | – |
| Administration expenses – ongoing | | **(37.3)** | (30.8) |
| Administration expenses – exceptional | 6 | **(1.0)** | (13.8) |
| **Operating profit** | | **617.6** | 892.8 |
| Finance costs | 10 | **(206.6)** | (197.1) |
| Finance income | 11 | **18.7** | 11.9 |
| Other finance costs | 12 | **(37.3)** | (56.8) |
| Change in fair value of financial instruments | 13 | **6.0** | (157.6) |
| Net finance costs | | **(219.2)** | (399.6) |
| **Profit before tax, joint ventures and associates** | | **398.4** | 493.2 |
| Share of post-tax profit of joint ventures | 22 | **108.6** | 99.7 |
| Share of post-tax profit of associates | 24 | **6.0** | 0.8 |
| **Profit before tax** | | **513.0** | 593.7 |
| Current tax | 14 | **(0.4)** | (0.5) |
| Deferred tax | 14 | **5.0** | 6.6 |
| Taxation | 14 | **4.6** | 6.1 |
| **Profit for the year** | | **517.6** | 599.8 |
| | | | |
| Attributable to: | | | |
| Owners of intu properties plc | | **518.4** | 586.2 |
| Non-controlling interests | | **(0.8)** | 13.6 |
| | | **517.6** | 599.8 |
| | | | |
| Basic earnings per share | 17 | **39.3p** | 48.0p |
| Diluted earnings per share | 17 | **37.5p** | 46.3p |

Details of underlying earnings are presented in the underlying profit statement on page 167. Underlying earnings per share are shown in note 17(c).

# Consolidated statement of comprehensive income

for the year ended 31 December 2015

| | Notes | 2015 £m | 2014 £m |
|---|---|---|---|
| **Profit for the year** | | **517.6** | 599.8 |
| **Other comprehensive income** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Revaluation of other investments | 25 | **12.8** | 21.1 |
| Exchange differences | | **7.6** | 7.0 |
| Tax relating to components of other comprehensive income | 14 | **(5.0)** | (6.6) |
| Total items that may be reclassified subsequently to profit or loss | | **15.4** | 21.5 |
| Reclassified to income statement on sale of other investments | | **(0.6)** | – |
| **Other comprehensive income for the year** | | **14.8** | 21.5 |
| **Total comprehensive income for the year** | | **532.4** | 621.3 |
| | | | |
| Attributable to: | | | |
| Owners of intu properties plc | | **533.2** | 608.1 |
| Non-controlling interests | | **(0.8)** | 13.2 |
| | | **532.4** | 621.3 |

# Balance sheets

as at 31 December 2015

| | Notes | Group 2015 £m | Group 2014 £m | Company 2015 £m | Company 2014 £m |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Investment and development property | 19 | **8,403.9** | 8,019.6 | **–** | – |
| Plant and equipment | 20 | **5.0** | 5.1 | **4.2** | 3.9 |
| Investment in group companies | 21 | **–** | – | **2,866.6** | 2,704.7 |
| Investment in joint ventures | 22 | **991.9** | 851.5 | **–** | – |
| Investment in associates | 24 | **54.7** | 38.0 | **–** | – |
| Other investments | 25 | **210.3** | 189.7 | **–** | – |
| Goodwill | 26 | **4.0** | 4.0 | **–** | – |
| Deferred tax | 36 | **–** | – | **1.1** | 0.4 |
| Derivative financial instruments | 29 | **–** | 9.0 | **–** | – |
| Trade and other receivables | 27 | **89.3** | 99.7 | **–** | – |
| | | **9,759.1** | 9,216.6 | **2,871.9** | 2,709.0 |
| **Current assets** | | | | | |
| Trade and other receivables | 27 | **108.8** | 114.7 | **1,266.9** | 1,286.8 |
| Derivative financial instruments | 29 | **3.2** | 0.7 | **–** | – |
| Cash and cash equivalents | 28 | **275.8** | 230.0 | **0.3** | 1.0 |
| | | **387.8** | 345.4 | **1,267.2** | 1,287.8 |
| **Total assets** | | **10,146.9** | 9,562.0 | **4,139.1** | 3,996.8 |
| **Current liabilities** | | | | | |
| Trade and other payables | 30 | **(275.5)** | (251.5) | **(346.3)** | (394.1) |
| Current tax liabilities | | **(0.4)** | (0.6) | **(0.4)** | (0.4) |
| Borrowings | 31 | **(139.3)** | (21.3) | **–** | – |
| Derivative financial instruments | 29 | **(12.0)** | (80.7) | **–** | – |
| | | **(427.2)** | (354.1) | **(346.7)** | (394.5) |
| **Non-current liabilities** | | | | | |
| Borrowings | 31 | **(4,332.3)** | (4,332.7) | **(353.7)** | (230.0) |
| Derivative financial instruments | 29 | **(329.7)** | (275.8) | **(26.4)** | (25.6) |
| Other payables | | **(2.8)** | (2.6) | **–** | – |
| | | **(4,664.8)** | (4,611.1) | **(380.1)** | (255.6) |
| **Total liabilities** | | **(5,092.0)** | (4,965.2) | **(726.8)** | (650.1) |
| **Net assets** | | **5,054.9** | 4,596.8 | **3,412.3** | 3,346.7 |
| **Equity** | | | | | |
| Share capital | 37 | **672.3** | 658.4 | **672.3** | 658.4 |
| Share premium | 37 | **1,303.1** | 1,222.0 | **1,303.1** | 1,222.0 |
| Treasury shares | 38 | **(43.3)** | (45.1) | **(43.3)** | (45.1) |
| Other reserves | 39 | **372.8** | 358.0 | **61.4** | 61.4 |
| Retained earnings | | **2,671.5** | 2,330.7 | **1,418.8** | 1,450.0 |
| **Attributable to owners of intu properties plc** | | **4,976.4** | 4,524.0 | **3,412.3** | 3,346.7 |
| Non-controlling interests | | **78.5** | 72.8 | **–** | – |
| **Total equity** | | **5,054.9** | 4,596.8 | **3,412.3** | 3,346.7 |

These consolidated financial statements have been approved for issue by the Board of Directors on 26 February 2016.

**David Fischel**
**Chief Executive**

**Matthew Roberts**
**Chief Financial Officer**

The notes on pages 109 to 159 form part of these consolidated financial statements.

# Statements of changes in equity
for the year ended 31 December 2015

| Group | Attributable to owners of intu properties plc | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital £m | Share premium £m | Treasury shares £m | Other reserves £m | Retained earnings £m | Total £m | Non-controlling interests £m | Total equity £m |
| At 1 January 2015 | 658.4 | 1,222.0 | (45.1) | 358.0 | 2,330.7 | 4,524.0 | 72.8 | 4,596.8 |
| Profit/(loss) for the year | – | – | – | – | 518.4 | 518.4 | (0.8) | 517.6 |
| Other comprehensive income: | | | | | | | | |
| Revaluation of other investments (note 25) | – | – | – | 12.8 | – | 12.8 | – | 12.8 |
| Exchange differences | – | – | – | 7.6 | – | 7.6 | – | 7.6 |
| Tax relating to components of other comprehensive income (note 14) | – | – | – | (5.0) | – | (5.0) | – | (5.0) |
| Reclassified to income statement on sale of other investments | – | – | – | (0.6) | – | (0.6) | – | (0.6) |
| **Total comprehensive income for the year** | **–** | **–** | **–** | **14.8** | **518.4** | **533.2** | **(0.8)** | **532.4** |
| Ordinary shares issued (note 37) | 13.9 | 81.1 | – | – | – | 95.0 | – | 95.0 |
| Dividends (note 16) | – | – | – | – | (179.4) | (179.4) | – | (179.4) |
| Share-based payments (note 47) | – | – | – | – | 4.8 | 4.8 | – | 4.8 |
| Acquisition of treasury shares | – | – | (1.6) | – | – | (1.6) | – | (1.6) |
| Disposal of treasury shares | – | – | 3.4 | – | (3.0) | 0.4 | – | 0.4 |
| Non-controlling interest additions | – | – | – | – | – | – | 6.5 | 6.5 |
| | 13.9 | 81.1 | 1.8 | – | (177.6) | (80.8) | 6.5 | (74.3) |
| **At 31 December 2015** | **672.3** | **1,303.1** | **(43.3)** | **372.8** | **2,671.5** | **4,976.4** | **78.5** | **5,054.9** |

# Statements of changes in equity continued
## for the year ended 31 December 2015

| Group | Share capital £m | Share premium £m | Treasury shares £m | Convertible bonds £m | Other reserves £m | Retained earnings £m | Total £m | Non-controlling interests £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|---|
| | Attributable to owners of intu properties plc | | | | | | | | |
| At 1 January 2014 | 486.9 | 695.6 | (48.2) | 143.7 | 500.5 | 1,740.3 | 3,518.8 | 102.3 | 3,621.1 |
| Profit for the year | – | – | – | – | – | 586.2 | 586.2 | 13.6 | 599.8 |
| Other comprehensive income: | | | | | | | | | |
| Revaluation of other investments (note 25) | – | – | – | – | 21.1 | – | 21.1 | – | 21.1 |
| Exchange differences | – | – | – | – | 7.4 | – | 7.4 | (0.4) | 7.0 |
| Tax relating to components of other comprehensive income (note 14) | – | – | – | – | (6.6) | – | (6.6) | – | (6.6) |
| Total comprehensive income for the year | – | – | – | – | 21.9 | 586.2 | 608.1 | 13.2 | 621.3 |
| Conversion of bond (note 33) | 21.2 | 122.5 | – | (143.7) | – | – | – | – | – |
| Other ordinary shares issued (note 37) | 150.3 | 403.9 | – | – | – | – | 554.2 | – | 554.2 |
| Dividends (note 16) | – | – | – | – | – | (155.9) | (155.9) | – | (155.9) |
| Interest on convertible bonds (note 33) | – | – | – | – | – | (2.9) | (2.9) | – | (2.9) |
| Share-based payments (note 47) | – | – | – | – | – | 2.5 | 2.5 | – | 2.5 |
| Acquisition of treasury shares | – | – | (1.0) | – | – | – | (1.0) | – | (1.0) |
| Disposal of treasury shares | – | – | 4.1 | – | – | (3.9) | 0.2 | – | 0.2 |
| Non-controlling interest additions | – | – | – | – | – | – | – | 27.2 | 27.2 |
| Distribution to non-controlling interest | – | – | – | – | – | – | – | (1.2) | (1.2) |
| Disposal of subsidiaries (note 41) | – | – | – | – | – | – | – | (68.7) | (68.7) |
| Realisation of merger reserve (note 39) | – | – | – | – | (164.4) | 164.4 | – | – | – |
| | 171.5 | 526.4 | 3.1 | (143.7) | (164.4) | 4.2 | 397.1 | (42.7) | 354.4 |
| At 31 December 2014 | 658.4 | 1,222.0 | (45.1) | – | 358.0 | 2,330.7 | 4,524.0 | 72.8 | 4,596.8 |

| **Company** | | **Attributable to owners of intu properties plc** | | | | |
|---|---|---|---|---|---|---|
| | **Share capital £m** | **Share premium £m** | **Treasury shares £m** | **Other reserves £m** | **Retained earnings £m** | **Total £m** |
| At 1 January 2015 | 658.4 | 1,222.0 | (45.1) | 61.4 | 1,450.0 | 3,346.7 |
| Profit for the year (note 15) | – | – | – | – | 146.4 | 146.4 |
| **Total comprehensive income for the year** | – | – | – | – | 146.4 | 146.4 |
| Ordinary shares issued (note 37) | 13.9 | 81.1 | – | – | – | 95.0 |
| Dividends (note 16) | – | – | – | – | (179.4) | (179.4) |
| Share-based payments (note 47) | – | – | – | – | 4.8 | 4.8 |
| Acquisition of treasury shares | – | – | (1.6) | – | – | (1.6) |
| Disposal of treasury shares | – | – | 3.4 | – | (3.0) | 0.4 |
| | 13.9 | 81.1 | 1.8 | – | (177.6) | (80.8) |
| **At 31 December 2015** | **672.3** | **1,303.1** | **(43.3)** | **61.4** | **1,418.8** | **3,412.3** |

| Company | | Attributable to owners of intu properties plc | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital £m | Share premium £m | Treasury shares £m | Convertible bonds £m | Other reserves £m | Retained earnings £m | Total £m |
| At 1 January 2014 | 486.9 | 695.6 | (48.2) | 143.7 | 225.8 | 1,287.4 | 2,791.2 |
| Profit for the year (note 15) | – | – | – | – | – | 158.4 | 158.4 |
| Total comprehensive income for the year | – | – | – | – | – | 158.4 | 158.4 |
| Conversion of bond (note 33) | 21.2 | 122.5 | – | (143.7) | – | – | – |
| Other ordinary shares issued (note 37) | 150.3 | 403.9 | – | – | – | – | 554.2 |
| Dividends (note 16) | – | – | – | – | – | (155.9) | (155.9) |
| Interest on convertible bonds (note 33) | – | – | – | – | – | (2.9) | (2.9) |
| Share-based payments (note 47) | – | – | – | – | – | 2.5 | 2.5 |
| Acquisition of treasury shares | – | – | (1.0) | – | – | – | (1.0) |
| Disposal of treasury shares | – | – | 4.1 | – | – | (3.9) | 0.2 |
| Realisation of merger reserve (note 39) | – | – | – | – | (164.4) | 164.4 | – |
| | 171.5 | 526.4 | 3.1 | (143.7) | (164.4) | 4.2 | 397.1 |
| At 31 December 2014 | 658.4 | 1,222.0 | (45.1) | – | 61.4 | 1,450.0 | 3,346.7 |

# Statements of cash flows

for the year ended 31 December 2015

| | Notes | **Group 2015 £m** | Group 2014 £m | **Company 2015 £m** | Company 2014 £m |
|---|---|---|---|---|---|
| **Cash generated from operations** | 44 | **366.5** | 292.7 | **(23.3)** | (349.5) |
| Interest paid | | **(222.5)** | (244.6) | **(17.3)** | (6.3) |
| Interest received | | **16.6** | 8.8 | **2.6** | – |
| Taxation | | **(0.4)** | (0.4) | **–** | – |
| **Cash flows from operating activities** | | **160.2** | 56.5 | **(38.0)** | (355.8) |
| **Cash flows from investing activities** | | | | | |
| Purchase and development of property, plant and equipment | | **(100.8)** | (69.7) | **(2.3)** | (1.4) |
| Sale of property | | **1.8** | – | **–** | – |
| Acquisition of businesses net of cash acquired | 40 | **(203.1)** | (851.3) | **–** | – |
| Sale/(acquisition) of other investments | | **4.7** | (3.8) | **–** | – |
| Additions to investment in associates | 24 | **(10.0)** | – | **–** | – |
| Investment in subsidiaries | 21 | **–** | – | **–** | (182.8) |
| Redemption of preference shares | 21 | **–** | – | **–** | 197.2 |
| Realisation of short-term investments | | **–** | 69.3 | **–** | – |
| Disposal of subsidiaries net of cash sold with business | 41 | **81.0** | 162.5 | **–** | – |
| Investment in joint ventures | 22 | **–** | (0.4) | **–** | – |
| Repayment of capital by joint ventures | 22 | **25.6** | 14.3 | **–** | – |
| Loan advances to joint ventures | 22 | **(0.8)** | (97.6) | **–** | – |
| Loan repayments by joint ventures | 22 | **17.6** | 52.7 | **–** | – |
| Distributions from joint ventures | 22 | **9.0** | 4.9 | **–** | – |
| **Cash flows from investing activities** | | **(175.0)** | (719.1) | **(2.3)** | 13.0 |
| **Cash flows from financing activities** | | | | | |
| Issue of ordinary shares | | **22.0** | 492.0 | **22.0** | 492.0 |
| Acquisition of treasury shares | | **(1.6)** | (1.0) | **(1.6)** | (1.0) |
| Sale of treasury shares | | **0.4** | 0.2 | **0.4** | 0.2 |
| Non-controlling interest funding received | | **6.5** | 27.2 | **–** | – |
| Cash transferred from/(to) restricted accounts | | **14.9** | (15.9) | **–** | – |
| Borrowings drawn | | **329.2** | 989.4 | **123.7** | – |
| Borrowings repaid | | **(190.3)** | (675.1) | **–** | (55.0) |
| Interest on convertible bonds | 33 | **–** | (2.9) | **–** | (2.9) |
| Equity dividends paid | | **(104.9)** | (89.8) | **(104.9)** | (89.8) |
| **Cash flows from financing activities** | | **76.2** | 724.1 | **39.6** | 343.5 |
| Effects of exchange rate changes on cash and cash equivalents | | **(0.3)** | (0.1) | **–** | – |
| **Net increase/(decrease) in cash and cash equivalents** | | **61.1** | 61.4 | **(0.7)** | 0.7 |
| Cash and cash equivalents at 1 January | 28 | **212.5** | 151.1 | **1.0** | 0.3 |
| **Cash and cash equivalents at 31 December** | 28 | **273.6** | 212.5 | **0.3** | 1.0 |

# Notes to the accounts

## 1 Accounting convention and basis of preparation

These consolidated 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 Directors have taken advantage of the exemption offered by Section 408 of the Companies Act not to present a separate income statement or statement of comprehensive income for the Company.

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of property, available-for-sale investments, and certain other financial assets and liabilities. A summary of the more significant accounting policies applied is set out in note 2.

These accounting policies are consistent with those applied in the last annual financial statements, as amended to reflect the adoption of new standards, amendments and interpretations which became effective in the year. During 2015 amendments arising from the Annual Improvements Cycle to IFRSs 2011-2013 became effective for the first time for the Group's 31 December 2015 financial statements. These amendments have not had an impact on the financial statements.

A number of standards have been issued but are not yet adopted by the EU and so are not available for early adoption. The most significant of these are IFRS 9 Financial Instruments along with related amendments to other IFRSs, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases. Based on the Group's current circumstances, with the exception of IFRS 16 Leases issued in January 2016 for which the impact is still being assessed, these standards are not expected to have a material impact on the financial statements.

### Use of estimates and assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. In particular, significant judgement is required in the use of estimates and assumptions in the valuation and accounting for investment and development property and derivative financial instruments. Additional detail on these two areas is provided in the relevant accounting policy in note 2 and in notes 19 and 35.

### Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 6 to 57. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial review on pages 46 to 51. In addition, note 35 includes the Group's risk management objectives, details of its financial instruments and hedging activities, its exposures to liquidity risk and details of its capital structure.

The Group prepares regular forecasts and projections which include sensitivity analysis taking into account a number of downside risks to the forecast including reasonably possible changes in trading performance and asset values and assesses the potential impact of these on the Group's liquidity position and available resources.

In preparing the most recent projections, factors taken into account include £301.4 million of cash (including the Group's share of cash in joint ventures of £25.6 million) and £287.0 million of undrawn facilities at 31 December 2015. The Group's weighted average debt maturity of 7.8 years and the relatively long-term and stable nature of the cash flows receivable under tenant leases were also factored into the forecasts.

After reviewing the most recent projections and the sensitivity analysis, the Directors consider it appropriate to continue to adopt the going concern basis of accounting in preparing the Group's financial statements.

## 2 Accounting policies – Group and Company

### Basis of consolidation

The consolidated financial information includes the Company and its subsidiaries and their interests in joint arrangements and associates.

All intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

#### – subsidiaries

A subsidiary is an entity which the Company controls. That is when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The Company's investment in Group companies is carried at cost less accumulated impairment losses.

# Notes to the accounts continued

## 2 Accounting policies – Group and Company (continued)

**– joint arrangements**

A joint arrangement is an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement where decisions about the relevant activities require the unanimous consent of the parties sharing joint control.

A joint operation is a joint arrangement where the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Group's interest in a joint operation is accounted for by consolidating the Group's share of the assets, liabilities, income and expenses on a line-by-line basis.

A joint venture is a joint arrangement where the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group's interest in a joint venture is accounted for using the equity method as described below.

**– associates**

An associate is an entity over which the Company, either directly or indirectly, is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policies of the entity but is not control or joint control of those policies. The Group's interest in an associate is accounted for using the equity method as described below.

**– the equity method**

Under the equity method of accounting, interests in joint ventures and associates are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. Loan balances relating to long-term funding from Group companies to joint ventures and associates are presented on the face of the balance sheet as part of the investment.

**– non-controlling interest**

A non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to the Company. Non-controlling interests are presented within equity, separately from the amounts attributable to owners of the Company. Profit or loss and each component of other comprehensive income is attributed to owners of the Company and to non-controlling interests in the appropriate proportions.

### Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which it operates. The consolidated financial statements are presented in pounds sterling, which is the Group's presentational currency.

The assets and liabilities of foreign entities are translated into pounds sterling at the rate of exchange ruling at the reporting date and their income statement and cash flows are translated at the average rate for the period. Exchange differences arising are dealt with in other comprehensive income.

At entity level, transactions in currencies other than an entity's functional currency are recorded at the exchange rate prevailing at the transaction dates. Foreign exchange gains and losses resulting from settlement of these transactions and from retranslation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except where these relate to loans to foreign subsidiary entities considered to be part of the net investment in those entities in which case these amounts are recorded through other comprehensive income.

### Revenue recognition

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

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

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

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

Facilities management income and management fees are recognised on an accruals basis in line with the services provided.

### Interest income

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

### Dividend income

Dividend income is recognised when the right to receive payment has been established.

### Share-based payments

The cost of granting share options and other share-based remuneration is recognised through the income statement with reference to the fair value of the equity instrument, assessed at the date of grant. This cost is charged to the income statement over the vesting period of the awards. All awards are accounted for as equity settled with the credit entry being taken directly to equity. For awards with non-market related criteria, the charge is reversed if it is expected that the performance criteria will not be met.

## 2 Accounting policies – Group and Company (continued)

For share options an option pricing model is used applying assumptions around expected yields, forfeiture rates, exercise price and volatility. Where the share awards have non-market related performance criteria the Group has used the Black-Scholes option valuation model to establish the relevant fair values. Where the share awards have a TSR market related performance criteria the Group has used the Monte Carlo simulation valuation model to establish the relevant fair values.

Investments held in the Company's own shares in connection with employee share plans and other share-based payment arrangements are accounted for as treasury shares (see accounting policy below).

**Exceptional items**

Exceptional items are those items that in the Directors' view are required to be separately disclosed by virtue of their size, nature or incidence to enable a full understanding of the Group's financial performance.

**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.

Deferred tax is provided using the balance sheet liability method in respect of temporary differences between the carrying amounts of assets and liabilities in the balance sheet and their tax bases.

Temporary differences are not provided on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that management believe it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are offset only when they relate to taxes levied by the same authority and the Group intends to settle them on a net basis.

Tax is included in the income statement except when it relates to items recognised directly in other comprehensive income or equity, in which case the related tax is also recognised directly in other comprehensive income or equity.

**Investment and development property**

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

The Group has elected to use the fair value model. Properties are 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 with the exception of recently acquired development land where an assessment of fair value may be made internally. Valuations conform with the Royal Institution of Chartered Surveyors ('RICS'), Valuation – Professional Standards 2014.

The main estimates and judgements underlying the valuations are described in note 19.

Properties held under leases are stated gross of the recognised finance lease liability.

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. The gain or loss recognised is the proceeds received less the carrying value of the property and costs directly associated with the sale.

**Leases**

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

**– Group as lessee**

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

Other finance lease assets are capitalised at the lower of the fair value of the leased asset or the present value of the minimum lease payments and depreciated over the shorter of the lease term and the useful life of the asset.

Lease payments are allocated between the liability and finance charges so as to achieve a constant financing rate.

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

# Notes to the accounts continued

## 2 Accounting policies – Group and Company (continued)

**– Group as lessor**

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

### Plant and equipment

Plant and equipment consists of vehicles, fixtures, fittings and other equipment. Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged to the income statement on a straight-line basis over an asset's estimated useful life up to a maximum of five years.

### Other investments

Available-for-sale investments, being investments intended to be held for an indefinite period, are initially and subsequently measured at fair value. For listed investments, fair value is the current bid market value at the reporting date. For unlisted investments where there is no active market, fair value is assessed using an appropriate methodology as described in note 25.

Gains or losses arising from changes in fair value are included in other comprehensive income, except to the extent that losses are considered to represent a permanent impairment, in which case they are recognised in the income statement.

Upon disposal, accumulated fair value adjustments are reclassified from reserves to the income statement.

### Goodwill

Goodwill arising on business combinations is carried at cost less accumulated impairment losses. Goodwill is assessed for impairment on an annual basis.

### Impairment of assets

The Group'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.

At each balance sheet date the Group reviews whether there is any indication that an impairment loss recognised in previous periods may have decreased. If such an indication exists the asset's recoverable amount is estimated. An impairment loss recognised in prior periods is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount. In this case the asset's carrying amount is increased to its recoverable amount but not exceeding the carrying amount that would have been determined had no impairment loss been recognised. The reversal of an impairment loss is recognised in the income statement. No impairment reversals are permitted to be recognised on goodwill.

### 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 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.

### Cash and cash equivalents

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

### Trade payables

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

### Pensions

The costs of defined contribution schemes and contributions to personal plans are charged to the income statement in the year in which they are incurred. The Group has no defined benefit schemes.

### Borrowings

Borrowings are recognised initially at their net proceeds on issue and subsequently carried at amortised cost with the exception of certain financial instruments such as convertible bonds as detailed in note 33. Any transaction costs and premiums or discounts are recognised over the contractual life using the effective interest method.

In the event of early repayment, all unamortised transaction costs are recognised immediately in the income statement.

### Derivative financial instruments

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

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

The Group does not currently apply hedge accounting to its interest rate swaps.

## 2 Accounting policies – Group and Company (continued)

### Share capital

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

### Dividends

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.

### Convertible bonds

Convertible bonds are assessed on issue, as to whether they should be classified as a financial liability, as equity or as a compound financial instrument with both debt and equity components. This assessment is based on the terms of the bond and in accordance with IAS 32. Each bond is assessed separately and the detailed accounting treatment of each is given in note 33.

### Treasury shares

Investments held in the Company's own shares are deducted from equity at cost. Where such shares are subsequently sold, any consideration received is recognised directly in equity.

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

### Business combinations

Business combinations are accounted for in accordance with IFRS 3 Business Combinations using the acquisition method of accounting. The consideration for the acquisition of a subsidiary is the total of the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Costs associated with the acquisition are expensed as incurred. Identifiable assets and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Goodwill arising on an acquisition is the excess of the consideration over the fair value of the identifiable assets and liabilities acquired. Where the fair value of the identifiable assets and liabilities acquired exceeds the consideration this difference is recognised in the income statement at the date of the acquisition.

# Notes to the accounts continued

## 3 Segmental reporting

Operating segments are determined based on the internal reporting and operational management of the Group. The Group is primarily a shopping centre focused business and, following recent acquisition activity, has two reportable operating segments being UK and Spain.

The principal profit indicator used to measure performance is net rental income. An analysis of net rental income is given below:

| **2015** | Group including share of joint ventures UK £m | Spain £m | Total £m | Less share of joint ventures £m | Group total £m |
|---|---|---|---|---|---|
| Rent receivable | 492.5 | 21.5 | **514.0** | (53.0) | **461.0** |
| Service charge income | 103.0 | 4.5 | **107.5** | (10.6) | **96.9** |
| Facilities management income from joint ventures | 7.9 | – | **7.9** | 5.8 | **13.7** |
| **Revenue** | 603.4 | 26.0 | **629.4** | (57.8) | **571.6** |
| Rent payable | (22.4) | – | **(22.4)** | 1.1 | **(21.3)** |
| Service charge costs | (116.7) | (4.8) | **(121.5)** | 11.7 | **(109.8)** |
| Facilities management costs recharged to joint ventures | (7.9) | – | **(7.9)** | (5.8) | **(13.7)** |
| Other non-recoverable costs | (48.0) | (1.8) | **(49.8)** | 4.8 | **(45.0)** |
| **Net rental income** | **408.4** | **19.4** | **427.8** | **(46.0)** | **381.8** |

| 2014 | Group including share of joint ventures UK £m | Spain £m | Total £m | Less share of joint ventures £m | Group total £m |
|---|---|---|---|---|---|
| Rent receivable | 473.2 | 7.2 | 480.4 | (39.3) | 441.1 |
| Service charge income | 95.9 | 1.8 | 97.7 | (9.5) | 88.2 |
| Facilities management income from joint ventures | 4.1 | – | 4.1 | 3.0 | 7.1 |
| Revenue | 573.2 | 9.0 | 582.2 | (45.8) | 536.4 |
| Rent payable | (23.4) | – | (23.4) | 1.2 | (22.2) |
| Service charge costs | (107.0) | (2.0) | (109.0) | 10.3 | (98.7) |
| Facilities management costs recharged to joint ventures | (4.1) | – | (4.1) | (3.0) | (7.1) |
| Other non-recoverable costs | (48.1) | (1.0) | (49.1) | 3.3 | (45.8) |
| Net rental income | 390.6 | 6.0 | 396.6 | (34.0) | 362.6 |

There were no significant transactions within net rental income between operating segments.

An analysis of investment and development property, capital expenditure and revaluation surplus is presented below:

| | Investment and development property | | Capital expenditure | | Revaluation surplus | |
|---|---|---|---|---|---|---|
| | **2015 £m** | 2014 £m | **2015 £m** | 2014 £m | **2015 £m** | 2014 £m |
| United Kingdom | **9,222.3** | 8,806.6 | **75.6** | 65.6 | **342.2** | 633.8 |
| Spain | **301.4** | 82.2 | **47.9** | 1.4 | **8.5** | 14.4 |
| Group including share of joint ventures | **9,523.7** | 8,888.8 | **123.5** | 67.0 | **350.7** | 648.2 |
| Less share of joint ventures | **(1,119.8)** | (869.2) | **(2.5)** | (1.0) | **(85.8)** | (80.4) |
| Group | **8,403.9** | 8,019.6 | **121.0** | 66.0 | **264.9** | 567.8 |

## 3 Segmental reporting (continued)

The Group's geographical analysis of non-current assets (excluding financial instruments) is set out below. This represents where the Group's assets reside and, where relevant, where revenues are generated. In the case of investments this reflects where the investee is located.

| | 2015 £m | 2014 £m |
|---|---|---|
| United Kingdom | **9,447.2** | 8,934.4 |
| Spain | **46.9** | 49.7 |
| United States | **209.4** | 184.7 |
| India | **55.6** | 38.8 |
| | **9,759.1** | 9,207.6 |

## 4 Net other income

| | 2015 £m | 2014 £m |
|---|---|---|
| Dividends received from other investments | **6.7** | 6.1 |
| Management fees | **3.0** | 1.6 |
| intu Digital | **(2.8)** | (2.9) |
| **Net other income** | **6.9** | 4.8 |

## 5 (Loss)/gain on acquisition of businesses

The net loss on acquisition of businesses in the year was £0.8 million. This consists of a gain on the acquisition of Puerto Venecia, Zaragoza of £0.8 million (see note 40) and an adjustment increasing the contingent consideration relating to the 2012 acquisition of StyleMeTV Limited (renamed IntuDigital Limited) resulting in the recognition of a loss of £1.6 million. The 2014 gain related to the acquisition of intu Derby and intu Merry Hill (see note 40).

## 6 Administration expenses – exceptional

Exceptional administration expenses (see note 2 for definition of exceptional items) in the year totalled £1.0 million (2014: £13.8 million). 2015 costs relate to corporate transactions, principally the acquisition of Puerto Venecia, Zaragoza. 2014 costs principally related to the acquisition of intu Merry Hill, intu Derby and Sprucefield.

## 7 Operating profit

| | 2015 £m | 2014 £m |
|---|---|---|
| Operating profit is arrived at after charging: | | |
| Staff costs (note 8) | **77.9** | 72.3 |
| Depreciation (note 20) | **2.6** | 2.1 |
| Remuneration paid to the Company's auditors (note 9) | **0.7** | 1.6 |

# Notes to the accounts continued

## 8 Employees' information

| | Group 2015 £m | Group 2014 £m |
|---|---|---|
| Wages and salaries | **63.9** | 61.3 |
| Social security costs | **6.1** | 5.8 |
| Pension costs (note 48) | **3.1** | 2.7 |
| Share-based payments (note 47) | **4.8** | 2.5 |
| | **77.9** | 72.3 |

At 31 December 2015 the number of persons employed by the Group was 2,544 (2014: 2,459). The Company had no employees during the year (2014: nil). The monthly average number of persons employed by the Group during the year was:

| | 2015 Number | 2014 Number |
|---|---|---|
| 40 Broadway, London | **323** | 261 |
| Shopping centres | **2,123** | 1,916 |
| | **2,446** | 2,177 |

## 9 Auditors' remuneration

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Fees payable to the Company's auditors and their associates for: | | |
| The audit of the Company's annual accounts | **237** | 214 |
| Other services to the Group – audit of the Company's subsidiaries | **391** | 352 |
| Fees related to the audit of the Company and its subsidiaries | **628** | 566 |
| Audit-related assurance services[1] | **71** | 40 |
| Total fees for audit and audit related services | **699** | 606 |
| Other assurance services[2] | **25** | 1,034 |
| Total non-audit related services | **25** | 1,034 |
| Total fees | **724** | 1,640 |

Fees payable to PricewaterhouseCoopers LLP ('PwC') and its associates for non-audit services to the Company are not required to be disclosed separately as they are included on a consolidated basis. Fees payable by the Group's joint ventures in respect of 2015 were £93,000 (intu's share) all of which related to audit and audit related services. The Group also used accounting firms other than PwC for a number of assignments.

1 Relates to review of the interim report of the Group, and interim reviews of certain subsidiary undertakings.

2 2014 included £916,000 in respect of reporting accountant work associated with the rights issue and raising debt on intu Trafford Centre and within the Secured Group Structure (SGS).

The role of the reporting accountant requires detailed knowledge of the entities involved. If a firm other than the audit firm were to undertake this work then they would have to spend a significant amount of additional time becoming familiar with those entities. PwC was therefore chosen to undertake this work as it was considered to be sensible and more efficient both in terms of time and costs. For the same reasons, certain elements of the SGS work were undertaken by another firm that had performed the most recent audit for those entities.

2014 also included £118,000 in respect of financial due diligence related to the acquisition of intu Merry Hill, intu Derby and Sprucefield. PwC was chosen to undertake this work on efficiency grounds given the overall assignment, including reporting accountant work on the rights issue. Additionally, as for all non-audit work, consideration was given as to whether PwC's independence could be affected by undertaking this work. It was concluded that this would not be the case.

## 10 Finance costs

| | 2015 £m | 2014 £m |
|---|---|---|
| On bank loans and overdrafts | **195.4** | 186.0 |
| On convertible bonds (note 33) | **7.5** | 7.5 |
| On obligations under finance leases | **3.7** | 3.6 |
| **Finance costs** | **206.6** | 197.1 |

Finance costs of £2.1 million were capitalised in the year ended 31 December 2015 (2014: £nil).

## 11 Finance income

| | 2015 £m | 2014 £m |
|---|---|---|
| Interest receivable on loans to joint ventures | **17.1** | 10.7 |
| Other finance income | **1.6** | 1.2 |
| **Finance income** | **18.7** | 11.9 |

## 12 Other finance costs

| | 2015 £m | 2014 £m |
|---|---|---|
| Amortisation of Metrocentre compound financial instrument | **5.9** | 6.1 |
| Cost of termination of derivative financial instruments and other costs[1] | **28.6** | 48.4 |
| Foreign currency movements[1] | **2.8** | 2.3 |
| **Other finance costs** | **37.3** | 56.8 |

1 Amounts totalling £31.4 million in the year ended 31 December 2015 are treated as exceptional items, as defined in note 2 (2014: £50.7 million). These finance costs include termination of interest rate swaps on repayment of debt, payments on unallocated swaps and other fees.

## 13 Change in fair value of financial instruments

| | 2015 £m | 2014 £m |
|---|---|---|
| Gain/(loss) on derivative financial instruments | **6.8** | (144.8) |
| Loss on convertible bonds designated as at fair value through profit or loss (note 33) | **(0.8)** | (12.8) |
| **Change in fair value of financial instruments** | **6.0** | (157.6) |

Included within the change in fair value of derivative financial instruments are gains totalling £44.1 million (2014: £70.3 million) resulting from the payment of obligations under derivative financial instruments during the year. Of these £26.5 million related to unallocated swaps. In 2014 £27.0 million related to unallocated swaps and £17.1 million to the termination of swaps.

## 14 Taxation

Taxation for the year:

| | 2015 £m | 2014 £m |
|---|---|---|
| Overseas taxation | **0.6** | 0.5 |
| UK taxation – adjustment in respect of prior years | **(0.2)** | – |
| **Current tax** | **0.4** | 0.5 |
| Deferred tax: | | |
| On investment and development property | **(0.8)** | – |
| On other investments | **(0.2)** | (0.9) |
| On derivative financial instruments | **(2.8)** | (5.6) |
| On other temporary differences | **(1.2)** | (0.1) |
| **Deferred tax** | **(5.0)** | (6.6) |
| **Total tax credit** | **(4.6)** | (6.1) |

# Notes to the accounts continued

## 14 Taxation (continued)

The tax credits for 2015 and 2014 are lower than the standard rate of corporation tax in the UK. The differences are explained below:

| | 2015 £m | 2014 £m |
|---|---|---|
| Profit before tax, joint ventures and associates | **398.4** | 493.2 |
| Profit before tax multiplied by the standard rate in the UK of 20.25% (2014: 21.5%) | **80.7** | 106.0 |
| Exempt property rental profits and revaluations | **(90.3)** | (140.6) |
| | **(9.6)** | (34.6) |
| Additions and disposals of property and investments | **(0.2)** | (0.8) |
| Prior year corporation tax items | **(0.2)** | – |
| Non-deductable and other items | **(0.4)** | (0.1) |
| Overseas taxation | **0.6** | 0.5 |
| Unprovided deferred tax | **5.2** | 28.9 |
| **Total tax credit** | **(4.6)** | (6.1) |

Tax relating to components of other comprehensive income of £5.0 million (2014: £6.6 million) relates entirely to deferred tax in respect of other investments.

## 15 Profit for the year attributable to owners of intu properties plc

Profits of £146.4 million are recorded in the accounts of the Company in respect of the year (2014: £158.4 million). No income statement or statement of comprehensive income is presented for the Company as permitted by Section 408 of the Companies Act 2006.

## 16 Dividends

| | 2015 £m | 2014 £m |
|---|---|---|
| Ordinary shares | | |
| Prior year final dividend paid of 9.1 pence per share (2014: 9.1[1] pence per share) | **118.3** | 96.2 |
| Interim dividend paid of 4.6 pence per share (2014: 4.6 pence per share) | **61.1** | 59.7 |
| **Dividends declared** | **179.4** | 155.9 |
| Proposed final dividend of 9.1 pence per share | **122.4** | |

1 Adjusted for the 2014 rights issue bonus factor.

In 2015, the Company offered shareholders the option to receive ordinary shares instead of cash for the 2014 final and 2015 interim dividends of 9.1 pence and 4.6 pence respectively under the Scrip Dividend Scheme. As a result of elections made by shareholders 16,071,625 new ordinary shares of 50 pence each were issued on 28 May 2015 and 5,420,299 new ordinary shares of 50 pence each were issued on 24 November 2015 in lieu of dividends otherwise payable. This resulted in £73.0 million of cash being retained in the business.

In 2014, the Scrip Dividend Scheme resulted in £62.2 million of cash being retained in the business.

Details of the shares in issue and dividends waived are given in notes 37 and 38.

## 17 Earnings per share

### (a) Earnings per share

Basic and diluted earnings per share as calculated in accordance with IAS 33 Earnings per Share:

| | **2015** | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **Earnings £m** | **Shares million** | **Pence per share** | Earnings £m | Shares million | Pence per share |
| **Profit for the year attributable to owners of intu properties plc** | **518.4** | | | 586.2 | | |
| Interest on convertible bonds recognised directly in equity (note 33) | **–** | | | (2.9) | | |
| **Basic earnings per share[1]** | **518.4** | **1,318.1** | **39.3p** | 583.3 | 1,214.6 | 48.0p |
| Dilutive convertible bonds, share options and share awards | **8.4** | **87.3** | | 23.2 | 96.4 | |
| **Diluted earnings per share** | **526.8** | **1,405.4** | **37.5p** | 606.5 | 1,311.0 | 46.3p |

1 The weighted average number of shares used for the calculation of basic earnings per share has been adjusted to remove shares held in the ESOP.

### (b) Headline earnings per share

Headline earnings per share has been calculated and presented as required by the Johannesburg Stock Exchange listing requirements.

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | **Gross £m** | **Net[1] £m** | Gross £m | Net[1] £m |
| Basic earnings | | **518.4** | | 583.3 |
| Remove: | | | | |
| Revaluation of investment and development property (note 19) | **(264.9)** | **(261.9)** | (567.8) | (552.9) |
| Gain on acquisition of businesses | **(0.8)** | **(0.8)** | (1.6) | (1.6) |
| Gain on disposal of subsidiaries | **(2.2)** | **(2.2)** | (0.6) | (0.6) |
| Gain on sale of other investments | **(0.9)** | **(0.9)** | – | – |
| Share of joint ventures' items | **(85.8)** | **(85.1)** | (80.4) | (80.4) |
| Share of associates' items | **(0.3)** | **(0.3)** | (0.8) | (0.8) |
| Headline earnings/(loss) | | **167.2** | | (53.0) |
| Dilution[2] | | **8.4** | | 23.2 |
| Diluted headline earnings/(loss) | | **175.6** | | (29.8) |
| Weighted average number of shares | | **1,318.1** | | 1,214.6 |
| Dilution[2] | | **87.3** | | 96.4 |
| Diluted weighted average number of shares | | **1,405.4** | | 1,311.0 |
| Headline earnings/(loss) per share (pence) | | **12.7p** | | (4.4)p |
| Diluted headline earnings/(loss) per share (pence) | | **12.5p** | | (2.3)p |

1 Net of tax and non-controlling interests.

2 The dilution impact is required to be included as calculated in note 17(a) even where this is not dilutive for headline earnings per share.

# Notes to the accounts continued

## 17 Earnings per share (continued)

### (c) Underlying earnings per share

Underlying earnings per share is a non-GAAP measure but has been included as it is considered to be a key measure of the Group's performance and an indication of the extent to which dividend payments are supported by underlying earnings (see underlying profit statement on page 167).

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **Earnings £m** | **Shares million** | **Pence per share** | Earnings £m | Shares million | Pence per share |
| Basic earnings per share (per note 17(a)) | **518.4** | **1,318.1** | **39.3p** | 583.3 | 1,214.6 | 48.0p |
| Remove: | | | | | | |
| Revaluation of investment and development property (note 19) | **(264.9)** | | **(20.1)p** | (567.8) | | (46.7)p |
| Loss/(gain) on acquisition of businesses | **0.8** | | **0.1p** | (1.6) | | (0.1)p |
| Gain on disposal of subsidiaries | **(2.2)** | | **(0.2)p** | (0.6) | | – |
| Gain on sale of other investments | **(0.9)** | | **(0.1)p** | – | | – |
| Exceptional administration expenses (note 6) | **1.0** | | **0.1p** | 13.8 | | 1.1p |
| Exceptional finance costs (note 12) | **31.4** | | **2.4p** | 50.7 | | 4.2p |
| Change in fair value of financial instruments (note 13) | **(6.0)** | | **(0.4)p** | 157.6 | | 13.0p |
| Tax on the above | **(5.1)** | | **(0.4)p** | (6.7) | | (0.6)p |
| Share of joint ventures' adjusting items | **(83.9)** | | **(6.4)p** | (81.1) | | (6.7)p |
| Share of associates' adjusting items | **(5.8)** | | **(0.4)p** | (0.8) | | (0.1)p |
| Non-controlling interests in respect of the above | **3.8** | | **0.3p** | 14.9 | | 1.2p |
| **Underlying earnings per share** | **186.6** | **1,318.1** | **14.2p** | 161.7 | 1,214.6 | 13.3p |
| Dilutive convertible bonds, share options and share awards | **7.5** | **87.3** | | 10.4 | 96.4 | |
| **Underlying, diluted earnings per share** | **194.1** | **1,405.4** | **13.8p** | 172.1 | 1,311.0 | 13.1p |

## 18 Net asset value per share

### (a) NAV per share (diluted, adjusted)

NAV per share (diluted, adjusted) is a non-GAAP measure but has been included as it is considered to be a key measure of the Group's performance.

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **Net assets £m** | **Shares million** | **NAV per share pence** | Net assets £m | Shares million | NAV per share pence |
| NAV per share attributable to owners of intu properties plc[1] | **4,976.4** | **1,331.9** | **374p** | 4,524.0 | 1,303.7 | 347p |
| Dilutive convertible bonds, share options and awards | **16.2** | **6.4** | | 22.2 | 8.6 | |
| Diluted NAV per share | **4,992.6** | **1,338.3** | **373p** | 4,546.2 | 1,312.3 | 347p |
| Remove: | | | | | | |
| Fair value of derivative financial instruments (net of tax) | **322.1** | | **24p** | 333.2 | | 26p |
| Deferred tax on investment and development property and other investments | **18.9** | | **1p** | 14.1 | | 1p |
| Share of joint ventures' adjusting items | **6.3** | | **1p** | 4.1 | | – |
| Add: | | | | | | |
| Non-controlling interest recoverable balance not recognised | **71.3** | | **5p** | 71.3 | | 5p |
| **NAV per share (diluted, adjusted)** | **5,411.2** | **1,338.3** | **404p** | 4,968.9 | 1,312.3 | 379p |

1 The number of shares used has been adjusted to remove shares held in the ESOP.

## 18 Net asset value per share (continued)

### (b) NNNAV per share (diluted, adjusted)

NNNAV per share (diluted, adjusted) is a non-GAAP measure but has been included as it is considered to be an industry standard comparable measure.

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **Net assets £m** | **Shares million** | **NAV per share pence** | Net assets £m | Shares million | NAV per share pence |
| NAV per share (diluted, adjusted) | **5,411.2** | **1,338.3** | **404p** | 4,968.9 | 1,312.3 | 379p |
| Fair value of derivative financial instruments (net of tax) | **(322.1)** | | **(24)p** | (333.2) | | (26)p |
| Excess of fair value of debt over book value | **(194.4)** | | **(14)p** | (310.2) | | (24)p |
| Deferred tax on investment and development property and other investments | **(18.9)** | | **(1)p** | (14.1) | | (1)p |
| Share of joint ventures' adjusting items | **(8.1)** | | **(1)p** | (6.0) | | – |
| Non-controlling interests in respect of the above | **11.0** | | **1p** | 17.0 | | 1p |
| **NNNAV per share (diluted, adjusted)** | **4,878.7** | **1,338.3** | **365p** | 4,322.4 | 1,312.3 | 329p |

## 19 Investment and development property

| | **Freehold £m** | **Leasehold £m** | **Total £m** |
|---|---|---|---|
| At 1 January 2014 | 5,038.1 | 2,240.6 | 7,278.7 |
| Acquisition of intu Derby and Sprucefield (note 40) | 458.4 | – | 458.4 |
| Additions | 48.5 | 17.5 | 66.0 |
| Disposal of subsidiaries[1] | (350.4) | – | (350.4) |
| Surplus on revaluation | 468.9 | 98.9 | 567.8 |
| Foreign exchange movements | (0.9) | – | (0.9) |
| At 31 December 2014 | 5,662.6 | 2,357.0 | 8,019.6 |
| Acquisition of Puerto Venecia, Zaragoza (note 40) | 344.2 | – | 344.2 |
| Additions | 84.4 | 36.6 | 121.0 |
| Disposals | (1.5) | (0.3) | (1.8) |
| Disposal of subsidiaries[2] | (331.7) | – | (331.7) |
| Surplus on revaluation | 223.6 | 41.3 | 264.9 |
| Foreign exchange movements | (12.3) | – | (12.3) |
| **At 31 December 2015** | **5,969.3** | **2,434.6** | **8,403.9** |

1 Relates to intu Asturias (£142.2 million) and intu Uxbridge (£208.2 million). See note 41.

2 Relates to Puerto Venecia, Zaragoza. See note 41.

A reconciliation to market value is given in the table below:

| | **2015 £m** | 2014 £m |
|---|---|---|
| Balance sheet carrying value of investment and development property | **8,403.9** | 8,019.6 |
| Tenant incentives included within trade and other receivables (note 27) | **101.0** | 96.9 |
| Head leases included within finance leases in borrowings (note 31) | **(34.2)** | (34.9) |
| **Market value of investment and development property** | **8,470.7** | 8,081.6 |

All investment and development property is measured at fair value in the Group's balance sheet and categorised as Level 3 in the fair value hierarchy (see note 35 for definition) as one or more significant 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 properties during the year.

The market value of investment and development property at 31 December 2015 includes £144.4 million (31 December 2014: £74.4 million) in respect of property considered to be developments. These are accounted for as investment property and are valued using the same methodology as other investment property with the exception of certain recently acquired development land as detailed on page 122.

# Notes to the accounts continued

## 19 Investment and development property (continued)

The Group has only one class of investment and development property asset. All the Group's significant investment and development property relates to prime shopping centres which are of a similar nature and share characteristics and risks.

### Valuation process

It is the Group's policy to engage independent external valuers to determine the market value of its investment and development property at both 30 June and 31 December. The Group provides information to the valuers, including current lease and tenant data along with asset specific business plans. The valuers use this and other inputs including market transactions for similar properties to produce valuations (see valuation methodology below). These valuations and the assumptions they have made are then discussed and reviewed with the Group's asset management team and Directors.

The Group engages independent valuation experts to undertake the Group's property valuations. A summary of the valuers and the value of property assets they have been engaged to value is given below:

| | **2015 £m** | 2014 £m |
|---|---|---|
| Cushman & Wakefield | **7,132.8** | 6,823.5 |
| CBRE | **1,275.0** | 1,248.1 |
| Assets not valued externally | **62.9** | 10.0 |
| | **8,470.7** | 8,081.6 |

In addition to the above, investment properties in the Group's joint ventures were valued by Cushman & Wakefield, Knight Frank and Jones Lang LaSalle.

Assets not valued externally, relates to recently acquired development land, the main element being the site in Malága, Spain. These amounts have been reviewed internally and it has been concluded that the cost of these assets continues to be in line with market values and so no valuation adjustment is needed. As the developments advance these will be valued by independent external valuers.

Valuation fees are a fixed amount agreed between the Group and the valuers in advance of the valuation and are not linked to the valuation output.

### Valuation methodology

The fair value of the Group's investment and development property as at 31 December 2015 was determined by independent external valuers at that date other than certain recently acquired development land as detailed above. The valuations are in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards 2014 and were arrived at by reference to market transactions for similar properties. Fair values for investment properties are calculated using the present value income approach. The main assumptions underlying the valuations are in relation to rent profile and yields as discussed below.

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

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

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

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.

Full definitions of nominal equivalent yield, annual property income and net initial yield are provided in the glossary.

The valuation output, inputs and assumptions, are reviewed to ensure that they are in line with those of market participants.

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 £953 million (31 December 2014: £874 million), while a 50 basis point increase would result in a decrease in the total market value of £748 million (31 December 2014: £718 million).

## 19 Investment and development property (continued)

The tables below provide details of the assumptions used in the valuation and key unobservable inputs:

| | 2015 | | | |
|---|---|---|---|---|
| | **Market value £m** | **Net initial yield (EPRA)** | **Nominal equivalent yield** | **Annual property income £m** |
| intu Trafford Centre | 2,305.0 | 3.7% | 4.3% | 87.8 |
| intu Lakeside | 1,334.0 | 4.2% | 4.7% | 59.2 |
| intu Metrocentre | 952.3 | 4.7% | 5.4% | 48.2 |
| intu Braehead | 585.5 | 3.9% | 6.0% | 26.2 |
| intu Derby | 447.0 | 5.9% | 6.0% | 30.6 |
| Manchester Arndale | 445.0 | 4.6% | 5.1% | 21.9 |
| intu Victoria Centre | 356.0 | 4.3% | 6.0% | 18.2 |
| intu Watford | 336.0 | 4.7% | 6.3% | 17.8 |
| intu Eldon Square | 299.7 | 4.1% | 5.9% | 14.5 |
| intu Milton Keynes | 280.0 | 4.1% | 4.8% | 13.3 |
| intu Chapelfield | 272.5 | 5.3% | 5.8% | 16.2 |
| Cribbs Causeway | 245.1 | 4.4% | 5.4% | 11.7 |
| intu Potteries | 175.1 | 4.7% | 7.5% | 9.4 |
| intu Bromley | 174.1 | 5.5% | 7.1% | 10.7 |

| | 2014 | | | |
|---|---|---|---|---|
| | Market value £m | Net initial yield (EPRA) | Nominal equivalent yield | Annual property income £m |
| intu Trafford Centre | 2,200.0 | 3.9% | 4.5% | 86.9 |
| intu Lakeside | 1,255.0 | 4.2% | 5.0% | 59.7 |
| intu Metrocentre | 928.1 | 4.3% | 5.4% | 46.8 |
| intu Braehead | 599.3 | 3.7% | 5.9% | 25.5 |
| Manchester Arndale | 430.2 | 4.6% | 5.2% | 21.7 |
| intu Derby | 420.0 | 6.3% | 6.2% | 28.4 |
| intu Watford | 335.0 | 4.5% | 6.3% | 17.3 |
| intu Victoria Centre | 314.0 | 4.0% | 6.2% | 16.9 |
| intu Milton Keynes | 277.5 | 4.5% | 4.9% | 13.8 |
| intu Eldon Square | 272.6 | 4.1% | 6.1% | 14.0 |
| intu Chapelfield | 261.0 | 5.0% | 6.0% | 15.1 |
| Cribbs Causeway | 242.9 | 4.1% | 5.5% | 12.6 |
| intu Bromley | 170.7 | 5.3% | 7.1% | 10.5 |
| intu Potteries | 164.5 | 5.3% | 7.5% | 10.5 |

# Notes to the accounts continued

## 20 Plant and equipment

| Group | 2015 Cost £m | 2015 Accumulated depreciation £m | 2015 Net £m | 2014 Cost £m | 2014 Accumulated depreciation £m | 2014 Net £m |
|---|---|---|---|---|---|---|
| At 1 January | **15.2** | **(10.1)** | **5.1** | 13.5 | (8.0) | 5.5 |
| Additions | **2.5** | **–** | **2.5** | 1.7 | – | 1.7 |
| Disposals | **(0.5)** | **0.5** | **–** | – | – | – |
| Charge for the year | **–** | **(2.6)** | **(2.6)** | – | (2.1) | (2.1) |
| **At 31 December** | **17.2** | **(12.2)** | **5.0** | 15.2 | (10.1) | 5.1 |

| Company | 2015 Cost £m | 2015 Accumulated depreciation £m | 2015 Net £m | 2014 Cost £m | 2014 Accumulated depreciation £m | 2014 Net £m |
|---|---|---|---|---|---|---|
| At 1 January | **10.4** | **(6.5)** | **3.9** | 9.0 | (4.8) | 4.2 |
| Additions | **2.3** | **–** | **2.3** | 1.4 | – | 1.4 |
| Charge for the year | **–** | **(2.0)** | **(2.0)** | – | (1.7) | (1.7) |
| **At 31 December** | **12.7** | **(8.5)** | **4.2** | 10.4 | (6.5) | 3.9 |

Plant and equipment consists of vehicles, fixtures, fittings and other office equipment.

## 21 Investment in group companies

| Company | 2015 Cost £m | 2015 Accumulated impairment £m | 2015 Net £m | 2014 Cost £m | 2014 Accumulated impairment £m | 2014 Net £m |
|---|---|---|---|---|---|---|
| At 1 January | **3,313.7** | **(609.0)** | **2,704.7** | 3,328.1 | (817.1) | 2,511.0 |
| Additions | **–** | **–** | **–** | 182.8 | – | 182.8 |
| Redemption of preference shares | **–** | **–** | **–** | (197.2) | – | (197.2) |
| Impairment reversed in the year | **–** | **161.9** | **161.9** | – | 208.1 | 208.1 |
| **At 31 December** | **3,313.7** | **(447.1)** | **2,866.6** | 3,313.7 | (609.0) | 2,704.7 |

The impairment charge reversed in the year was principally the result of property valuation increases seen in the relevant subsidiaries. Details of related undertakings are provided in note 45.

## 22 Joint ventures

The Group's principal joint ventures own and manage investment and development property.

| | intu Merry Hill £m | St David's, Cardiff £m | Puerto Venecia £m | intu Asturias £m | Other £m | 2015 Total £m |
|---|---|---|---|---|---|---|
| At 1 January 2015 | 433.0 | 310.9 | – | 47.3 | 60.3 | 851.5 |
| Puerto Venecia, Zaragoza (note 41) | – | – | 86.1 | – | – | 86.1 |
| Share of underlying profit | 7.5 | 13.8 | 0.6 | 0.6 | 2.2 | 24.7 |
| Share of other net profit/(loss) | 12.2 | 61.4 | (0.8) | 8.4 | 2.7 | 83.9 |
| Share of profit/(loss) | 19.7 | 75.2 | (0.2) | 9.0 | 4.9 | 108.6 |
| Distributions | (5.7) | – | – | – | (3.3) | (9.0) |
| Repayment of capital | – | – | – | – | (25.6) | (25.6) |
| Loan advances | – | – | – | – | 0.8 | 0.8 |
| Loan repayments | – | (17.6) | – | – | – | (17.6) |
| Foreign exchange movements | – | – | – | (2.9) | – | (2.9) |
| **At 31 December 2015** | **447.0** | **368.5** | **85.9** | **53.4** | **37.1** | **991.9** |
| Represented by: | | | | | | |
| Loans to joint venture | 386.2 | 111.0 | 82.3 | 29.3 | 2.3 | 611.1 |
| Group's share of net assets | 60.8 | 257.5 | 3.6 | 24.1 | 34.8 | 380.8 |

| | intu Merry Hill £m | St David's, Cardiff £m | intu Asturias £m | Other £m | 2014 Total £m |
|---|---|---|---|---|---|
| At 1 January 2014 | – | 194.6 | – | 14.9 | 209.5 |
| Acquisition of intu Merry Hill (note 40) | 403.8 | – | – | – | 403.8 |
| intu Uxbridge (note 41) | – | – | – | 43.0 | 43.0 |
| intu Asturias (note 41) | – | – | 71.3 | – | 71.3 |
| Other additions | – | – | – | 0.4 | 0.4 |
| Share of underlying profit | 5.1 | 11.3 | 0.4 | 1.8 | 18.6 |
| Share of other net profit | 26.8 | 38.8 | 13.9 | 1.6 | 81.1 |
| Share of profit | 31.9 | 50.1 | 14.3 | 3.4 | 99.7 |
| Distributions | (2.7) | – | – | (2.2) | (4.9) |
| Repayment of capital | – | – | (14.3) | – | (14.3) |
| Loan advances | – | 79.7 | 17.1 | 0.8 | 97.6 |
| Loan repayments | – | (13.5) | (39.2) | – | (52.7) |
| Foreign exchange movements | – | – | (1.9) | – | (1.9) |
| At 31 December 2014 | 433.0 | 310.9 | 47.3 | 60.3 | 851.5 |
| Represented by: | | | | | |
| Loans to joint venture | 386.2 | 128.6 | 31.6 | 1.9 | 548.3 |
| Group's share of net assets | 46.8 | 182.3 | 15.7 | 58.4 | 303.2 |

At 31 December 2015, the boards of joint ventures had approved £5.3 million (2014: £0.5 million) of future expenditure for the purchase, construction, development and enhancement of investment property. Of this, £2.0 million (2014: £0.1 million) is contractually committed. These amounts represent the Group's share.

It is intended that the exemption, conferred by regulation 7 of The Partnerships (Accounts) Regulations 2008, from needing to prepare and file accounts will be taken in respect of the following limited partnerships which are dealt with on a consolidated basis in these financial statements: MH (No. 1) Limited Partnership, MH (No. 2) Limited Partnership, MH (No. 3) Limited Partnership, MH (No. 4) Limited Partnership, MH (No. 5) Limited Partnership, MH (No. 6) Limited Partnership, MH (No. 7) Limited Partnership and MH (No. 8) Limited Partnership.

# Notes to the accounts continued

## 22 Joint ventures (continued)

Set out below is the summarised information of the Group's joint ventures with financial information presented at 100 per cent. The summarised income statement of Puerto Venecia, Zaragoza is presented for the period from 30 September 2015 when it became a joint venture.

| | intu Merry Hill £m | St David's, Cardiff £m | Puerto Venecia £m | intu Asturias £m | Other £m | 2015 Total £m |
|---|---|---|---|---|---|---|
| **Summary information** | | | | | | |
| Group's interest | 50% | 50% | 50% | 50% | | |
| Principal place of business | England | Wales | Spain | Spain | | |
| **Summarised income statement** | | | | | | |
| Revenue | 58.8 | 41.0 | 5.4 | 13.2 | 19.6 | 138.0 |
| Net rental income | 43.3 | 27.6 | 4.5 | 9.9 | 13.4 | 98.7 |
| Net other income | – | 0.1 | – | – | – | 0.1 |
| Revaluation of investment and development property | 24.4 | 122.7 | (0.9) | 20.0 | 13.9 | 180.1 |
| Administration expenses – underlying | (1.2) | – | (0.3) | (0.7) | (2.1) | (4.3) |
| Administration expenses – exceptional | – | – | (0.2) | (0.7) | – | (0.9) |
| Finance costs | (27.2) | – | (3.0) | (8.0) | (0.5) | (38.7) |
| Finance income | 0.1 | – | – | – | – | 0.1 |
| Change in fair value of derivative financial instruments | – | – | (0.5) | (0.9) | – | (1.4) |
| Taxation – underlying | – | – | – | (0.1) | – | (0.1) |
| Taxation – exceptional | – | – | – | (1.5) | – | (1.5) |
| **Profit/(loss)** | **39.4** | **150.4** | **(0.4)** | **18.0** | **24.7** | **232.1** |
| **Group's share of profit/(loss)** | **19.7** | **75.2** | **(0.2)** | **9.0** | **4.9** | **108.6** |
| **Summarised balance sheet** | | | | | | |
| Investment and development property | 895.8 | 718.1 | 331.5 | 177.8 | 252.2 | 2,375.4 |
| Other non-current assets | 1.1 | 2.8 | 0.4 | 4.0 | 4.4 | 12.7 |
| Total non-current assets | 896.9 | 720.9 | 331.9 | 181.8 | 256.6 | 2,388.1 |
| Cash and cash equivalents | 18.6 | 7.7 | 13.0 | 8.5 | 7.3 | 55.1 |
| Other current assets | 4.9 | 23.7 | 2.3 | 2.6 | 6.1 | 39.6 |
| Total current assets | 23.5 | 31.4 | 15.3 | 11.1 | 13.4 | 94.7 |
| Current financial liabilities | (5.3) | (1.2) | (3.9) | (3.6) | (2.4) | (16.4) |
| Other current liabilities | (21.1) | (14.1) | (7.4) | (0.3) | (3.7) | (46.6) |
| Total current liabilities | (26.4) | (15.3) | (11.3) | (3.9) | (6.1) | (63.0) |
| Partners' loans | (772.4) | (222.0) | (164.6) | (58.6) | (131.1) | (1,348.7) |
| Non-current financial liabilities | – | – | (164.1) | (70.0) | – | (234.1) |
| Other non-current liabilities | – | – | – | (12.2) | – | (12.2) |
| Total non-current liabilities | (772.4) | (222.0) | (328.7) | (140.8) | (131.1) | (1,595.0) |
| **Net assets** | **121.6** | **515.0** | **7.2** | **48.2** | **132.8** | **824.8** |
| **Group's share of net assets** | **60.8** | **257.5** | **3.6** | **24.1** | **34.8** | **380.8** |

## 22 Joint ventures (continued)

| | intu Merry Hill £m | St David's, Cardiff £m | intu Asturias £m | Other £m | Total £m |
|---|---|---|---|---|---|
| | | | | | 2014 |
| Summary information | | | | | |
| Group's interest | 50% | 50% | 50% | | |
| Principal place of business | England | Wales | Spain | | |
| Summarised income statement | | | | | |
| Revenue | 43.0 | 38.8 | 10.5 | 12.0 | 104.3 |
| Net rental income | 29.6 | 27.2 | 6.8 | 8.7 | 72.3 |
| Net other income | – | 1.2 | – | – | 1.2 |
| Revaluation of investment and development property | 53.7 | 75.5 | 28.8 | 1.5 | 159.5 |
| Administration expenses | (0.7) | (0.1) | (0.7) | (0.8) | (2.3) |
| Finance costs | (18.8) | (5.6) | (5.4) | – | (29.8) |
| Finance income | 0.1 | – | 0.1 | – | 0.2 |
| Change in fair value of derivative financial instruments | – | 2.0 | (0.9) | – | 1.1 |
| Profit | 63.9 | 100.2 | 28.7 | 9.4 | 202.2 |
| Group's share of profit | 31.9 | 50.1 | 14.3 | 3.4 | 99.7 |
| Summarised balance sheet | | | | | |
| Investment and development property | 868.9 | 594.1 | 164.4 | 245.1 | 1,872.5 |
| Other non-current assets | 0.5 | 20.6 | 4.4 | 2.3 | 27.8 |
| Total non-current assets | 869.4 | 614.7 | 168.8 | 247.4 | 1,900.3 |
| Cash and cash equivalents | 30.0 | 13.1 | 12.1 | 9.0 | 64.2 |
| Other current assets | 5.9 | 7.5 | 1.6 | 1.9 | 16.9 |
| Total current assets | 35.9 | 20.6 | 13.7 | 10.9 | 81.1 |
| Current financial liabilities | (17.8) | (0.3) | (3.8) | (1.6) | (23.5) |
| Other current liabilities | (21.4) | (13.3) | (0.9) | (5.3) | (40.9) |
| Total current liabilities | (39.2) | (13.6) | (4.7) | (6.9) | (64.4) |
| Partners' loans | (772.5) | (257.2) | (63.2) | (1.4) | (1,094.3) |
| Non-current financial liabilities | – | – | (72.0) | – | (72.0) |
| Other non-current liabilities | – | – | (11.2) | – | (11.2) |
| Total non-current liabilities | (772.5) | (257.2) | (146.4) | (1.4) | (1,177.5) |
| Net assets | 93.6 | 364.5 | 31.4 | 250.0 | 739.5 |
| Group's share of net assets | 46.8 | 182.3 | 15.7 | 58.4 | 303.2 |

# Notes to the accounts continued

## 23 Joint operations

The Group's interests in Cribbs Causeway and Manchester Arndale are accounted for as joint operations. The Group holds 50 per cent beneficial interests in the relevant freehold or leasehold of these properties. Each joint arrangement is governed by a Trust Deed giving each party rights to income and obligations for expenses in respect of their beneficial interest in the property. The management of the property is established under the Trust Deed as being undertaken by an entity jointly controlled by the beneficial owners of the property. This entity does not have the right to a share of the income or expenditure from the property, other than the receipt of a management fee. Therefore these interests are accounted for as joint operations. The principal place of business of both joint operations is England.

## 24 Investment in associates

| | **Group 2015 £m** | Group 2014 £m |
|---|---|---|
| At 1 January | **38.0** | 35.8 |
| Additions | **10.0** | – |
| Share of profit of associates | **6.0** | 0.8 |
| Foreign exchange movements | **0.7** | 1.4 |
| **At 31 December** | **54.7** | 38.0 |

Investment in associates comprises a 32.4 per cent holding in the ordinary shares of Prozone Intu Properties Limited ('Prozone') and a 26.8 per cent holding in the ordinary shares of Empire Mall Private Limited ('Empire'). Both companies are incorporated in India.

During 2015 Empire, a subsidiary of Prozone, initiated a rights issue to raise INR1.6 billion. Prozone did not take up its rights and hence its investment in Empire reduced from 61.5 per cent to 34.7 per cent. The Group took up these unclaimed rights resulting in a £10 million (INR1.0 billion), 26.8 per cent direct holding in Empire.

The rights issue was priced at a discount to the net asset value of Empire resulting in a gain of £8.1 million on acquisition which is recorded through the share of profit of associates. Conversely the carrying value of the investment in Prozone reduced by £2.6 million reflecting that Company's failure to take up its rights and this is also reflected through the share of profit of associates.

As required by IAS 28 Investments in Associates and Joint Ventures, the equity method of accounting is applied in accounting for the Group's investments in Prozone and Empire. The results for the year to 30 September have been used as 31 December information is not available in time for these financial statements. Those results are adjusted to be in line with the Group's accounting policies and include the most recent property valuations, determined as at 30 September 2015, by independent professionally qualified external valuers in line with the valuation methodology described in note 19.

The market price per share of Prozone at 31 December 2015 was INR32 (31 December 2014: INR26), valuing the Group's interest at £16.1 million (31 December 2014: £13.0 million) compared to the carrying value of £36.4 million (31 December 2014: £38.0 million). As the share price of Prozone is lower than its carrying value, a review of the carrying value has been undertaken. The net assets of Prozone principally comprise investment property which is held at fair value in intu's financial statements. As with other Group investment property, it is subject to independent valuation to fair value and that valuation reflects the future cash flows expected to be generated from those assets. As such the net asset carrying value recorded in the Group's accounts is deemed to be a reasonable approximation of the value in use of the business and so no adjustment to that carrying value is considered necessary.

## 24 Investment in associates (continued)

Set out below is the summarised information of the Group's investments in associates with financial information presented at 100 per cent. The summarised income statement of Empire is presented for the period from 26 September 2015 when it became an associate.

| | Prozone 2015 £m | Empire 2015 £m | Total 2015 £m | Prozone 2014 £m |
|---|---|---|---|---|
| **Summary information** | | | | |
| Group's interest | **32.4%** | **26.8%** | | 32.4% |
| **Summarised income statement** | | | | |
| Revenue | **8.8** | **1.6** | **10.4** | 4.6 |
| Revaluation of investment and development property | **1.2** | **(0.2)** | **1.0** | 2.3 |
| Other income statement items | **0.8** | **(0.2)** | **0.6** | 0.1 |
| Loss on Empire rights issue | **(8.1)** | **–** | **(8.1)** | – |
| (Loss)/profit reported by associate | **(6.1)** | **(0.4)** | **(6.5)** | 2.4 |
| Group's share of (loss)/profit reported by associate | **(2.0)** | **(0.1)** | **(2.1)** | 0.8 |
| Group's gain on Empire rights issue | **–** | **8.1** | **8.1** | – |
| Group's share of (loss)/profit | **(2.0)** | **8.0** | **6.0** | 0.8 |
| **Summarised balance sheet** | | | | |
| Investment and development property | **197.9** | **69.6** | **267.5** | 185.5 |
| Other non-current assets | **11.4** | **0.2** | **11.6** | 3.3 |
| Current assets | **23.4** | **8.6** | **32.0** | 20.3 |
| Current liabilities | **(5.4)** | **(2.8)** | **(8.2)** | (8.7) |
| Non-current liabilities | **(25.0)** | **(7.5)** | **(32.5)** | (20.9) |
| Net assets | **202.3** | **68.1** | **270.4** | 179.9 |
| Non-controlling interests | **(89.9)** | **–** | **(89.9)** | (62.2) |
| Net assets attributable to owners | **112.4** | **68.1** | **180.5** | 117.3 |
| Group's share of net assets attributable to owners | **36.4** | **18.3** | **54.7** | 38.0 |

# Notes to the accounts continued

## 25 Other investments

| | Group 2015 £m | Group 2014 £m |
|---|---|---|
| At 1 January | **189.7** | 154.9 |
| Additions | **–** | 3.8 |
| Disposals | **(4.5)** | – |
| Revaluation | **12.8** | 21.1 |
| Foreign exchange movements | **12.3** | 9.9 |
| **At 31 December** | **210.3** | 189.7 |

These investments are available-for-sale investments and are analysed by type as follows:

| | Group 2015 £m | Group 2014 £m |
|---|---|---|
| Listed securities – equity | **0.9** | 5.0 |
| Unlisted securities – equity | **209.4** | 184.7 |
| | **210.3** | 189.7 |

Listed investments are accounted for at fair value using the bid market value at the reporting date. The Group's unlisted securities all relate to the 11.4 million units in a US venture controlled by Equity One, convertible into Equity One shares and therefore the fair value of the investment is measured by reference to the Equity One share price. On 19 January 2016, the Group disposed of this interest in Equity One receiving £201.9 million.

## 26 Goodwill

| | Group 2015 £m | Group 2014 £m |
|---|---|---|
| At 1 January | **4.0** | 8.2 |
| Disposal of subsidiaries (note 41) | **–** | (4.2) |
| **At 31 December** | **4.0** | 4.0 |

## 27 Trade and other receivables

| | Group 2015 £m | Group 2014 £m | Company 2015 £m | Company 2014 £m |
|---|---|---|---|---|
| **Current** | | | | |
| Trade receivables | **23.5** | 24.6 | **–** | – |
| Amounts owed by subsidiary undertakings | **–** | – | **1,262.0** | 1,284.4 |
| Amounts owed by joint ventures | **8.5** | 20.5 | **–** | – |
| Other receivables | **17.5** | 16.8 | **2.3** | 0.9 |
| Prepayments and accrued income | **59.3** | 52.8 | **2.6** | 1.5 |
| **Trade and other receivables – current** | **108.8** | 114.7 | **1,266.9** | 1,286.8 |
| **Non-current** | | | | |
| Other receivables | **0.1** | 11.4 | **–** | – |
| Prepayments and accrued income | **89.2** | 88.3 | **–** | – |
| **Trade and other receivables – non-current** | **89.3** | 99.7 | **–** | – |

Included within prepayments and accrued income for the Group of £148.5 million (2014: £141.1 million) are tenant lease incentives of £101.0 million (2014: £96.9 million).

Amounts owed by subsidiary undertakings are unsecured and repayable on demand.

## 28 Cash and cash equivalents

| | Group 2015 £m | Group 2014 £m | Company 2015 £m | Company 2014 £m |
|---|---|---|---|---|
| Unrestricted cash | **273.6** | 212.5 | **0.3** | 1.0 |
| Restricted cash | **2.2** | 17.5 | **–** | – |
| **Cash and cash equivalents** | **275.8** | 230.0 | **0.3** | 1.0 |

In 2015, restricted cash primarily relates to cash deposits to fund compulsory purchase orders related to the intu Watford extension.

In 2014, restricted cash represented the deposit paid in relation to the acquisition of Puerto Venecia, Zaragoza.

A number of the Group's borrowing arrangements place certain restrictions on the rent received each quarter. These do not prevent access to or use of this funding within the borrowing entities, however they do place certain restrictions on moving those funds around the wider group, typically requiring debt servicing costs to be paid before restrictions are lifted.

## 29 Derivative financial instruments

All derivative financial instruments held by the Group relate to interest rate swaps which are classified as held for trading (see note 35).

The derivative financial instrument held by the Company relates to the bondholder option (see note 33) and is classified as held for trading.

## 30 Trade and other payables

| | Group 2015 £m | Group 2014 £m | Company 2015 £m | Company 2014 £m |
|---|---|---|---|---|
| **Current** | | | | |
| Rents received in advance | **99.3** | 97.2 | **–** | – |
| Trade payables | **4.6** | 2.7 | **–** | – |
| Amounts owed to joint ventures | **0.4** | 2.7 | **–** | – |
| Amounts owed to subsidiary undertakings | **–** | – | **326.8** | 376.8 |
| Accruals and deferred income | **132.0** | 110.7 | **11.2** | 10.6 |
| Other payables | **12.1** | 11.6 | **0.1** | 0.4 |
| Other taxes and social security | **27.1** | 26.6 | **8.2** | 6.3 |
| **Trade and other payables** | **275.5** | 251.5 | **346.3** | 394.1 |

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

# Notes to the accounts continued

## 31 Borrowings

| Group | Carrying value £m | Secured £m | Unsecured £m | Fixed rate £m | Floating rate £m | Fair value £m |
|---|---|---|---|---|---|---|
| | | | | | | 2015 |
| **Current** | | | | | | |
| Bank loans and overdrafts | 122.8 | 122.8 | – | – | 122.8 | 122.8 |
| Commercial mortgage backed securities ('CMBS') notes | 14.1 | 14.1 | – | 14.1 | – | 16.4 |
| Current borrowings, excluding finance leases | 136.9 | 136.9 | – | 14.1 | 122.8 | 139.2 |
| Finance lease obligations | 2.4 | 2.4 | – | 2.4 | – | 2.4 |
| | **139.3** | **139.3** | **–** | **16.5** | **122.8** | **141.6** |
| **Non-current** | | | | | | |
| Revolving credit facility 2020 | 353.7 | 353.7 | – | – | 353.7 | 353.7 |
| CMBS notes 2019 | 19.6 | 19.6 | – | 19.6 | – | 20.2 |
| CMBS notes 2022 | 50.9 | 50.9 | – | 50.9 | – | 60.6 |
| CMBS notes 2024 | 87.5 | 87.5 | – | 87.5 | – | 91.4 |
| CMBS notes 2029 | 83.7 | 83.7 | – | 83.7 | – | 94.1 |
| CMBS notes 2033 | 339.0 | 339.0 | – | 339.0 | – | 400.1 |
| CMBS notes 2035 | 188.4 | 188.4 | – | – | 188.4 | 194.7 |
| Bank loans 2017 | 346.9 | 346.9 | – | – | 346.9 | 346.9 |
| Bank loans 2020 | 380.0 | 380.0 | – | – | 380.0 | 380.0 |
| Bank loan 2021 | 120.6 | 120.6 | – | – | 120.6 | 120.6 |
| 3.875% bonds 2023 | 441.3 | 441.3 | – | 441.3 | – | 461.3 |
| 4.125% bonds 2023 | 476.6 | 476.6 | – | 476.6 | – | 504.0 |
| 4.625% bonds 2028 | 341.2 | 341.2 | – | 341.2 | – | 380.8 |
| 4.250% bonds 2030 | 344.5 | 344.5 | – | 344.5 | – | 358.1 |
| Debenture 2027 | 228.2 | 228.2 | – | 228.2 | – | 227.7 |
| 2.5% convertible bonds 2018 (note 33) | 326.4 | – | 326.4 | 326.4 | – | 326.4 |
| Non-current borrowings, excluding finance leases and Metrocentre compound financial instrument | 4,128.5 | 3,802.1 | 326.4 | 2,738.9 | 1,389.6 | 4,320.6 |
| Metrocentre compound financial instrument | 172.0 | – | 172.0 | 172.0 | – | 172.0 |
| Finance lease obligations | 31.8 | 31.8 | – | 31.8 | – | 31.8 |
| | **4,332.3** | **3,833.9** | **498.4** | **2,942.7** | **1,389.6** | **4,524.4** |
| **Total borrowings** | **4,471.6** | **3,973.2** | **498.4** | **2,959.2** | **1,512.4** | **4,666.0** |
| Cash and cash equivalents | (275.8) | | | | | |
| **Net debt** | **4,195.8** | | | | | |

Analysis of the Group's net external debt is provided in the other information section.

The Group substantially eliminates its interest rate exposure to floating rate debt through interest rate swaps as described in note 35.

The market value of investment property secured, either directly or indirectly, as collateral against borrowings at 31 December 2015 is £9,473.7 million including £1,118.7 million of investment property held within joint ventures (2014: £8,844.0 million including £824.9 million held within joint ventures). In most circumstances the Group can realise up to 50 per cent without restriction providing the Group continues to manage the asset. Realising an amount in excess of this would trigger a change of control and mandatory repayment of the facility.

The Company had non-current borrowings of £353.7 million at 31 December 2015 consisting of a revolving credit facility expiring in 2020 (2014: £230.0 million). This debt is floating rate, secured and its fair value is equal to book value.

The fair value of fixed rate borrowings and CMBS is assessed based on quoted market prices, and as such are categorised as Level 1 in the fair value hierarchy (see note 35 for definition). The fair values of unlisted floating rate borrowings are equal to their carrying value.

## 31 Borrowings (continued)

| Group | Carrying value £m | Secured £m | Unsecured £m | Fixed rate £m | Floating rate £m | Fair value £m |
|---|---|---|---|---|---|---|
| | | | | | | 2014 |
| Current | | | | | | |
| Bank loans and overdrafts | 1.7 | 1.7 | – | – | 1.7 | 1.7 |
| Commercial mortgage backed securities ('CMBS') notes | 16.5 | 16.5 | – | 13.3 | 3.2 | 19.1 |
| Current borrowings, excluding finance leases | 18.2 | 18.2 | – | 13.3 | 4.9 | 20.8 |
| Finance lease obligations | 3.1 | 3.1 | – | 3.1 | – | 3.1 |
| | 21.3 | 21.3 | – | 16.4 | 4.9 | 23.9 |
| Non-current | | | | | | |
| Revolving credit facility 2019 | 230.0 | 230.0 | – | – | 230.0 | 230.0 |
| CMBS notes 2019 | 19.5 | 19.5 | – | 19.5 | – | 20.3 |
| CMBS notes 2022 | 51.2 | 51.2 | – | 51.2 | – | 62.8 |
| CMBS notes 2024 | 87.4 | 87.4 | – | 87.4 | – | 95.4 |
| CMBS notes 2029 | 88.6 | 88.6 | – | 88.6 | – | 101.9 |
| CMBS notes 2033 | 351.8 | 351.8 | – | 351.8 | – | 429.5 |
| CMBS notes 2035 | 186.2 | 186.2 | – | – | 186.2 | 208.4 |
| Bank loans 2016 | 330.8 | 330.8 | – | – | 330.8 | 330.8 |
| Bank loan 2017 | 166.5 | 166.5 | – | – | 166.5 | 166.5 |
| Bank loan 2018 | 347.9 | 347.9 | – | – | 347.9 | 347.9 |
| Bank loan 2021 | 120.3 | 120.3 | – | – | 120.3 | 120.3 |
| 3.875% bonds 2023 | 440.2 | 440.2 | – | 440.2 | – | 474.1 |
| 4.125% bonds 2023 | 475.8 | 475.8 | – | 475.8 | – | 518.4 |
| 4.625% bonds 2028 | 340.6 | 340.6 | – | 340.6 | – | 392.7 |
| 4.250% bonds 2030 | 344.5 | 344.5 | – | 344.5 | – | 376.8 |
| Debenture 2027 | 227.9 | 227.9 | – | 227.9 | – | 241.0 |
| 2.5% convertible bonds 2018 (note 33) | 325.6 | – | 325.6 | 325.6 | – | 325.6 |
| Non-current borrowings, excluding finance leases and Metrocentre compound financial instrument | 4,134.8 | 3,809.2 | 325.6 | 2,753.1 | 1,381.7 | 4,442.4 |
| Metrocentre compound financial instrument | 166.1 | – | 166.1 | 166.1 | – | 166.1 |
| Finance lease obligations | 31.8 | 31.8 | – | 31.8 | – | 31.8 |
| | 4,332.7 | 3,841.0 | 491.7 | 2,951.0 | 1,381.7 | 4,640.3 |
| Total borrowings | 4,354.0 | 3,862.3 | 491.7 | 2,967.4 | 1,386.6 | 4,664.2 |
| Cash and cash equivalents | (230.0) | | | | | |
| Net debt | 4,124.0 | | | | | |

The maturity profile of debt (excluding finance leases) is as follows:

| | **Group 2015 £m** | Group 2014 £m |
|---|---|---|
| Repayable within one year | **136.9** | 18.2 |
| Repayable in more than one year but not more than two years | **346.6** | 328.4 |
| Repayable in more than two years but not more than five years | **1,150.5** | 1,148.1 |
| Repayable in more than five years | **2,803.4** | 2,824.4 |
| | **4,437.4** | 4,319.1 |

Certain borrowing agreements contain financial and other conditions that, if contravened, could alter the repayment profile. During the year there were no breaches of these conditions (see financial covenants section on pages 162 and 163).

# Notes to the accounts continued

## 31 Borrowings (continued)

As at 31 December 2015 the Group had committed borrowing facilities of £640.7 million, £600.0 million expiring in 2020 and £40.7 million expiring in 2021. At 31 December 2015, £287.0 million was undrawn (2014: facilities £640.7 million, undrawn £410.7 million).

Finance lease disclosures:

| | Group 2015 £m | Group 2014 £m |
|---|---|---|
| **Minimum lease payments under finance leases fall due:** | | |
| Not later than one year | **4.2** | 4.2 |
| Later than one year and not later than five years | **17.0** | 17.0 |
| Later than five years | **62.5** | 64.3 |
| | **83.7** | 85.5 |
| Future finance charges on finance leases | **(49.5)** | (50.6) |
| **Present value of finance lease liabilities** | **34.2** | 34.9 |
| | | |
| **Present value of finance lease liabilities:** | | |
| Not later than one year | **2.4** | 3.1 |
| Later than one year and not later than five years | **13.9** | 13.5 |
| Later than five years | **17.9** | 18.3 |
| | **34.2** | 34.9 |

Finance lease liabilities are in respect of head leases on investment property. A number of these leases provide for payment of contingent rent, usually a proportion of net rental income, in addition to the rents above.

## 32 Movement in net debt

| | | | | **2015** |
|---|---|---|---|---|
| **Group** | **Cash and cash equivalents £m** | **Current borrowings £m** | **Non-current borrowings £m** | **Net debt £m** |
| Balance at 1 January 2015 | **230.0** | **(21.3)** | **(4,332.7)** | **(4,124.0)** |
| Acquisition of businesses | **(200.7)** | **–** | **(138.2)** | **(338.9)** |
| Disposal of subsidiaries | **78.6** | **–** | **161.8** | **240.4** |
| Borrowings drawn | **329.2** | **–** | **(329.2)** | **–** |
| Borrowings repaid | **(190.3)** | **20.3** | **170.0** | **–** |
| Issue of ordinary shares | **22.0** | **–** | **–** | **22.0** |
| Cash flows with joint ventures | **51.4** | **–** | **–** | **51.4** |
| Other net cash movements | **(44.4)** | **–** | **–** | **(44.4)** |
| Other non-cash movements | **–** | **(138.3)** | **136.0** | **(2.3)** |
| **Balance at 31 December 2015** | **275.8** | **(139.3)** | **(4,332.3)** | **(4,195.8)** |

## 32 Movement in net debt (continued)

| Group | Cash and cash equivalents £m | Current borrowings £m | Non-current borrowings £m | Net debt £m |
|---|---|---|---|---|
| | | | | 2014 |
| Balance at 1 January 2014 | 156.7 | (70.9) | (3,944.0) | (3,858.2) |
| Acquisition of businesses | (851.3) | – | – | (851.3) |
| Disposal of subsidiaries | 162.5 | – | – | 162.5 |
| Borrowings drawn | 989.4 | – | (989.4) | – |
| Borrowings repaid | (675.1) | 1.4 | 672.7 | (1.0) |
| Issue of ordinary shares | 492.0 | – | – | 492.0 |
| Cash flows with joint ventures | (26.1) | – | – | (26.1) |
| Other net cash movements | (18.1) | – | – | (18.1) |
| Other non-cash movements | – | 48.2 | (72.0) | (23.8) |
| Balance at 31 December 2014 | 230.0 | (21.3) | (4,332.7) | (4,124.0) |

## 33 Convertible bonds

### 2.5 per cent convertible bonds ('the 2.5 per cent bonds')

On 4 October 2012 Intu (Jersey) Limited (the 'Issuer') issued £300.0 million 2.5 per cent Guaranteed Convertible Bonds due 2018 at par all of which remain outstanding at 31 December 2015. At 31 December 2015 the exchange price was £3.4398 per ordinary share. intu properties plc has unconditionally and irrevocably guaranteed the due and punctual performance by the Issuer of all of its obligations (including payments) in respect of the 2.5 per cent bonds and the obligations of the Company, as guarantor, constitute direct, unsubordinated and unsecured obligations of the Company.

Subject to certain conditions, the 2.5 per cent bonds are convertible into preference shares of the Issuer which are automatically transferred to the Company in exchange for ordinary shares in the Company or (at the Company's election) any combination of ordinary shares and cash. The 2.5 per cent bonds can be converted at any time from 14 November 2012 up to the 20th dealing day before the maturity date.

The initial exchange price was £4.3752 per ordinary share, a conversion rate of approximately 22,856 ordinary shares for every £100,000 nominal of the 2.5 per cent bonds. Under the terms of the 2.5 per cent bonds, the exchange price is adjusted upon certain events including the rights issue on 22 April 2014 and the payment of dividends by the Company.

The 2.5 per cent bonds may be redeemed at par at the Company's option subject to the Company's ordinary share price having traded at 30 per cent above the conversion price for a specified period, or at any time once 85 per cent by nominal value of the 2.5 per cent bonds originally issued have been converted or cancelled. If not previously converted, redeemed or purchased and cancelled, the 2.5 per cent bonds will be redeemed at par on 4 October 2018.

The 2.5 per cent bonds are designated as at fair value through profit or loss and so are presented on the balance sheet at fair value with all gains and losses taken to the income statement through the changes in fair value of financial instruments line. At 31 December 2015, the fair value of the 2.5 per cent bonds was £326.4 million (2014: £325.6 million), with the change in fair value reflected in note 13. The 2.5 per cent bonds are listed on the Professional Securities Market of the London Stock Exchange.

During the year interest of £7.5 million (2014: £7.5 million) in respect of these bonds has been recognised within finance costs.

In the Company's balance sheet the bondholder option is held at its fair value of £26.4 million as a derivative financial instrument (2014: £25.6 million).

### 3.75 per cent convertible bonds ('the 3.75 per cent bonds')

In 2011 intu properties plc issued £154.3 million, 3.75 per cent perpetual subordinated convertible bonds, with a conversion price of £4.00 per ordinary share, in connection with the acquisition of intu Trafford Centre. These were accounted for as equity at their fair value on issue which totalled £143.7 million. Following the rights issue on 22 April 2014, the conversion price was adjusted to £3.64 per ordinary share. On 2 July 2014 a conversion notice was issued for all the bonds resulting in 42,394,779 new ordinary shares being issued.

During 2014 interest of £2.9 million was recognised directly in equity. This is deducted in arriving at earnings per share (see note 17).

# Notes to the accounts continued

## 34 Operating leases

The Group 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 Group.

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

| | **2015 £m** | 2014 £m |
|---|---|---|
| Not later than one year | **408.3** | 416.9 |
| Later than one year and not later than five years | **1,210.0** | 1,263.3 |
| Later than five years | **1,287.7** | 1,423.2 |
| | **2,906.0** | 3,103.4 |

The income statement includes £1.1 million (2014: £3.6 million) recognised in respect of expected increased rent resulting from outstanding reviews where the actual rent will only be determined on settlement of the rent review.

The income statement includes £11.7 million (2014: £12.0 million) recognised in respect of contingent rents calculated by reference to tenants' turnover.

## 35 Financial risk management

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

The majority of the Group's financial risk management is carried out by the Group's treasury department. The policies for managing each of these risks and their impact on the results for the year are summarised below.

### Market risk

#### a) Interest rate risk

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

The Group's interest rate risk arises from borrowings issued at variable rates that expose the Group to cash flow interest rate risk, whereas borrowings issued at fixed interest rates expose the Group to fair value interest rate risk. Bank debt is typically issued at floating rates linked to LIBOR. Bond debt and other capital market debt is generally issued at fixed rates.

It is Group policy, and often a requirement of the Group's lenders, to eliminate substantially all exposure to interest rate fluctuations by using floating to fixed interest rate swaps in order to establish certainty over cash flows. Such swaps have the economic effect of converting borrowings from floating to fixed rates.

As a consequence, the Group is exposed to market price risk in respect of the fair value of its fixed rate interest rate swaps, as discussed in the financial review on pages 46 to 51.

The table below shows the effects of interest rate swaps on the borrowings profile of the Group:

| | **Fixed 2015 £m** | **Floating 2015 £m** | Fixed 2014 £m | Floating 2014 £m |
|---|---|---|---|---|
| Borrowings[1] | **2,725.1** | **1,570.4** | 2,738.4 | 1,448.6 |
| Derivative impact (nominal value of interest rate swaps) | **978.0** | **(978.0)** | 943.9 | (943.9) |
| Net borrowings profile | **3,703.1** | **592.4** | 3,682.3 | 504.7 |
| Interest rate protection | | **86.2%** | | 87.9% |

1 Borrowings are stated at nominal value and exclude the Metrocentre compound financial instrument and finance leases. At 31 December 2015 they include the £353.7 million (2014: £230.0 million) drawn under the revolving credit facility which incurs interest at a variable rate. Excluding the revolving credit facility, interest rate protection is 94.0 per cent (2014: 93.1 per cent).

Group policy is to target interest rate protection within the range of 75 per cent to 100 per cent.

The weighted average rate for interest rate swaps currently effective is 2.12 per cent (2014: 2.24 per cent).

## 35 Financial risk management (continued)

Unallocated swaps (including certain forward starting swaps) are excluded from the above calculation. The nominal value of these swaps is £746.7 million (2014: £746.7 million) of which £125.0 million (2014: £125.0 million) are forward starting. Their fair value of £239.1 million (2014: £242.5 million) is included as a liability in the balance sheet.

The approximate impact of a 50 basis point shift upwards in the level of interest rates would be a positive movement of £74.1 million (2014: £83.6 million) in the fair value of derivatives. The approximate impact of a 50 basis point shift downwards in the level of interest rates would be a negative movement of £79.8 million (2014: £90.2 million) in the fair value of derivatives. In practice, a parallel shift in the yield curve is highly unlikely. However, the above sensitivity analysis is a reasonable illustration of the possible effect from the changes in slope and shifts in the yield curve that may actually occur. Where the fixed rate derivative financial instruments are matched by floating rate debt, the overall effect on Group cash flow of such a movement would be very small.

### b) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a functional currency other than sterling. The Group's policy is to ensure the Group's net exposure to foreign currency is less than 10 per cent of the Group's equity attributable to owners of the Company. At 31 December 2015 the Group's exposure amounted to 7.9 per cent of equity attributable to owners of the Company (31 December 2014: 6.4 per cent).

The table summarises the Group's exposure to foreign currency risk:

| | **2015 €m** | 2014 €m | **2015 INRm** | 2014 INRm | **2015 US$m** | 2014 US$m |
|---|---|---|---|---|---|---|
| Net exposure | **170.4** | 87.0 | **5,421.4** | 3,819.3 | **311.1** | 288.0 |

The following foreign exchange rates apply to the Group's foreign exchange risk:

| | **2015 €m** | 2014 €m | **2015 INRm** | 2014 INRm | **2015 US$m** | 2014 US$m |
|---|---|---|---|---|---|---|
| Foreign exchange rate | **1.3568** | 1.2886 | **97.5080** | 98.4238 | **1.4739** | 1.5593 |

The approximate impact of a 10 per cent appreciation in foreign exchange rates would be positive movement of £43.6 million (2014: £32.3 million) to equity attributable to owners of the Company. The approximate impact of a 10 per cent depreciation in foreign exchange rates would be a negative movement of £35.7 million (2014: £26.5 million) to equity attributable to owners of the Company.

### Liquidity risk

Liquidity risk is managed to ensure that the Group 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 Group's 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. Undrawn borrowing facilities are detailed in note 31. 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.

Group policy is to maintain a weighted average debt maturity of over five years. As at 31 December 2015, the maturity profile of Group debt showed an average maturity of eight years (2014: eight years). The Group regularly reviews the maturity profile of its borrowings and seeks to avoid bunching of maturities through the regular replacement of facilities and by arranging a selection of maturity dates. Refinancing risk may be reduced by doing so prior to the contracted maturity date, effectively switching liquidity risk for market risk.

# Notes to the accounts continued

## 35 Financial risk management (continued)

The tables below set out the maturity analysis of the Group'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 for the relevant currency. Where payment obligations are in foreign currencies, the spot exchange rate at the balance sheet date is used.

| Group | Within 1 year £m | 1–2 years £m | 2–5 years £m | Over 5 years £m | Total £m 2015 |
|---|---|---|---|---|---|
| Borrowings (including interest) | **(285.9)** | **(561.9)** | **(1,611.6)** | **(3,456.9)** | **(5,916.3)** |
| Finance lease obligations | **(4.3)** | **(4.3)** | **(12.8)** | **(63.2)** | **(84.6)** |
| Other financial liabilities | **(17.3)** | **(2.8)** | **–** | **–** | **(20.1)** |
| Derivative payments | **(54.4)** | **(50.0)** | **(132.6)** | **(448.3)** | **(685.3)** |
| Derivative receipts | **14.1** | **15.4** | **49.9** | **217.5** | **296.9** |
| | **(347.8)** | **(603.6)** | **(1,707.1)** | **(3,750.9)** | **(6,409.4)** |

| Group | Within 1 year £m | 1–2 years £m | 2–5 years £m | Over 5 years £m | Total £m 2014 |
|---|---|---|---|---|---|
| Borrowings (including interest) | (180.2) | (514.6) | (1,574.9) | (3,607.3) | (5,877.0) |
| Finance lease obligations | (4.2) | (4.2) | (12.7) | (64.4) | (85.5) |
| Other financial liabilities | (17.0) | (2.5) | – | – | (19.5) |
| Derivative payments | (121.6) | (61.7) | (143.5) | (198.7) | (525.5) |
| Derivative receipts | 17.0 | 15.7 | 34.0 | 90.1 | 156.8 |
| | (306.0) | (567.3) | (1,697.1) | (3,780.3) | (6,350.7) |

| Company | Within 1 year £m | 1–2 years £m | 2–5 years £m | Over 5 years £m | Total £m 2015 |
|---|---|---|---|---|---|
| Borrowings (including interest) | **(0.9)** | **(24.4)** | **(396.1)** | **–** | **(421.4)** |
| Other financial liabilities | **(0.3)** | **–** | **–** | **–** | **(0.3)** |
| Amounts owed to subsidiary undertakings | **(326.8)** | **–** | **–** | **–** | **(326.8)** |
| | **(328.0)** | **(24.4)** | **(396.1)** | **–** | **(748.5)** |

| Company | Within 1 year £m | 1–2 years £m | 2–5 years £m | Over 5 years £m | Total £m 2014 |
|---|---|---|---|---|---|
| Borrowings (including interest) | (7.9) | (7.5) | (545.0) | – | (560.4) |
| Other financial liabilities | (0.2) | – | – | – | (0.2) |
| Amounts owed to subsidiary undertakings | (376.8) | – | – | – | (376.8) |
| | (384.9) | (7.5) | (545.0) | – | (937.4) |

### Credit risk

Credit risk is the risk of financial loss if a tenant or counterparty fails to meet an obligation under a contract. Credit risk arises primarily from trade receivables but also from the Group's holdings of assets with counterparties such as cash deposits 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, aiming wherever possible to identify and address 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 guarantees may be obtained. The amount of deposits held as collateral at 31 December 2015 is £3.7 million (2014: £3.4 million).

It is Group policy to calculate any impairment of receivables specifically on each contract.

## 35 Financial risk management (continued)

The ageing analysis of trade receivables is as follows:

| | **Group 2015 £m** | Group 2014 £m |
|---|---|---|
| Up to three months | **20.9** | 22.5 |
| Three to six months | **2.6** | 2.1 |
| Trade receivables | **23.5** | 24.6 |

At 31 December 2015 trade receivables are shown net of provisions totalling £3.8 million (2014: £7.1 million).

The credit risk relating to cash deposits and derivative financial instruments is actively managed by the Group's treasury department. Relationships are maintained with a number of tier one institutional counterparties, ensuring compliance with Group policy relating to limits on the credit ratings of counterparties (between BBB+ and AAA).

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

| Counterparty | Credit rating | Authorised limit £m | Group Exposure 31 December 2015 £m |
|---|---|---|---|
| Counterparty #1 | AA– | 125.0 | 86.8 |
| Counterparty #2 | AAA | 150.0 | 68.7 |
| Counterparty #3 | A | 100.0 | 49.6 |
| Counterparty #4 | BBB+ | 75.0 | 49.3 |
| Counterparty #5 | A– | 100.0 | 11.5 |
| Sum of five largest exposures | | | 265.9 |
| Sum of cash deposits and derivative financial instrument assets | | | 279.0 |
| Five largest exposures as a percentage of risk | | | 95% |

### Classification of financial assets and liabilities

The tables below set out the Group's accounting classification of each class of financial assets and liabilities and their fair values at 31 December 2015 and 31 December 2014.

The fair values of derivative financial instruments are determined from observable market prices or estimated using appropriate yield curves at 31 December each year by discounting the future contractual cash flows to the net present values. The determination of the fair values of borrowings is defined in note 31.

| | | | | **2015** |
|---|---|---|---|---|
| | **Carrying value £m** | **Fair value £m** | **Profit/(loss) to income statement £m** | **Profit to other comprehensive income £m** |
| Derivative financial instrument assets | **3.2** | **3.2** | **(6.2)** | **–** |
| Total held for trading assets | **3.2** | **3.2** | **(6.2)** | **–** |
| Trade and other receivables | **49.6** | **49.6** | **–** | **–** |
| Cash and cash equivalents | **275.8** | **275.8** | **–** | **–** |
| Total cash and receivables | **325.4** | **325.4** | **–** | **–** |
| Other investments | **210.3** | **210.3** | **–** | **12.8** |
| Total available-for-sale investments | **210.3** | **210.3** | **–** | **12.8** |
| Derivative financial instrument liabilities | **(341.7)** | **(341.7)** | **13.0** | **–** |
| Total held for trading liabilities | **(341.7)** | **(341.7)** | **13.0** | **–** |
| Trade and other payables | **(20.1)** | **(20.1)** | **–** | **–** |
| Borrowings | **(4,471.6)** | **(4,666.0)** | **(0.8)** | **–** |
| Total loans and payables | **(4,491.7)** | **(4,686.1)** | **(0.8)** | **–** |

# Notes to the accounts continued

## 35 Financial risk management (continued)

| | | | | 2014 |
|---|---|---|---|---|
| | Carrying value £m | Fair value £m | Profit/(loss) to income statement £m | Profit to other comprehensive income £m |
| Derivative financial instrument assets | 9.7 | 9.7 | (15.9) | – |
| Total held for trading assets | 9.7 | 9.7 | (15.9) | – |
| Trade and other receivables | 70.9 | 70.9 | – | – |
| Cash and cash equivalents | 230.0 | 230.0 | – | – |
| Total cash and receivables | 300.9 | 300.9 | – | – |
| Other investments | 189.7 | 189.7 | – | 21.1 |
| Total available-for-sale investments | 189.7 | 189.7 | – | 21.1 |
| Derivative financial instrument liabilities | (356.5) | (356.5) | (128.9) | – |
| Total held for trading liabilities | (356.5) | (356.5) | (128.9) | – |
| Trade and other payables | (19.5) | (19.5) | – | – |
| Borrowings | (4,354.0) | (4,664.2) | (12.8) | – |
| Total loans and payables | (4,373.5) | (4,683.7) | (12.8) | – |

The table below presents the Group's financial assets and liabilities recognised at fair value.

| | | | | **2015** |
|---|---|---|---|---|
| | **Level 1 £m** | **Level 2 £m** | **Level 3 £m** | **Total £m** |
| **Assets** | | | | |
| Derivative financial instruments: | | | | |
| — Fair value through profit or loss | **–** | **3.2** | **–** | **3.2** |
| Available-for-sale investments | **0.9** | **209.4** | **–** | **210.3** |
| **Total assets** | **0.9** | **212.6** | **–** | **213.5** |
| **Liabilities** | | | | |
| Convertible bonds: | | | | |
| — Designated as at fair value through profit or loss | **(326.4)** | **–** | **–** | **(326.4)** |
| Derivative financial instruments: | | | | |
| — Fair value through profit or loss | **–** | **(341.7)** | **–** | **(341.7)** |
| **Total liabilities** | **(326.4)** | **(341.7)** | **–** | **(668.1)** |

| | | | | 2014 |
|---|---|---|---|---|
| | Level 1 £m | Level 2 £m | Level 3 £m | Total £m |
| Assets | | | | |
| Derivative financial instruments: | | | | |
| — Fair value through profit or loss | – | 9.7 | – | 9.7 |
| Available-for-sale investments | 5.0 | 184.7 | – | 189.7 |
| Total assets | 5.0 | 194.4 | – | 199.4 |
| Liabilities | | | | |
| Convertible bonds: | | | | |
| — Designated as at fair value through profit or loss | (325.6) | – | – | (325.6) |
| Derivative financial instruments: | | | | |
| — Fair value through profit or loss | – | (356.5) | – | (356.5) |
| Total liabilities | (325.6) | (356.5) | – | (682.1) |

## 35 Financial risk management (continued)

### 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 significant inputs to valuation are unobservable. 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.

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 for the above financial assets and liabilities during the year.

Valuation techniques for level 2 hierarchy financial assets and liabilities are presented in the accounting policies.

### Capital structure

The Group seeks to enhance shareholder value both by investing in the business so as to improve the return on investment and by managing the capital structure. The capital of the Group consists of equity, debt and compound financial instruments. The Group aims to access both debt and equity capital markets with maximum efficiency and flexibility.

The key ratios used to monitor the capital structure of the Group are the debt to assets ratio and interest cover. The Group's stated medium to long-term preference is for the debt to assets ratio to be within the 40–50 per cent range and interest cover to be greater than 1.60x. At 31 December 2015 the debt to asset ratio remains within the preferred range and the interest cover ratio continues to be above the preferred level.

As the Group's debt is sometimes secured on its interests in joint ventures, these ratios are monitored for the Group including share of joint ventures. A reconciliation from the relevant amounts as presented to those including the Group's share of joint ventures is presented in the other information section.

| Debt to assets ratio | Group 2015 £m | Group 2014 £m |
|---|---|---|
| Market value of investment and development property | **9,602.4** | 8,963.4 |
| Net external debt | **(4,139.1)** | (3,963.4) |
| **Debt to assets ratio** | **43.1%** | 44.2% |

| Interest cover | Group 2015 £m | Group 2014 £m |
|---|---|---|
| Finance costs | **(208.9)** | (201.2) |
| Finance income | **1.6** | 1.2 |
| Interest on convertible bonds recognised directly in equity | **–** | (2.9) |
| | **(207.3)** | (202.9) |
| Underlying operating profit | **395.6** | 370.3 |
| Remove trading property related items | **–** | (0.6) |
| | **395.6** | 369.7 |
| **Interest cover** | **1.91x** | 1.82x |

# Notes to the accounts continued

## 36 Deferred tax

Under IAS 12 Income Taxes, provision is made for the deferred tax assets and liabilities associated with the revaluation of assets and liabilities at the corporate tax rate expected to apply to the Group at the time the temporary differences are expected to reverse. For those UK assets and liabilities benefitting from REIT exemption, the relevant tax rate will be 0 per cent (2014: 0 per cent), for other UK assets and liabilities the relevant rate will be 20 per cent if the temporary difference is expected to be realised before 1 April 2017, 19 per cent if it is expected to be realised on or after 1 April 2017 but before 1 April 2020 and 18 per cent if it is expected to be realised on or after 1 April 2020 (2014: 20 per cent). For other assets and liabilities the tax rate will be the relevant expected corporate tax rate in the relevant country.

Movements in the provision for deferred tax:

| Group | Investment and development property £m | Other investments £m | Derivative financial instruments £m | Other temporary differences £m | Total £m |
|---|---|---|---|---|---|
| Provided deferred tax provision/(asset): | | | | | |
| At 1 January 2014 | 12.0 | 8.4 | (8.0) | (0.4) | 12.0 |
| Recognised in the income statement | – | (0.9) | (5.6) | (0.1) | (6.6) |
| Recognised in other comprehensive income | – | 6.6 | – | – | 6.6 |
| Disposal of subsidiaries (note 41) | (12.0) | – | – | – | (12.0) |
| At 31 December 2014 | – | 14.1 | (13.6) | (0.5) | – |
| Acquisition of Puerto Venecia, Zaragoza | 6.1 | – | – | (6.1) | – |
| Recognised in the income statement | (0.8) | (0.2) | (2.8) | (1.2) | (5.0) |
| Recognised in other comprehensive income | – | 5.0 | – | – | 5.0 |
| Foreign exchange movements | (0.2) | – | – | 0.2 | – |
| Disposal of subsidiaries | (5.1) | – | – | 5.1 | – |
| **At 31 December 2015** | **–** | **18.9** | **(16.4)** | **(2.5)** | **–** |

At 31 December 2015, the Group had unrecognised deferred tax assets calculated at a tax rate of 18 per cent (2014: 20 per cent) of £54.2 million (2014: £55.7 million) for surplus UK revenue tax losses carried forward, £31.3 million (2014: £40.0 million) for temporary differences on derivative financial instruments and £0.6 million (2014: £0.5 million) for temporary differences on capital allowances.

In accordance with the requirements of IAS 12 Income Taxes, the deferred tax asset has not been recognised in the Group financial statements due to uncertainty over the level of profits that will be available in the non-REIT elements of the Group in future periods.

The Company recognises a deferred tax asset of £1.1 million (2014: £0.4 million), which resulted from carried forward losses. In 2014, this also resulted from the difference between the timing of certain deductions for tax and accounting purposes.

## 37 Share capital and share premium

| | Share capital £m | Share premium £m |
|---|---|---|
| Issued and fully paid: | | |
| At 1 January 2014: 973,845,701 ordinary shares of 50p each | 486.9 | 695.6 |
| Ordinary shares issued on conversion of bonds (note 33) | 21.2 | 122.5 |
| Other ordinary shares issued | 150.3 | 403.9 |
| At 31 December 2014: 1,316,838,051 ordinary shares of 50p each | 658.4 | 1,222.0 |
| Ordinary shares issued | 13.9 | 81.1 |
| **At 31 December 2015: 1,344,661,827 ordinary shares of 50p each** | **672.3** | **1,303.1** |

During the year the Company issued a total of 75,777 ordinary shares in connection with the exercise of options by employees and former employees under the intu properties plc approved share option scheme and the intu properties plc unapproved share option scheme. As a result the Company's share capital increased by 0.1 million and share premium by £0.2 million.

On 20 May 2015 the Company issued 6,256,075 new ordinary shares of 50p each to entities in the Peel Group at £3.4635 per share in connection with the purchase of the two parcels of land in the province of Málaga, Spain. As a result share capital increased by £3.1 million and share premium by £18.6 million. See note 46.

## 37 Share capital and share premium (continued)

On 28 May 2015 and 24 November 2015, the Company issued 16,071,625 and 5,420,299 new ordinary shares of 50p each respectively to shareholders who elected to receive their 2014 final and 2015 interim dividends in shares under the Scrip Dividend Scheme. The value of the Scrip Shares was calculated in accordance with the terms of the Scrip Dividend Scheme, being the average middle market quotations for each day between 24 March to 30 March 2015 inclusive and between 2 October to 8 October 2015 respectively less the gross amount of dividend payable. As a result the Company's share capital increased by £10.7 million and share premium by £62.3 million.

Full details of the rights and obligations attaching to the ordinary shares are contained in the Company's Articles of Association. These rights include an entitlement to receive the Company's report and financial statements, to attend and speak at General Meetings of the Company, to appoint proxies and to exercise voting rights. Holders of ordinary shares may also receive dividends and may receive a share of the Company's assets on the Company's liquidation. There are no restrictions on the transfer of the ordinary shares.

At 26 February 2016 the Company had an unexpired authority to repurchase shares up to a maximum of 131,683,805 shares with a nominal value of £65.8 million, and the Directors have an unexpired authority to allot up to a maximum of 438,946,017 shares with a nominal value of £219.5 million.

Included within the issued share capital as at 31 December 2015 are 12,712,516 ordinary shares (2014: 13,131,185) held by the Trustee of the ESOP which is operated by the Company (note 38). The nominal value of these shares at 31 December 2015 is £6.4 million (2014: £6.6 million).

## 38 Employee Share Ownership Plan ('ESOP')

The cost of shares in intu properties plc held by the Trustee of the Employee Share Ownership Plan operated by the Company is accounted for as a deduction from equity.

The purpose of the ESOP is to acquire and hold shares which will be transferred to employees in the future under the Group's employee incentive arrangements as described in note 47 and the Director's remuneration report on pages 78 to 91, including joint ownership of shares in its role as Trustee of the Joint Share Ownership Plan. Dividends of £1.6 million (2014: £1.4 million) in respect of these shares have been waived by agreement.

| | Group and Company | | | |
|---|---|---|---|---|
| | **2015 Shares million** | **2015 £m** | 2014 Shares million | 2014 £m |
| At 1 January | **13.1** | **45.1** | 12.6 | 48.2 |
| Adjustment for rights issue | **–** | **–** | 1.3 | – |
| Acquisitions | **0.5** | **1.6** | 0.3 | 1.0 |
| Disposals | **(0.9)** | **(3.4)** | (1.1) | (4.1) |
| **At 31 December** | **12.7** | **43.3** | 13.1 | 45.1 |

# Notes to the accounts continued

## 39 Other reserves

| Group | Capital redemption £m | Translation reserve £m | Other £m | Total £m |
|---|---|---|---|---|
| At 1 January 2014 | 61.4 | (7.3) | 446.4 | 500.5 |
| Revaluation of other investments (note 25) | – | – | 21.1 | 21.1 |
| Exchange differences | – | 7.4 | – | 7.4 |
| Tax relating to components of other comprehensive income (note 14) | – | – | (6.6) | (6.6) |
| Realisation of merger reserve | – | – | (164.4) | (164.4) |
| At 31 December 2014 | 61.4 | 0.1 | 296.5 | 358.0 |
| Revaluation of other investments (note 25) | – | – | 12.8 | 12.8 |
| Exchange differences | – | 7.6 | – | 7.6 |
| Tax relating to components of other comprehensive income (note 14) | – | – | (5.0) | (5.0) |
| Reclassified to income statement on sale of other investments | – | – | (0.6) | (0.6) |
| **At 31 December 2015** | **61.4** | **7.7** | **303.7** | **372.8** |

| Company | Capital redemption £m | Merger reserve £m | Total £m |
|---|---|---|---|
| At 1 January 2014 | 61.4 | 164.4 | 225.8 |
| Realisation of merger reserve | – | (164.4) | (164.4) |
| **At 31 December 2014 and 31 December 2015** | **61.4** | **–** | **61.4** |

In 2014, the merger reserve created as part of the March 2013 capital raise was realised and transferred to retained earnings following redemption of preference shares held by the Company.

## 40 Business combinations

### Acquisition during 2015

On 19 January 2015 the Group acquired 100 per cent of the share capital of Puerto Venecia Investments SOCIMI S.A. for total cash consideration of €273.5 million (£208.8 million). The cash flow statement outflow of £203.1 million reflects the £208.8 million less the unrestricted cash acquired of £5.7 million. Acquisition related costs of £1.1 million were incurred and recognised in the income statement in exceptional administration expenses during 2014 and 2015.

The company acquired owns Puerto Venecia, a shopping resort in Zaragoza, Spain.

The fair value of assets and liabilities acquired is set out in the table below:

| | Fair value £m |
|---|---|
| **Assets** | |
| Investment and development property (€450.8 million) | 344.2 |
| Cash and cash equivalents (including restricted cash of £2.4 million) | 8.1 |
| Derivative financial instruments | 0.1 |
| Trade and other receivables | 2.6 |
| **Total assets** | **355.0** |
| **Liabilities** | |
| Trade and other payables | (7.2) |
| Borrowings | (138.2) |
| **Total liabilities** | **(145.4)** |
| **Net assets** | **209.6** |
| Fair value of consideration received | 208.8 |
| **Gain on acquisition of business** | **0.8** |

The fair value of the assets and liabilities acquired exceeds the fair value of the consideration and as a result a gain of £0.8 million is recognised in the income statement on acquisition.

## 40 Business combinations (continued)

During the year the acquired business contributed £16.5 million to the revenue of the Group and £2.6 million to the profit of the Group.

Had the acquired business been consolidated from 1 January 2015, the 2015 consolidated income statement would show revenue of £572.3 million. The Group's reported profit would be unchanged.

### Acquisition during 2014

On 1 May 2014 the Group acquired interests in a number of entities for a consideration of £854.9 million. These entities together hold a 100 per cent interest in intu Derby, a 50 per cent joint venture interest in intu Merry Hill and a 100 per cent interest in Sprucefield retail park in Northern Ireland. The transaction is accounted for as a single business combination as this was announced as one deal, from one ultimate vendor and completed on the same day. Consideration was in cash and totalled £854.9 million, consisting of a payment on completion of £867.8 million less £12.9 million received following final agreement of the completion balance sheet. The cash flow statement reflects the £854.9 million less the cash acquired of £3.6 million. Acquisition related costs of £11.8 million were incurred in 2014 and recognised in the income statement in exceptional administration expenses.

The fair value of assets and liabilities acquired is set out in the table below:

| | Fair value £m |
|---|---|
| Assets | |
| Investment and development property | 458.4 |
| Investment in joint venture – intu Merry Hill | 403.8 |
| Cash and cash equivalents | 3.6 |
| Trade and other receivables | 2.8 |
| Total assets | 868.6 |
| Liabilities | |
| Trade and other payables | (12.1) |
| Total liabilities | (12.1) |
| Net assets | 856.5 |
| Fair value of consideration paid | 854.9 |
| Gain on acquisition of businesses | 1.6 |

The fair value of the assets, investment in joint venture and liabilities acquired exceeds the fair value of the consideration and as a result a gain of £1.6 million is recognised in the income statement on acquisition.

The acquired companies contributed £28.7 million to the revenue of the Group and £76.9 million to the profit of the Group for 2014. Had the acquired companies been consolidated from 1 January 2014, the 2014 consolidated income statement would show revenue of £551.4 million and profit of £623.7 million.

## 41 Disposal of subsidiaries

### Disposals during 2015

On 30 September 2015, the Group sold 50 per cent of its interest in Intu Zaragoza S.à r.l., a wholly owned subsidiary, to CPPIB for consideration of €122.3 million (£90.1 million). Intu Zaragoza S.à r.l. owns, through its subsidiaries, Puerto Venecia, Zaragoza. Following this transaction Puerto Venecia has ceased to be accounted for as a subsidiary and is now a joint venture. Therefore the assets and liabilities of Puerto Venecia are no longer recorded at 100 per cent in the Group's balance sheet but the remaining 50 per cent interest is included in the investment in joint ventures at an initial value of £86.1 million. As a result of this transaction the Group has recorded a gain on disposal of £2.2 million in the income statement. The cash flow statement records a net inflow of £81.0 million being cash received of £90.1 million net of cash in the business of £9.1 million.

# Notes to the accounts continued

## 41 Disposal of subsidiaries (continued)

The assets and liabilities of the subsidiary disposed of, at 100 per cent, are set out below:

| | £m |
|---|---|
| **Assets** | |
| Investment and development property (€450.8 million) | 331.7 |
| Cash and cash equivalents (including restricted cash of £2.4 million) | 11.5 |
| Trade and other receivables | 2.5 |
| **Total assets** | **345.7** |
| **Liabilities** | |
| Trade and other payables | (6.3) |
| Derivative financial instruments | (1.8) |
| Borrowings | (161.8) |
| **Total liabilities** | **(169.9)** |
| **Net assets** | **175.8** |
| **Net assets (at 50 per cent)** | **87.9** |
| Fair value of consideration received | 90.1 |
| **Gain on disposal of subsidiaries** | **2.2** |

### Disposals during 2014

On 20 June 2014, the Group sold 80 per cent of its interest in Intu Uxbridge Limited (renamed Metropolitan Uxbridge Limited), a wholly owned subsidiary, for consideration of £174.6 million, before expenses of £1.3 million. The Group retains a 20 per cent interest in the company and as a result of the terms governing the management of the business, this interest has been accounted for as a joint venture from 20 June 2014. As a result of this transaction the Group has recorded a gain on disposal of £0.6 million in the income statement. The cash flow statement records a net inflow of £173.3 million being cash received of £173.8 million net of cash in the business of £0.5 million.

During 2014 CPPIB, who held a 49 per cent non-controlling interest in Parque Principado S.à r.l., exercised an option allowing them to acquire an additional one per cent holding and certain rights relating to the management of the business. This has resulted in intu Asturias (renamed from Parque Principado), previously accounted for as a subsidiary, being accounted for as a joint venture from that date. No gain or loss arose on exercise of the option. As a result the assets and liabilities of intu Asturias, previously recorded in the balance sheet at 100 per cent, have been reclassified, along with the relevant non-controlling interest in reserves of £68.7 million, to investments in joint ventures. The cash flow statement shows an outflow of £11.6 million representing consideration received of £1.3 million on exercise of the option, net of cash in the business of £12.9 million which is reclassified as part of the investment in joint ventures.

The assets and liabilities of the subsidiaries disposed of, at 100 per cent, are set out below:

| | intu Asturias £m | intu Uxbridge £m | Total £m |
|---|---|---|---|
| Assets | | | |
| Investment and development property | 142.2 | 208.2 | 350.4 |
| Goodwill | 4.2 | – | 4.2 |
| Restricted cash | 4.1 | – | 4.1 |
| Other cash and cash equivalents | 12.9 | 0.5 | 13.4 |
| Trade and other receivables | 1.9 | 11.1 | 13.0 |
| Total assets | 165.3 | 219.8 | 385.1 |
| Liabilities | | | |
| Deferred tax | (12.0) | – | (12.0) |
| Trade and other payables | (13.3) | (4.9) | (18.2) |
| Total liabilities | (25.3) | (4.9) | (30.2) |
| Net assets | 140.0 | 214.9 | 354.9 |

## 42 Capital commitments

At 31 December 2015 the Board had approved £59.9 million (2014: £80.1 million) of future expenditure for the purchase, construction, development and enhancement of investment property. Of this, £21.2 million (2014: £30.7 million) is contractually committed. The majority of this is expected to be spent in 2016.

## 43 Contingent liabilities

At 31 December 2015 the Group has no contingent liabilities requiring disclosure under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

## 44 Cash generated from operations

| | Notes | **Group 2015 £m** | Group 2014 £m | **Company 2015 £m** | Company 2014 £m |
|---|---|---|---|---|---|
| **Profit before tax, joint ventures and associates** | | **398.4** | 493.2 | **145.7** | 158.6 |
| Remove: | | | | | |
| Revaluation of investment and development property | 19 | **(264.9)** | (567.8) | **–** | – |
| Loss/(gain) on acquisition of businesses | 5 | **0.8** | (1.6) | **–** | – |
| Gain on disposal of subsidiaries | 41 | **(2.2)** | (0.6) | **–** | – |
| Gain on sale of other investments | | **(0.9)** | – | **–** | – |
| Depreciation | 20 | **2.6** | 2.1 | **2.0** | 1.7 |
| Share-based payments | | **4.8** | 2.5 | **4.8** | 2.5 |
| Lease incentives and letting costs | | **(5.8)** | (8.3) | **–** | – |
| Reversal of impairment of investment in group companies | 21 | **–** | – | **(161.9)** | (208.1) |
| Finance costs | 10 | **206.6** | 197.1 | **9.1** | 26.4 |
| Finance income | 11 | **(18.7)** | (11.9) | **(17.0)** | (13.0) |
| Other finance costs | 12 | **37.3** | 56.8 | **2.7** | 7.5 |
| Change in fair value of financial instruments | 13 | **(6.0)** | 157.6 | **1.1** | 12.7 |
| Changes in working capital: | | | | | |
| Change in trade and other receivables | | **14.4** | (29.6) | **33.6** | (144.8) |
| Change in trade and other payables | | **0.1** | 3.2 | **(43.4)** | (193.0) |
| **Cash generated from operations** | | **366.5** | 292.7 | **(23.3)** | (349.5) |

# Notes to the accounts continued

## 45 Subsidiaries, joint ventures and associates

The table below lists all of the Company's subsidiaries, joint ventures and associates. The country of incorporation and registration is England and Wales except as indicated. The Company's interest in each subsidiary is 100 per cent except as indicated. The Company's interest in each joint venture is 50 per cent except as indicated.

| Name of entity | Class of capital |
|---|---|
| **Subsidiaries** | |
| Barton Square Holdco Limited (holding company) | Ordinary shares |
| Barton Square Limited (property) | Ordinary shares |
| Belside Limited (property) (Jersey) | Ordinary shares |
| Braehead Glasgow Limited (property) | 'A' Ordinary shares<br>'B' Ordinary shares |
| Braehead Leisure Partnership (property) | n/a |
| Braehead Park Estates Limited (property) | Ordinary shares |
| Braehead Park Investments Limited (property) | Ordinary shares |
| Broadmarsh Retail (Nominee No.1) Limited (dormant) | Ordinary shares |
| Broadmarsh Retail (Nominee No.2) Limited (dormant) | Ordinary shares |
| Broadmarsh Retail (Nominee No.3) Limited (dormant) | Ordinary shares |
| Broadmarsh Retail (Nominee No.4) Limited (dormant) | Ordinary shares |
| Broadmarsh Retail General Partner Limited (general partner) | Ordinary 'A' shares |
| Broadway Construction & Development Limited (dormant) | Ordinary shares |
| Broadway Retail Leisure Limited (management of leisure facilities) | Ordinary shares |
| Cable Plaza Limited (limited partner) | Ordinary shares |
| Capital Shopping Centres Limited (dormant)[3] | Ordinary shares |
| Castle & Pedmore Houses Limited (holding company) | Ordinary shares |
| Chapelfield GP Limited (general partner) | Ordinary shares |
| Chapelfield LP Limited (limited partner) | Ordinary shares |
| Chapelfield Nominee Limited (dormant) | Ordinary shares |
| Chapelfield Property Management Limited (property management) | Ordinary shares |
| Conduit Insurance Holdings Limited (holding company)[3] | Ordinary shares |
| Cribbs Mall Nominee (2) Limited (dormant) | Ordinary shares |
| Crossmane Limited (limited partner) | Ordinary shares |
| CSC Capital (Jersey) Limited (dormant) (Jersey)[3] | Ordinary shares |
| CSC Uxbridge Limited (dormant) | Ordinary shares |
| Curley Limited (property) (Jersey) | Ordinary shares |

| Name of entity | Class of capital |
|---|---|
| Derby Business Management Limited (dormant) | Ordinary shares<br>'A' shares |
| Derby Investments General Partner Limited (general partner) | Ordinary shares |
| Derby Investments Limited Partnership (limited partner) | n/a |
| Derby Investments Trustee Limited (dormant) | Ordinary shares |
| Fortheath (No.3) Limited (dormant) | Ordinary shares |
| ICS Holding S.à r.l. (holding company) (Luxembourg) | Ordinary shares |
| ICS InvestCo S.à r.l. (holding company) (Luxembourg) | Ordinary shares |
| ICS JV S.à r.l. (holding company) (Luxembourg) | Ordinary shares |
| Intu (Jersey) Limited (finance) (Jersey)[3] | Ordinary shares |
| Intu (SGS) Finco Limited (finance) | Ordinary shares |
| Intu (SGS) Holdco Limited (holding company) | Ordinary shares |
| Intu (SGS) Limited (holding company) | Ordinary shares |
| Intu (SGS) Topco Limited (holding company)[3] | Ordinary shares |
| Intu 2027 Limited (dormant) | Ordinary shares |
| Intu Braehead Leisure Limited (holding company) | Ordinary shares |
| Intu Braehead Limited (holding company) | Ordinary shares |
| Intu Braehead Property Management Limited (property management) | Ordinary shares |
| Intu Broadmarsh Limited (dormant)[3] | Ordinary shares |
| Intu Bromley Limited (property) | Ordinary shares |
| Intu Capital (Jersey) Limited (dormant) (Jersey)[3] | Ordinary shares<br>Redeemable preference shares |
| Intu Cardiff Holdco Limited (holding company) | Ordinary shares |
| Intu Cardiff Limited (dormant) | Ordinary shares |
| Intu Centaurus Retail Limited (holding company) | Ordinary shares |
| Intu Chapelfield Limited (dormant)[3] | Ordinary shares |
| Intu Chapelfield Residential Limited (property) | Ordinary shares |
| Intu Costa del Sol Resort Holdco S.A. (holding company) (Spain) | Ordinary shares |
| Intu Costa del Sol Resort S.L. (property) (Spain) | Ordinary shares |

## 45 Subsidiaries, joint ventures and associates (continued)

| Name of entity | Class of capital |
|---|---|
| Intu Debenture plc (finance, holding company)[3] | Ordinary shares |
| Intu Derby Limited (holding company) (Jersey) | Ordinary shares |
| Intu Derby 2 Limited (holding company) (Jersey) | Ordinary shares |
| Intu Derby Jersey Unit Trust (limited partner) (Jersey) | Units |
| Intu Eldon Square Limited (property) | Ordinary shares |
| Intu Experiences Limited (mall commercialisation) | Ordinary shares |
| Intu Finance MH Limited (finance) | Ordinary shares |
| Intu FM Limited (dormant) | Ordinary shares |
| Intu Holding S.à r.l. (holding company) (Luxembourg) | Ordinary shares |
| Intu Investments Limited (property) | Preference shares |
| | Ordinary shares |
| Intu IP Limited (intellectual property) | Ordinary shares |
| Intu Lakeside Hotel Limited (dormant) | Ordinary shares |
| Intu Lakeside Limited (property) | Ordinary shares |
| Intu Lakeside Property Management Limited (property management) | Ordinary shares |
| Intu London plc (dormant)[3] | Ordinary shares |
| Intu Management Services Limited (management services)[3] | Ordinary shares |
| Intu Management Spain Holding S.à r.l. (holding company) (Luxembourg) | Ordinary shares |
| Intu Management Spain S.L. (property management and management services) (Spain) | Ordinary shares |
| Intu Merry Hill Limited (holding company) (Jersey) | Ordinary shares |
| Intu Merry Hill 2 Limited (holding company) (Jersey) | Ordinary shares |
| Intu Metrocentre Limited (limited partner) | Ordinary shares |
| Intu Metrocentre Parent Company Limited (holding company) | Ordinary shares |
| Intu Metrocentre Property Management Limited (property management) | Ordinary shares |
| Intu Metrocentre Topco Limited (holding company)[3] | Ordinary shares |
| Intu MH (No.1) Jersey Unit Trust (limited partner) (Jersey) | Units |
| Intu MH (No.2) Jersey Unit Trust (limited partner) (Jersey) | Units |
| Intu MH (No.3) Jersey Unit Trust (limited partner) (Jersey) | Units |
| Intu MH (No.4) Jersey Unit Trust (limited partner) (Jersey) | Units |
| Intu MH (No.5) Jersey Unit Trust (limited partner) (Jersey) | Units |
| Intu MH (No.6) Jersey Unit Trust (limited partner) (Jersey) | Units |
| Intu MH (No.7) Jersey Unit Trust (limited partner) (Jersey) | Units |
| Intu MH (No.8) Jersey Unit Trust (limited partner) (Jersey) | Units |
| Intu MH Acquisitions Limited (limited partner) | Ordinary shares |
| Intu MH Group Limited (holding company) | Ordinary shares |
| Intu MH Holdings Limited (holding company) | Ordinary shares |
| Intu MH Investments Limited (limited partner) | Ordinary shares |
| Intu MH Leaseholds Limited (holding company) | Ordinary shares |
| Intu MH Participations Limited (holding company) | Ordinary shares |
| Intu MH Phase 1 Limited (limited partner) | Ordinary shares |
| Intu MH Properties Limited (holding company) | Ordinary shares |
| Intu MH Waterfront Limited (limited partner) | Ordinary shares |
| Intu MHDS Holdco Limited (holding company)[3] | Ordinary shares |
| Intu Milton Keynes Limited (property) | Ordinary shares |
| Intu Nottingham Investments Limited (limited partner) | Ordinary shares |
| Intu Payments Limited (Group payment services) | Ordinary shares |
| Intu Potteries Limited (limited partner) | Ordinary shares |
| Intu Properties Investments Limited (limited partner) | Ordinary shares |
| Intu Property Management Limited (property management) | Ordinary shares |
| Intu Property Services Limited (dormant) | Ordinary shares |
| Intu Retail Services Limited (facilities management)[5] | 'A' Ordinary shares |
| | Ordinary shares |
| Intu RS Limited (facilities management)[5] | Ordinary shares |
| Intu Shelfco 1 Limited (dormant)[3] | Ordinary shares |
| Intu Shelfco 2 Limited (dormant)[3] | Ordinary shares |
| Intu Shopping Centres plc (holding company)[3] | Ordinary shares |
| Intu Spain Limited (holding company) | Ordinary shares |
| Intu Sprucefield Limited (holding company) (Jersey) | Ordinary shares |
| Intu Sprucefield 2 Limited (holding company) (Jersey) | Ordinary shares |

# Notes to the accounts continued

## 45 Subsidiaries, joint ventures and associates (continued)

| Name of entity | Class of capital |
|---|---|
| Intu The Hayes Limited (limited partner) | Ordinary shares |
| Intu Trafford Centre Group Limited (holding company) (Isle of Man)[3] | Ordinary shares |
| Intu Trafford Centre Group (UK) Limited (holding company) | Ordinary shares |
| Intu Trafford Centre Limited (development management) | Ordinary shares |
| Intu Uxbridge Holdco Limited (holding company) (Jersey) | Ordinary shares |
| Intu Ventures Limited (dormant) | Ordinary shares |
| Intu Victoria Centre Limited (dormant)[3] | Ordinary shares |
| Intu Watford Limited (property) | Ordinary shares |
| Intu Watford Property Management Limited (property management) | Ordinary shares |
| IntuDigital Holdco Limited (holding company) | 'A' Ordinary shares |
| | 'B' Ordinary shares |
| IntuDigital Limited (digital services) | Ordinary shares |
| Kindmotive Limited (dormant) | Cumulative redeemable preference shares |
| | Ordinary shares |
| Lakeside 1988 Limited (dormant) | 'A' Ordinary shares |
| | 'B' Redeemable preference shares |
| | 'C' Preference shares |
| Liberty Capital PLC (dormant)[3] | Ordinary shares |
| Liberty International Construction and Development Limited (dormant)[3] | Ordinary shares |
| Liberty International Financial Services Limited (holding company) | Ordinary shares |
| Liberty International Group Treasury Limited (treasury management) | Ordinary shares |
| Liberty International Holdings Limited (holding company)[1] | Ordinary shares |
| Libint (Proprietary) Limited (local administration services) (South Africa)[3] | Ordinary shares |
| Libtai Holdings (Jersey) Limited (holding company) (Jersey)[3] | Ordinary shares |
| Manchester Nominee (2) Limited (dormant) | Ordinary shares |
| Merry Hill Finance Limited (finance) (Republic of Ireland) | 'A' Ordinary shares |
| | 'B' Ordinary shares |
| Merry Hill Management Services Limited (dormant) | Ordinary shares |
| Merry Hill Services Limited (dormant) | Ordinary shares |

| Name of entity | Class of capital |
|---|---|
| Merry Hill Trading Limited (dormant) | Ordinary shares |
| Metrocentre (GP) Limited (general partner) | Ordinary shares |
| Metrocentre (Holdco) Limited (holding company) | Ordinary shares |
| Metrocentre (Nominee No.1) Limited (dormant) | Ordinary shares |
| Metrocentre (Nominee No.2) Limited (dormant) | Ordinary shares |
| Metrocentre (Subco) Limited (holding company) | Ordinary shares |
| Metrocentre Lancaster LLP (property)[4] | n/a |
| Metrocentre Lancaster No.1 Limited (holding company) | Ordinary shares |
| Metrocentre Lancaster No.2 Limited (holding company) | Ordinary shares |
| Middleford Property Investments Limited (dormant) | Ordinary shares |
| Midlands Shopping Centre Jersey Unit Trust (No.1) (limited partner) (Jersey) | Units |
| Nailsfield Limited (holding company) (Mauritius)[3] | Ordinary shares |
| Potteries (GP) Limited (general partner) | Ordinary shares |
| Potteries (Nominee No.1) Limited (dormant) | Ordinary shares |
| Potteries (Nominee No.2) Limited (dormant) | Ordinary shares |
| Rosholt Invest S.L. (property) (Spain) | Ordinary shares |
| Runic Nominees Limited (dormant) | Ordinary shares |
| Sandal Investments Limited (dormant) | Ordinary shares |
| Sprucefield No.1 Nominee Limited (dormant) (Jersey) | Ordinary shares |
| Sprucefield No.2 General Partner Limited (general partner) | Ordinary shares |
| Sprucefield No.2 Limited Partnership (property) (Jersey) | n/a |
| Sprucefield No.2 Nominee Limited (dormant) (Jersey) | Ordinary shares |
| Sprucefield Unit Trust (limited partner) (Jersey) | Units |
| Staffordshire Property Management Limited (property) | Ordinary shares |
| Steventon Limited (property) (Jersey) | Ordinary shares |
| TAI Investments Limited (holding company)[2] | 'B' Deferred shares |
| | Ordinary shares |

## 45 Subsidiaries, joint ventures and associates (continued)

| Name of entity | Class of capital |
|---|---|
| TAI Nominees Limited (dormant) | Ordinary shares |
| The Broadmarsh Retail Limited Partnership (property) | n/a |
| The Bullfinch Company Limited (dormant) | Ordinary shares |
| The Chapelfield Partnership (property) | n/a |
| The Metrocentre Partnership (property)[4] | n/a |
| The Potteries Shopping Centre Limited Partnership (property) | n/a |
| The Trafford Centre Limited (property) | 'A' Preference shares<br>'B' Preference shares<br>Ordinary shares |
| The Trafford Centre Finance Limited (finance) (Cayman Islands) | Ordinary shares |
| The Trafford Centre Holdings Limited (holding company) | Ordinary shares |
| The Trafford Centre Investments Limited (holding company) | Ordinary shares |
| The Victoria Centre Partnership (property) | n/a |
| The Wilmslow (No.3) Limited Partnership (property) | n/a |
| TransAtlantic Holdings Limited (holding company) | Ordinary shares |
| Transol Investments Limited (dormant) | Ordinary shares |
| VCP (GP) Limited (general partner) | Ordinary shares |
| VCP Nominees No.1 Limited (dormant) | Ordinary shares |
| VCP Nominees No.2 Limited (dormant) | Ordinary shares |
| W (No.3) GP (Nominee A) Limited (dormant) (Jersey) | Ordinary shares |
| W (No.3) GP (Nominee B) Limited (dormant) (Jersey) | Ordinary shares |
| Wattenberg Invest S.L. (property) (Spain) | Ordinary shares |
| Westgate Oxford Investments Limited (dormant) | Ordinary shares |
| Wilmslow (No.3) (Nominee A) Limited (dormant) | Ordinary shares |
| Wilmslow (No.3) (Nominee B) Limited (dormant) | Ordinary shares |
| Wilmslow (No.3) General Partner Limited (general partner) | 'A' Shares<br>'B' Shares |
| Whitesun Limited (property) | Ordinary shares |
| WRP Management Limited (property) | Ordinary shares |

**Joint ventures**

| Name of entity | Class of capital |
|---|---|
| Asturias Propco Numero Dos S.L. (property) (Spain) | Ordinary shares |
| Asturias Propco Numero Uno S.L. (property) (Spain) | Ordinary shares |
| Asturias Retail and Leisure SOCIMI S.A. (holding company) (Spain) | Ordinary shares |
| Centaurus Retail LLP (property) | n/a |
| Cribbs Causeway JV Limited (property management) | 'A' Ordinary shares<br>'B' Ordinary shares |
| Intu Eurofund Developments S.à r.l. (holding company) (Luxembourg) | 'A' shares<br>'B' shares |
| Intu Eurofund Investments Mallorca B.V (holding company) (Netherlands) | Ordinary shares |
| Intu Eurofund Investments Valencia, B.V. (holding company) (Netherlands) | Ordinary shares |
| Intu Eurofund Investments Vigo B.V. (holding company) (Netherlands) | Ordinary shares |
| Intu Eurofund Mallorca S.L. (property development) (Spain) | Ordinary shares |
| Intu Eurofund Valencia S.L. (property development) (Spain) | Ordinary shares |
| Intu Eurofund Vigo S.L (property development) (Spain) | Ordinary shares |
| Intu Zaragoza S.à r.l. (holding company) (Luxembourg) | Ordinary shares |

# Notes to the accounts continued

## 45 Subsidiaries, joint ventures and associates (continued)

| Name of entity | Class of capital |
|---|---|
| Intu Zaragoza Holding S.à r.l. (holding company) (Luxembourg) | Ordinary shares |
| Manchester JV Limited (property management) | 'A' Ordinary shares<br>'B' Ordinary shares |
| Metropolitan Retail JV (Jersey) Unit Trust (property) (Jersey)[8] | 'A' units<br>'B' units |
| MH (No.1) General Partner Limited (general partner) | Ordinary shares |
| MH (No.1) Limited Partnership (property) | n/a |
| MH (No.1) Nominee A Limited (dormant) | Ordinary shares |
| MH (No.1) Nominee B Limited (dormant) | Ordinary shares |
| MH (No.2) General Partner Limited (general partner) | Ordinary shares |
| MH (No.2) Limited Partnership (property) | n/a |
| MH (No.2) Nominee A Limited (dormant) | Ordinary shares |
| MH (No.2) Nominee B Limited (dormant) | Ordinary shares |
| MH (No.3) General Partner Limited (general partner) | Ordinary shares |
| MH (No.3) Limited Partnership (property) | n/a |
| MH (No.3) Nominee A Limited (dormant) | Ordinary shares |
| MH (No.3) Nominee B Limited (dormant) | Ordinary shares |
| MH (No.4) General Partner Limited (general partner) | Ordinary shares |
| MH (No.4) Limited Partnership (property) | n/a |
| MH (No.4) Nominee A Limited (dormant) | Ordinary shares |
| MH (No.4) Nominee B Limited (dormant) | Ordinary shares |
| MH (No.5) General Partner Limited (general partner) | Ordinary shares |
| MH (No.5) Limited Partnership (property) | n/a |
| MH (No.5) Nominee A Limited (dormant) | Ordinary shares |
| MH (No.5) Nominee B Limited (dormant) | Ordinary shares |
| MH (No.6) General Partner Limited (general partner) | Ordinary shares |
| MH (No.6) Limited Partnership (property) | n/a |
| MH (No.6) Nominee A Limited (dormant) | Ordinary shares |
| MH (No.6) Nominee B Limited (dormant) | Ordinary shares |
| MH (No.7) General Partner Limited (general partner) | Ordinary shares |
| MH (No.7) Limited Partnership (property) | n/a |
| MH (No.7) Nominee A Limited (dormant) | Ordinary shares |
| MH (No.7) Nominee B Limited (dormant) | Ordinary shares |
| MH (No.8) General Partner Limited (general partner) | Ordinary shares |
| MH (No.8) Limited Partnership (property) | n/a |
| MH (No.8) Nominee A Limited (dormant) | Ordinary shares |
| MH (No.8) Nominee B Limited (dormant) | Ordinary shares |
| Parque Principado S.à r.l. (holding company) (Luxembourg) | 'A' shares<br>'B' shares |
| Puerto Venecia Investments SOCIMI S.A. (property) (Spain) | Ordinary shares |
| St. David's (Cardiff Residential) Limited (property) | Ordinary shares |
| St. David's (General Partner) Limited (general partner) | 'A' shares<br>'B' shares |
| St. David's (No.1) Limited (dormant) | Ordinary shares |
| St. David's (No.2) Limited (dormant) | Ordinary shares |
| St. David's Limited Partnership (property) | n/a |
| St. David's Unit Trust (limited partner) (Jersey) | Units |
| Zaragoza Properties SOCIMI S.A. (holding company) (Spain) | Ordinary shares |

**Associates**

| Name of entity | Class of capital |
|---|---|
| Empire Mall Private Limited (property) (India)[6] | Ordinary shares |
| Prozone Intu Properties Limited (property) (India)[7] | Ordinary shares |

1 40.2 per cent is held by intu properties plc, 31.1 per cent is held by Conduit Insurance Holdings Limited and 28.7 per cent is held by TAI Investments Limited.
2 95.4 per cent is held by Libtai Holdings (Jersey) Limited and 4.6 per cent is held by intu properties plc.
3 Related undertaking held directly by intu properties plc.
4 Group's interest is 60 per cent.
5 Group's interest is 51 per cent.
6 Group's interest is 38 per cent.
7 Group's interest is 32.4 per cent.
8 Group's interest is 20 per cent.

## 45 Subsidiaries, joint ventures and associates (continued)

Intu (SGS) Finance plc and Intu Metrocentre Finance plc are consolidated as subsidiaries in these financial statements but are not listed in the table above as the Group does not own the shares in these companies. These companies are vehicles set up on behalf of the Group for the sole purpose of issuing some of the Group's listed debt. The Group's obligations in respect of this debt via a back-to-back intercompany loan agreement between these companies and other Group companies, and security over investment property via a deed of charge between the security trustees and other Group companies, mean that the Group is deemed to have control of these entities.

By virtue of their 40 per cent interest in The Metrocentre Partnership, GIC Real Estate is entitled to appoint 40 per cent of the directors of Metrocentre (GP) Limited. £78.4 million of the non-controlling interest shown in the balance sheet as at 31 December 2015 (2014: £72.8 million) and £0.8 million of the non-controlling interest share of loss for the year shown in the income statement for the year ended 31 December 2015 (2014: share of profit £12.5 million) relates to GIC Real Estate's interest. Set out below is the summarised financial information of The Metrocentre Partnership at 100 per cent, as consolidated:

| | **2015 £m** | 2014 £m |
|---|---|---|
| **Summarised income statement** | | |
| Revenue | **65.5** | 66.0 |
| (Loss)/profit for the year | **(2.1)** | 28.5 |
| **Summarised balance sheet** | | |
| Investment and development property | **934.0** | 909.5 |
| Borrowings | **(906.9)** | (891.0) |
| Other net liabilities | **(8.0)** | (13.2) |
| Net assets | **19.1** | 5.3 |

Bilfinger Europa Facilities Management Limited holds a 49 per cent interest in Intu Retail Services Limited. At 31 December 2015 an amount of £nil (2014: £nil) is included within the non-controlling interest balance in the balance sheet of £nil (2014: £nil) and £nil of the non-controlling interest share of profit for the year shown in the income statement for the year ended 31 December 2015 (2014: £nil) relating to their interest.

## 46 Related party transactions

Key management[1] compensation is analysed below:

| | **2015 £m** | 2014 £m |
|---|---|---|
| Salaries and short-term employee benefits | **5.7** | 5.4 |
| Pensions and other post-employment benefits | **0.3** | 0.4 |
| Share-based payments | **3.8** | 1.6 |
| Compensation for loss of office | **0.2** | – |
| | **10.0** | 7.4 |

1 Key management comprises the Directors of intu properties plc and employees who have been designated as persons discharging managerial responsibility.

As John Whittaker, Deputy Chairman and Non-Executive Director of intu properties plc, is the Chairman of the Peel Group, members of the Peel Group are considered to be related parties. Total transactions between the Group and members of the Peel Group are shown below:

| | **2015 £m** | 2014 £m |
|---|---|---|
| Income | **1.1** | 1.6 |
| Expenditure | **(0.5)** | (0.9) |

Income predominantly relates to leases of office space and a contract to provide advertising services. Expenditure predominantly relates to costs incurred under a management services agreement and the supply of utilities. All contracts are on an arm's length basis at commercial rates. Following shareholder approval in December 2015, the Group agreed terms on a 5 year, £550,000 per annum lease on a 30.96 acre site known as King George V Docks (West) to Clydeport Operations Limited (a member of the Peel Group) with effect from 30 December 2015.

# Notes to the accounts continued

## 46 Related party transactions (continued)

Balances outstanding between the Group and members of the Peel Group as at 31 December 2015 and 31 December 2014 are shown below:

| | 2015 £m | 2014 £m |
|---|---|---|
| Amounts owed by members of the Peel Group | **0.1** | 0.2 |
| Amounts owed to members of the Peel Group | **(0.2)** | – |

Under the terms of the Group's acquisition of intu Trafford Centre from the Peel Group, the Peel Group have provided a guarantee in respect of Section 106 planning obligation liabilities at Barton Square which as at 31 December 2015 totalled £11.7 million (2014: £11.6 million).

In 2012, the Group acquired for €2.5 million, alongside a refundable deposit of €7.5 million, a three year option to purchase two parcels of land in the province of Málaga, Spain from Peel Holdings Limited.

Following shareholder approval at a general meeting on 15 April 2015 the Group exercised the option in May 2015 for consideration of €48.7 million which included the €7.5 million deposit paid in 2012.

Under the terms of the agreement, the Peel Group subscribed to €30.0 million of ordinary shares in the Company. As a result, the Company issued 6,256,075 new ordinary shares of 50 pence each. The shares were issued and paid for in cash at £3.4635 per share being the 30-day average of the volume weighted average price of the Company's shares.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation in the Group's financial information.

Significant transactions between the Company and its subsidiaries are shown below:

| | 2015 £m | 2014 £m |
|---|---|---|
| Interest expense | **(7.5)** | (20.6) |
| Interest income | **17.0** | 13.0 |
| Dividend received | **–** | 9.1 |
| Investment in subsidiaries | **–** | 182.8 |
| Redemption of preference shares | **–** | (197.2) |

The Company has provided Intu (Jersey) Limited a guarantee over obligations in relation to the 2.5 per cent convertible bonds (see note 33).

Significant balances outstanding between the Company and its subsidiaries are shown below:

| | 2015 £m | 2014 £m |
|---|---|---|
| Amounts owed by subsidiary undertakings | **1,262.0** | 1,284.4 |
| Amounts owed to subsidiary undertakings | **(326.8)** | (376.8) |

## 47 Share-based payment

The Group operates a number of share-based payment arrangements providing employee benefits and incentives. All schemes are equity settled, and as such the expense recognised in the income statement is based on the fair value of the equity instruments awarded as determined at their grant date. The expense is recognised on a straight-line basis over the vesting period based on Group estimates of the number of shares that are expected to vest.

### Share Option Schemes

Options to subscribe for ordinary shares may be awarded under the intu properties plc approved share option scheme and the intu properties plc unapproved share option scheme.

Certain grants are subject to an earnings per share ('EPS') performance condition. Options granted to members of the Executive Committee in 2012 are subject to a sliding scale performance condition based on EPS growth of between 4 to 6 per cent per annum over a three-year period. Options granted to staff who are not members of the Executive Committee 2012 are not subject to a performance condition.

Except in the case of a 'good' leaver, options may not be exercised within three years of grant and before satisfaction or waiver of any applicable performance condition, and are forfeited if the employee leaves the Group before the options become capable of exercise. The options automatically lapse if not exercised within 10 years of the date of grant.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | **Number of options** | **Weighted average exercise price (pence)** | Number of options | Weighted average exercise price (pence) |
| Outstanding at 1 January | **6,173,103** | **275** | 5,867,697 | 320 |
| Forfeited prior to rights issue | **–** | **–** | (10,000) | 335 |
| Lapsed prior to rights issue | **–** | **–** | (536,628) | 430 |
| Exercised prior to rights issue | **–** | **–** | (11,041) | 272 |
| Adjustment for rights issue | **–** | **n/a** | 897,337 | n/a |
| Awarded after rights issue | **2,233,000** | **349** | 1,834,800 | 292 |
| Forfeited after rights issue | **(257,788)** | **293** | (100,759) | 287 |
| Exercised after rights issue | **(75,777)** | **286** | (1,768,303) | 255 |
| Outstanding at 31 December | **8,072,538** | **295** | 6,173,103 | 275 |
| Exercisable at 31 December | **2,578,544** | **256** | 2,406,626 | 253 |

The weighted average share price at the date of exercise during the year was 348p (2014: 307p).

The number of options outstanding at 31 December 2015 includes a total of 170,181 (2014: 2,150,541) which are subject to a capped gain price of £2.8563 per share. If the market price of shares at the date of exercise exceeds the capped price, the maximum gain the holder of such options can realise is the difference between exercise price and the capped price per share.

Share options outstanding at 31 December 2015 had exercise prices between 232p and 349p (2014: between 232p and 292p) and a weighted average remaining contractual life of approximately seven years (2014: seven years). More detail by exercise price range is shown below:

| | **2015** | |
|---|---|---|
| Exercise price (pence) | **Number of options** | **Weighted average remaining contractual life** |
| 232 to 292 | **5,854,538** | **6** |
| 349 | **2,218,000** | **9** |

| | 2014 | |
|---|---|---|
| Exercise price (pence) | Number of options | Weighted average remaining contractual life |
| 232 to 292 | **6,173,103** | **7** |

# Notes to the accounts continued

## 47 Share-based payment (continued)

The fair value of options granted during the year, determined using the Black-Scholes option pricing model, was £0.28 per option (2014: £0.26). The significant inputs to the model for the majority of options granted during the year were as follows:

| | 2015 | 2014 |
|---|---|---|
| Share price and exercise price at grant date | **£3.49** | £2.92 |
| Expected option life in years | **4 years** | 4 years |
| Risk free rate | **1.4%** | 1.8% |
| Expected volatility | **17%** | 19% |
| Expected dividend yield | **3.9%** | 4.7% |

Expected dividend yield is based on public pronouncements about future dividend levels. All other measures are based on historical data.

### Performance Share Plan

The Company operates a Performance Share Plan ('PSP') for eligible employees at the discretion of the Remuneration Committee. The PSP was approved by shareholders at the 2013 annual general meeting.

Awards may be made in the form of nil cost options, a conditional share award or a joint share ownership award and fixed value zero cost option, and eligible employees may be granted any combination of such awards subject to any individual limits.

Vesting of PSP awards made in 2015, 2014 and 2013 is based on Total Shareholder Return (TSR) and Absolute Total Return (TR) with performance measured one third over three years, one third over four years and one third over five years. Half of the awards vest by reference to TR (25 per cent vesting for 6 per cent per annum return; full vesting for 10 per cent per annum; straight line vesting in between). The remaining half of the awards vest by reference to TSR relative to the top five UK-listed REITs (25 per cent return vesting for TSR in line with the third rated Company; full vesting for TSR in line with the top rated Company; straight line vesting in between) subject to a Remuneration Committee operated discretionary assessment of underlying financial performance.

Movements in the number of PSP options outstanding are as follows:

| | 2015 Number of options | 2014 Number of options |
|---|---|---|
| Outstanding at 1 January | **3,548,076** | 1,913,145 |
| Adjustment for rights issue | **–** | 205,416 |
| Awarded during the year | **1,410,003** | 1,559,340 |
| Forfeited in the year | **(343,701)** | (129,825) |
| Outstanding at 31 December | **4,614,378** | 3,548,076 |

The fair value of TSR options granted during the year was determined using the Monte Carlo option pricing model. The fair value of the TR options granted during the year was determined using the Black-Scholes option pricing model. The fair values per option granted in the year were as follows:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| Performance period | TSR | TR | TSR | TR |
| 3 years | **£0.87** | **£0.87** | £0.74 | £0.73 |
| 4 years | **£0.90** | **£0.87** | £0.79 | £0.73 |
| 5 years | **£0.93** | **£0.87** | £0.84 | £0.73 |

The significant inputs to the valuation model for the TSR options granted during the year were as follows:

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| Performance period | TSR 3 years | TSR 4 years | TSR 5 years | TSR 3 years | TSR 4 years | TSR 5 years |
| Share price at grant date | **3.38** | **3.38** | **3.38** | £2.92 | £2.92 | £2.92 |
| Expected option life in years | **2.8 years** | **3.8 years** | **4.8 years** | 2.7 years | 3.7 years | 4.7 years |
| Risk free rate | **1.0%** | **1.2%** | **1.4%** | 1.1% | 1.5% | 1.8% |
| Expected volatility | **17%** | **21%** | **22%** | 20% | 23% | 26% |
| Expected competitor volatility | **9%-15%** | **9%-15%** | **9%-15%** | 11%-17% | 11%-17% | 11%-17% |
| Average correlation | **61%** | **72%** | **72%** | 68% | 71% | 72% |

## 47 Share-based payment (continued)

The fair value of the TR options, before taking account of the performance condition, is equal to the share price at the date of grant of £3.38 (2014: £2.92) as these awards accumulate dividends over the performance period. At the date of grant a 25 per cent vesting has been assumed resulting in a fair value per share of £0.87 (2014: £0.73) as above.

### Joint Share Ownership Plan

Eligible employees may be invited to participate in the Joint Share Ownership Plan ('JSOP') which forms part of the intu properties plc unapproved share option scheme and the PSP. Under the JSOP shares are held jointly by the employee and the employee share ownership plan trustee with any increases in the share price and dividends paid on those shares being allocated between the joint owners in accordance with the terms of the scheme.

Conditions for exercise (including satisfaction of the same performance condition), forfeiture and lapsing are as set out above for options or PSP generally.

In 2012, individuals who received awards of unapproved options in 2011 and 2012 were given the option to exchange their awards for jointly owned shares under the JSOP. In 2013, participants in the PSP were given the option to take their awards in the form of jointly owned shares under the JSOP and fixed value zero cost options. No option was given in 2014 or 2015.

### Bonus Share Scheme

Under the Company's Bonus Scheme (the 'Bonus Scheme'), deferred shares may be awarded as part of any bonus.

Such awards comprise 'Restricted' shares and 'Additional' shares. Where awarded, Additional shares would be equal to 50 per cent of the Restricted shares and SIP shares (see below) combined. No Additional shares were outstanding at 1 January 2014 and no awards have been made in 2014 or 2015. The vesting of deferred share awards is not dependent on the achievement of any further performance conditions other than that participants remain employed by the Group for a specified time from the date of the award, typically two to three years in the case of Restricted shares and four years in the case of Additional shares. The fair value of Restricted shares granted with the condition for participants to remain employed by the Group for two years during the year, determined using the Black-Scholes option pricing model, was £3.23 per share (2014: £2.66 per share). The fair value of Restricted shares with the condition for participants to remain employed by the Group for three years, determined using the Black-Scholes options pricing model, was £3.10 per share (2014: £2.54 per share). The significant inputs to the model were as follows:

| | **2015 3 years** | **2015 2 years** | 2014 3 years | 2014 2 years |
|---|---|---|---|---|
| Share price at grant date | **£3.49** | **£3.49** | £2.92 | £2.92 |
| Expected option life in years | **3 years** | **2 years** | 3 years | 2 years |
| Risk free rate | **1.3%** | **1.0%** | 1.5% | 1.1% |
| Expected dividend yield | **3.9%** | **3.9%** | 4.7% | 4.7% |

Movements in shares awarded under the Bonus Share Scheme are as follows:

| | **2015 Restricted** | 2014 Restricted |
|---|---|---|
| Outstanding at 1 January | **1,013,807** | 1,085,286 |
| Awarded during the year | **425,117** | 428,424 |
| Adjustment for rights issue | **–** | 183,348 |
| Forfeited during the year | **(13,725)** | (35,751) |
| Vested during the year | **(711,376)** | (647,500) |
| Outstanding at 31 December | **713,823** | 1,013,807 |

### Share incentive plan ('SIP')

The Company operates a SIP for all eligible employees, who may receive up to £3,600 worth of shares as part of their annual bonus arrangements. The SIP arrangements offer worthwhile tax advantages to employees and to the Company.

The SIP Bonus shares can be released three years after the date of the award, provided the individual employee has remained in employment, but the shares must then be held in trust for a further two years in order to qualify for tax advantages. The fair value of shares granted during the year, determined using the Black-Scholes option pricing model, was £3.49 per share (2014: £2.92 per share). As these awards accumulate dividends, the fair value of each share awarded is equal to the share price at the date of grant of £3.49.

# Notes to the accounts continued

## 47 Share-based payment (continued)

As part of the SIP arrangements, the Company also offers eligible employees the opportunity to participate in a 'Partnership' share scheme, under which employees can save up to £150 a month. The Group offers one free Matching share for every two Partnership shares purchased by the employee at the end of a 12-month saving period. Matching shares are forfeited if the employee leaves the Group within three years of the date of award, and qualify for tax advantages if they are held in the SIP for five years. The fair value of Matching shares is determined by the market price at the grant date.

The dividend payable in respect of the shares held in the SIP is used to purchase additional shares, known as Dividend Shares, which are also held in trust and allocated to individuals and are subject to the same conditions of release.

Movements in SIP bonus shares granted are as follows:

| | **2015** | 2014 |
|---|---|---|
| Outstanding at 1 January | **260,271** | 224,743 |
| Awarded during the year | **120,431** | 114,319 |
| Adjustment for rights issue | **–** | 7,158 |
| Forfeited during the year | **(19,919)** | (20,171) |
| Vested during the year[1] | **(78,016)** | (65,778) |
| Outstanding at 31 December[2] | **282,767** | 260,271 |

1 May still be held in trust.
2 Shares that remain within their three-year holding period.

## 48 Pensions

The Group operates defined contribution group pension plans for its staff. Additionally the Group makes contributions to self-invested personal pension arrangements ('SIPPs') on behalf of an Executive Director. All contributions are invested in funds administered outside of the Group.

The pension charge for the Group's contributions to these arrangements is the amount paid which totalled £3.1 million for the year ended 31 December 2015 (2014: £2.7 million).

## 49 Events after the reporting period

On 19 January 2016 the Group disposed of its interest in Equity One. See note 25 for details.

## 50 Directors' interests and emoluments

### (a) Shares in the Company

The number of ordinary shares of the Company in which the Directors were beneficially interested were:

| | **2015** | 2014 |
|---|---|---|
| **Chairman:** | | |
| Patrick Burgess | **37,627** | 37,627 |
| **Deputy Chairman:** | | |
| John Whittaker* | **336,492,751** | 296,155,452 |
| **Executive:** | | |
| David Fischel | **993,534** | 965,646 |
| Matthew Roberts | **213,133** | 154,506 |
| **Non-Executive:** | | |
| Adèle Anderson | **32,504** | 18,124 |
| Richard Gordon | **7,005,211** | 7,004,818 |
| Andrew Huntley | **7,714** | 7,714 |
| Rakhi (Parekh) Goss-Custard | **–** | – |
| Louise Patten | **12,857** | 12,857 |
| Neil Sachdev | **–** | – |
| John Strachan | **–** | – |
| Andrew Strang | **–** | – |

* Total beneficial interest includes shares held by subsidiaries of the Peel Group of which John Whittaker is the Chairman.

## 50 Directors' interests and emoluments (continued)

Conditional awards of shares have previously been made to Executive Directors under the Company's annual bonus scheme.

The awards comprise 'Restricted' shares and 'Additional' shares, the latter equal to 50 per cent of the Restricted and share incentive plan shares combined. Executive Directors were required to retain the shares, net of shares sold to meet tax and PAYE deductions, which vested ahead of the normal vesting date.

Awards to Executive Directors under the scheme since January 2013 are as follows:

| | Award date | Market price at award (pence) | Original vesting date | Market price at vesting (pence) | Number of shares at 31 December 2014 | **Number of shares awarded during 2015** | **Number of shares vested during 2015** | **Number of shares at 31 December 2015** |
|---|---|---|---|---|---|---|---|---|
| David Fischel | 07/03/2013 | 335 | 07/03/2015 | 343 | 144,117 | **–** | **(144,117)** | **–** |
| | 29/04/2014 | 292 | 29/04/2016 | – | 30,655 | **–** | **–** | **30,655** |
| | 29/04/2014 | 292 | 29/04/2017 | – | 29,627 | **–** | **–** | **29,627** |
| | 11/03/2015 | 349 | 11/03/2017 | – | – | **30,478** | **–** | **30,478** |
| | 11/03/2015 | 349 | 11/03/2018 | – | – | **29,446** | **–** | **29,446** |
| Matthew Roberts | 07/03/2013 | 335 | 07/03/2015 | 343 | 110,617 | **–** | **(110,617)** | **–** |
| | 29/04/2014 | 292 | 29/04/2016 | – | 24,558 | **–** | **–** | **24,558** |
| | 29/04/2014 | 292 | 29/04/2017 | – | 23,530 | **–** | **–** | **23,530** |
| | 11/03/2015 | 349 | 11/03/2017 | – | – | **24,154** | **–** | **24,154** |
| | 11/03/2015 | 349 | 11/03/2018 | – | – | **23,122** | **–** | **23,122** |

Details of Restricted and Additional shares awarded in respect of the year ended 31 December 2015 are given in the Directors' remuneration report on pages 78 to 91.

Awards may also be made under the Company's share incentive plan ('SIP'). The SIP shares can be released three years after the date of the award provided the individual Director has remained in employment but the shares must be held in trust for a further two years in order to qualify for tax advantages. The dividend payable in respect of the shares held in trust is used to purchase additional shares, known as Dividend Shares, which are also held in trust.

| | At 31 December 2014 | Removed from trust | Lapsed | Awarded[1] | Partnership, matching and dividend shares | **At 31 December 2015** |
|---|---|---|---|---|---|---|
| **Current Directors:** | | | | | | |
| David Fischel | 13,853 | – | – | 1,031 | 1,454 | **16,338** |
| Matthew Roberts | 6,210 | – | – | 1,031 | 1,198 | **8,439** |

1 SIP shares in respect of the year ended 31 December 2014 awarded in March 2015. Details of SIP shares awarded in respect of the year ended 31 December 2015 are given in the Directors' remuneration report on pages 78 to 91.

### (b) Share options in the Company

Executive Directors interests in share options and the PSP are given in the Directors' remuneration report on pages 78 to 91.

### (c) Other disclosures

No Director had any dealings in the shares of any Group company between 31 December 2015 and 26 February 2016, being a date less than one month prior to the date of the notice convening the annual general meeting.

Other than as disclosed in these accounts, no Director of the Company had a material interest in any contract (other than service contracts), transaction or arrangement with any Group company during the year ended 31 December 2015.

### (d) Emoluments

The details of individual Directors' remuneration and pension benefits, as set out in the tables contained in the Directors' remuneration report on pages 78 to 91, form part of these financial statements.

# Investment and development property (unaudited)

## 1 Property data

| | Market value £m | Revaluation surplus/deficit | Net initial yield (EPRA) | 'Topped-up' NIY (EPRA) | Nominal equivalent yield | Occupancy |
|---|---|---|---|---|---|---|
| **As at 31 December 2015** | | | | | | |
| **Subsidiaries** | | | | | | |
| intu Trafford Centre | 2,305.0 | +5% | 3.7% | 3.9% | 4.3% | 96% |
| intu Lakeside | 1,334.0 | +6% | 4.2% | 4.3% | 4.7% | 95% |
| intu Metrocentre | 952.3 | +1% | 4.7% | 4.9% | 5.4% | 94% |
| intu Braehead | 585.5 | –3% | 3.9% | 4.3% | 6.0% | 94% |
| intu Derby | 447.0 | +5% | 5.9% | 6.5% | 6.0% | 99% |
| Manchester Arndale | 445.0 | +3% | 4.6% | 4.7% | 5.1% | 99% |
| intu Victoria Centre | 356.0 | +10% | 4.3% | 4.6% | 6.0% | 93% |
| intu Watford | 336.0 | – | 4.7% | 4.9% | 6.3% | 94% |
| intu Eldon Square | 299.7 | +8% | 4.1% | 4.9% | 5.9% | 99% |
| intu Milton Keynes | 280.0 | – | 4.1% | 4.4% | 4.8% | 97% |
| intu Chapelfield | 272.5 | +4% | 5.3% | 5.5% | 5.8% | 100% |
| Cribbs Causeway | 245.1 | – | 4.4% | 4.6% | 5.4% | 96% |
| intu Potteries | 175.1 | – | 4.7% | 5.4% | 7.5% | 95% |
| intu Bromley | 174.1 | – | 5.5% | 5.7% | 7.1% | 94% |
| Other[C] | 263.4 | | | | | |
| **Investment and development property excluding Group's share of joint ventures** | **8,470.7** | | | | | |
| **Joint ventures** | | | | | | |
| intu Merry Hill | 448.4 | +3% | 4.5% | 4.7% | 4.9% | 96% |
| St David's, Cardiff | 368.6 | +21% | 4.0% | 4.2% | 4.7% | 94% |
| Puerto Venecia, Zaragoza | 166.1 | –[A/B] | 5.0% | 5.0% | 6.3% | 95% |
| intu Asturias | 89.1 | +13%[B] | 5.1% | 5.5% | 5.3% | 100% |
| Other[D] | 59.5 | | | | | |
| **Investment and development property including Group's share of joint ventures** | **9,602.4** | | **4.29%** | **4.52%** | **5.14%** | **96%** |
| As at 31 December 2014 | | | | | | |
| including Group's share of joint ventures | 8,963.4 | | 4.36% | 4.60% | 5.32% | 95% |

Notes
A Revaluation surplus assessed from date of acquisition.
B Calculated in local currency.
C Includes the Group's interest in intu Broadmarsh, Soar at intu Braehead, development land in Spain and Sprucefield, Northern Ireland.
D Includes the Group's interest in intu Uxbridge.

| | **31 December 2015 £m** | 31 December 2014 £m |
|---|---|---|
| Passing rent | **411.7** | 401.4 |
| Annual property income | **448.5** | 436.2 |
| ERV | **531.2** | 515.3 |
| Weighted average unexpired lease term | **7.9 years** | 7.4 years |

Please refer to the glossary for definitions.

## 2 Analysis of capital return in the year

| | Market value | | Revaluation surplus/(deficit) | |
|---|---|---|---|---|
| | 2015 £m | 2014 £m | £m | 2015 % |
| Like-for-like property | **9,291.9** | 8,887.8 | **355.0** | **4.0** |
| Puerto Venecia, Zaragoza | **166.1** | – | **(1.5)** | **n/a** |
| Developments | **144.4** | 75.6 | **(2.8)** | **n/a** |
| **Total investment and development property** | **9,602.4** | 8,963.4 | **350.7** | **n/a** |

## 3 Additional property information

| | Ownership | Note | Form of Ownership[E] | Gross area million sq ft[F] | Year opened | Acquisition Date[G] |
|---|---|---|---|---|---|---|
| **As at 31 December 2015** | | | | | | |
| intu Trafford Centre | 100% | | FH | 2.0 | 1998 | 2011 |
| intu Lakeside | 100% | | FH | 1.4 | 1990 | – |
| intu Metrocentre | 90% | A | LH | 2.1 | 1986 | 1995 |
| intu Braehead | 100% | | FH | 1.1 | 1999 | – |
| intu Derby | 100% | | FH/LH | 1.3 | 2007 | 2014 |
| Manchester Arndale | 48% | B | LH | 1.6 | 1976 | 2005 |
| intu Victoria Centre | 100% | | FH | 1.0 | 1972 | 2002[H] |
| intu Watford | 93% | | LH | 0.7 | 1992 | – |
| intu Eldon Square | 60% | | FH/LH | 1.4 | 1976 | – |
| intu Milton Keynes | 100% | | FH | 0.4 | 2000 | 2013 |
| intu Chapelfield | 100% | | FH | 0.5 | 2005 | – |
| Cribbs Causeway | 33% | C | FH/LH | 1.1 | 1998 | 2005 |
| intu Potteries | 100% | | FH | 0.6 | 1998 | – |
| intu Bromley | 64% | | LH | 0.5 | 1991 | – |
| intu Merry Hill | 50% | | FH | 1.7 | 1985 | 2014 |
| St David's, Cardiff | 50% | | FH/LH | 1.4 | 2009 | 2006 |
| Puerto Venecia, Zaragoza | 50% | | FH | 1.3 | 2012 | 2015 |
| intu Asturias | 50% | | FH | 0.8 | 2001 | 2013 |
| Other | | D | | 1.5 | | |
| **Investment and development property including Group's share of joint ventures** | | | | **22.4** | | |
| As at 31 December 2014 | | | | 21.4 | | |

Notes

A Interest shown is that of The Metrocentre Partnership in intu Metrocentre (90 per cent) and the Metro Retail Park (100 per cent). The Group has a 60 per cent interest in The Metrocentre Partnership which is consolidated as a subsidiary of the Group.

B The Group's interest is through a joint operation ownership of a 95 per cent interest in Manchester Arndale, and a 90 per cent interest in New Cathedral Street, Manchester.

C The Group's interest is through a joint operation ownership of a 66 per cent interest in The Mall at Cribbs Causeway and a 100 per cent interest in The Retail Park, Cribbs Causeway.

D Includes intu Uxbridge, intu Broadmarsh, Soar at intu Braehead and Sprucefield, Northern Ireland.

E Form of ownership is shown as either freehold ('FH'), leasehold ('LH') or freehold and leasehold ('FH/LH').

F Area shown is not adjusted for the proportion of ownership.

G The acquisition date is presented only where the centre was not built by the Group.

H intu held a 20 per cent stake in intu Victoria Centre, Nottingham prior to 2002 when it acquired the remaining 80 per cent to take its holding to 100 per cent.

# Financial covenants (unaudited)

## Intu (SGS) Finance plc and Intu (SGS) Finco Limited ('Secured Group Structure')

| | Loan £m | Maturity | LTV covenant | LTV actual | Interest cover covenant | Interest cover actual |
|---|---|---|---|---|---|---|
| Term loan | 351.8 | 2020 | | | | |
| 3.875 per cent bonds | 450.0 | 2023 | | | | |
| 4.625 per cent bonds | 350.0 | 2028 | | | | |
| 4.250 per cent bonds | 350.0 | 2030 | | | | |
| | 1,501.8 | | 80% | 45% | 125% | 242% |

Covenants are tested on the Security Group, the principal assets of which are intu Lakeside, intu Braehead, intu Watford, intu Victoria Centre, intu Chapelfield and intu Derby.

The structure has a tiered operating covenant regime giving the Group a significant degree of flexibility when the covenants are below certain levels. In higher tiers the level of flexibility is reduced. The Group retains operating control below loan to value of 72.5 per cent and interest cover above 1.4x. No financial covenant default occurs unless the loan to value exceeds 80 per cent or the interest cover falls below 1.25x.

## The Trafford Centre Finance Limited

There are no financial covenants on the intu Trafford Centre debt of £796.7 million at 31 December 2015. However a debt service cover ratio is assessed quarterly and where this falls below specified levels restrictions come into force. The loan to 31 December 2015 market value ratio is 36 per cent. No restrictions are in place at present.

## Intu Metrocentre Finance plc

| | Loan £m | Maturity | LTV covenant | LTV actual | Interest cover covenant | Interest cover actual |
|---|---|---|---|---|---|---|
| 4.125 per cent bonds | 485.0 | 2023 | 100% | 51% | 125% | 207% |

The structure's covenant regime gives the Group a significant degree of flexibility when the covenants are below certain levels. The Group retains operating control below loan to value of 70 per cent and interest cover above 1.4x. No financial covenant default occurs unless loan to value exceeds 100 per cent or interest cover falls below 1.25x.

## Other asset-specific debt

| | Loan outstanding at 31 December 2015[1] £m | Maturity | LTV covenant | Loan to 31 December 2015 market value[2] | Interest cover covenant | Interest cover actual[3] |
|---|---|---|---|---|---|---|
| intu Bromley[4] | 112.6 | 2016 | 80% | 64% | 120% | 371% |
| intu Merry Hill | 191.3 | 2017 | 65% | 43% | 150% | 268% |
| intu Milton Keynes | 125.2 | 2017 | 65% | 45% | 150% | 251% |
| Barton Square | 42.5 | 2017 | 65% | 47% | 175% | 233% |
| Sprucefield | 33.2 | 2020 | 65% | 49% | 150% | 353% |
| intu Uxbridge[5] | 26.0 | 2020 | 70% | 56% | 125% | 175% |
| St David's, Cardiff | 122.5 | 2021 | 65% | 33% | 150% | 298% |
| intu Asturias[5] | €47.4 | 2019 | 65% | 39% | 150% | 288% |
| Puerto Venecia, Zaragoza[5] | €112.5 | 2019 | 65% | 50% | 150% | 305% |

1 The loan values are the actual principal balances outstanding at 31 December 2015.

2 The loan to 31 December 2015 market value provides an indication of the impact the 31 December 2015 property valuations could have on the LTV covenants. The actual timing and manner of testing LTV covenants varies and is loan specific.

3 Based on latest certified figures, calculated in accordance with loan agreements, which have been submitted between 31 December 2015 and 31 January 2016. The calculations are loan specific and include a variety of historical, forecast and in certain instances a combined historical and forecast basis.

4 In January 2016, the loan secured on intu Bromley was settled and replaced by a new £95.8 million loan.

5 Debt shown consistent with the Group's economic interest.

## Intu Debenture plc

| | Loan £m | Maturity | Capital cover covenant | Capital cover actual | Interest cover covenant | Interest cover actual |
|---|---|---|---|---|---|---|
| | 231.4 | 2027 | 150% | 248% | 100% | 119% |

The debenture is currently secured on a number of the Group's properties including intu Potteries, intu Eldon Square, intu Broadmarsh and Soar at intu Braehead.

Should the capital cover or interest cover test be breached, Intu Debenture plc (the 'Issuer') has three months from the date of delivery of the valuation or the latest certificate to the Trustees to make good any deficiencies. The Issuer may withdraw property secured on the debenture by paying a sum of money or through the substitution of alternative property provided that the capital cover and interest cover tests are satisfied immediately following the substitution.

## Financial covenants on corporate facilities

| | Net worth covenant | Net worth actual | Interest cover covenant | Interest cover actual | Borrowings/net worth covenant | Borrowings/net worth actual |
|---|---|---|---|---|---|---|
| £600m facility, maturing in 2020* | £1,200.0m | £2,340.2m | 120% | 205% | 125% | 69% |
| £300m due in 2018 2.5 per cent convertible bonds** | n/a | n/a | n/a | n/a | 175% | 13% |

* Tested on the Borrower Group which excludes, at the Group's election, certain subsidiaries with asset-specific finance. The facility is secured on the Group's investments in Manchester Arndale and Cribbs Causeway.

** Tested on the Group excluding, at the Group's election, the borrowings on certain subsidiaries with asset-specific finance.

## Interest rate swaps

The table below sets out the nominal amount and average rate of hedging, excluding lenders' margins, in place under current and forward starting swap contracts.

| | Nominal amount £m | Average rate % |
|---|---|---|
| In effect on or after: | | |
| 1 year | 1,458.2 | 3.35 |
| 2 years | 1,389.2 | 3.46 |
| 5 years | 801.7 | 4.48 |
| 10 years | 674.1 | 4.90 |
| 15 years | 663.2 | 4.91 |
| 20 years | 116.7 | 4.70 |

# Financial information including share of joint ventures (unaudited)

for the year ended 31 December 2015

The information in this section is presented to show the Group including its share of joint ventures. A reconciliation from the amounts shown in the Group's income statement and balance sheet is provided.

## Underlying earnings

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **Group underlying profit £m** | **Share of joint ventures £m** | **Group including share of joint ventures £m** | Group underlying profit £m | Share of joint ventures £m | Group including share of joint ventures £m |
| Rent receivable | **461.0** | **53.0** | **514.0** | 441.1 | 39.3 | 480.4 |
| Service charge income | **96.9** | **10.6** | **107.5** | 88.2 | 9.5 | 97.7 |
| Facilities management income from joint ventures | **13.7** | **(5.8)** | **7.9** | 7.1 | (3.0) | 4.1 |
| **Revenue** | **571.6** | **57.8** | **629.4** | 536.4 | 45.8 | 582.2 |
| **Net rental income** | **381.8** | **46.0** | **427.8** | 362.6 | 34.0 | 396.6 |
| Net other income | **6.9** | **(1.1)** | **5.8** | 4.8 | – | 4.8 |
| Administration expenses | **(37.3)** | **(0.7)** | **(38.0)** | (30.8) | (0.3) | (31.1) |
| **Underlying operating profit** | **351.4** | **44.2** | **395.6** | 336.6 | 33.7 | 370.3 |
| Finance costs | **(206.6)** | **(2.3)** | **(208.9)** | (197.1) | (4.1) | (201.2) |
| Finance income | **18.7** | **(17.1)** | **1.6** | 11.9 | (10.7) | 1.2 |
| Other finance costs | **(5.9)** | **–** | **(5.9)** | (6.1) | – | (6.1) |
| Underlying net finance costs | **(193.8)** | **(19.4)** | **(213.2)** | (191.3) | (14.8) | (206.1) |
| **Underlying profit before tax, joint ventures and associates** | **157.6** | **24.8** | **182.4** | 145.3 | 18.9 | 164.2 |
| Tax on underlying profit | **(0.5)** | **(0.1)** | **(0.6)** | (0.6) | (0.3) | (0.9) |
| Share of underlying profit of joint ventures | **24.7** | **(24.7)** | **–** | 18.6 | (18.6) | – |
| Share of underlying profit of associates | **0.2** | **–** | **0.2** | – | – | – |
| Remove amounts attributable to non-controlling interests | **4.6** | **–** | **4.6** | 1.3 | – | 1.3 |
| Interest on convertible bonds deducted directly in equity | **–** | **–** | **–** | (2.9) | – | (2.9) |
| **Underlying earnings** | **186.6** | **–** | **186.6** | 161.7 | – | 161.7 |

## Consolidated income statements

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **Group income statement £m** | **Share of joint ventures £m** | **Group including share of joint ventures £m** | Group income statement £m | Share of joint ventures £m | Group including share of joint ventures £m |
| **Revenue** | **571.6** | **57.8** | **629.4** | 536.4 | 45.8 | 582.2 |
| **Net rental income** | **381.8** | **46.0** | **427.8** | 362.6 | 34.0 | 396.6 |
| Net other income | **6.9** | **(1.1)** | **5.8** | 4.8 | – | 4.8 |
| Revaluation of investment and development property | **264.9** | **85.8** | **350.7** | 567.8 | 80.4 | 648.2 |
| (Loss)/gain on acquisition of subsidiaries | **(0.8)** | **–** | **(0.8)** | 1.6 | – | 1.6 |
| Gain on disposal of subsidiaries | **2.2** | **–** | **2.2** | 0.6 | – | 0.6 |
| Gain on sale of other investments | **0.9** | **–** | **0.9** | – | – | – |
| Administration expenses – ongoing | **(37.3)** | **(0.7)** | **(38.0)** | (30.8) | (0.3) | (31.1) |
| Administration expenses – exceptional | **(1.0)** | **(0.5)** | **(1.5)** | (13.8) | (0.1) | (13.9) |
| **Operating profit** | **617.6** | **129.5** | **747.1** | 892.8 | 114.0 | 1,006.8 |
| Finance costs | **(206.6)** | **(2.3)** | **(208.9)** | (197.1) | (4.1) | (201.2) |
| Finance income | **18.7** | **(17.1)** | **1.6** | 11.9 | (10.7) | 1.2 |
| Other finance costs | **(37.3)** | **–** | **(37.3)** | (56.8) | – | (56.8) |
| Change in fair value of financial instruments | **6.0** | **(0.7)** | **5.3** | (157.6) | 0.6 | (157.0) |
| Net finance costs | **(219.2)** | **(20.1)** | **(239.3)** | (399.6) | (14.2) | (413.8) |
| **Profit before tax, joint ventures and associates** | **398.4** | **109.4** | **507.8** | 493.2 | 99.8 | 593.0 |
| Share of post-tax profit of joint ventures | **108.6** | **(108.6)** | **–** | 99.7 | (99.7) | – |
| Share of post-tax profit of associates | **6.0** | **–** | **6.0** | 0.8 | – | 0.8 |
| **Profit before tax** | **513.0** | **0.8** | **513.8** | 593.7 | 0.1 | 593.8 |
| Current tax | **(0.4)** | **(0.1)** | **(0.5)** | (0.5) | (0.1) | (0.6) |
| Deferred tax | **5.0** | **(0.7)** | **4.3** | 6.6 | – | 6.6 |
| Taxation | **4.6** | **(0.8)** | **3.8** | 6.1 | (0.1) | 6.0 |
| **Profit for the year** | **517.6** | **–** | **517.6** | 599.8 | – | 599.8 |

## Balance sheets

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **Group balance sheet £m** | **Share of joint ventures £m** | **Group including share of joint ventures £m** | Group balance sheet £m | Share of joint ventures £m | Group including share of joint ventures £m |
| **Assets** | | | | | | |
| Investment and development property | **8,403.9** | **1,119.8** | **9,523.7** | 8,019.6 | 869.2 | 8,888.8 |
| Investment in joint ventures | **991.9** | **(991.9)** | **–** | 851.5 | (851.5) | – |
| Derivative financial instruments | **3.2** | **–** | **3.2** | 9.7 | – | 9.7 |
| Cash and cash equivalents | **275.8** | **25.6** | **301.4** | 230.0 | 30.1 | 260.1 |
| Other assets | **472.1** | **20.9** | **493.0** | 451.2 | 29.5 | 480.7 |
| **Total assets** | **10,146.9** | **174.4** | **10,321.3** | 9,562.0 | 77.3 | 9,639.3 |
| **Liabilities** | | | | | | |
| Borrowings | **(4,471.6)** | **(140.9)** | **(4,612.5)** | (4,354.0) | (35.6) | (4,389.6) |
| Derivative financial instruments | **(341.7)** | **(2.0)** | **(343.7)** | (356.5) | (0.4) | (356.9) |
| Other liabilities | **(278.7)** | **(31.5)** | **(310.2)** | (254.7) | (41.3) | (296.0) |
| **Total liabilities** | **(5,092.0)** | **(174.4)** | **(5,266.4)** | (4,965.2) | (77.3) | (5,042.5) |
| **Net assets** | **5,054.9** | **–** | **5,054.9** | 4,596.8 | – | 4,596.8 |

# Financial information including share of joint ventures (unaudited) continued

for the year ended 31 December 2015

## Net external debt

The table below provides a reconciliation between the components of net debt included on the Group's balance sheet and net external debt including the Group's share of joint ventures' debt and cash.

| | 2015 £m | 2014 £m |
|---|---|---|
| Total borrowings | **4,471.6** | 4,354.0 |
| Cash and cash equivalents | **(275.8)** | (230.0) |
| **Net debt** | **4,195.8** | 4,124.0 |
| Metrocentre compound financial instrument | **(172.0)** | (166.1) |
| **Net external debt – before Group's share of joint ventures** | **4,023.8** | 3,957.9 |
| Add share of borrowings of joint ventures | **140.9** | 35.6 |
| Less share of cash of joint ventures | **(25.6)** | (30.1) |
| **Net external debt – including Group's share of joint ventures** | **4,139.1** | 3,963.4 |
| **Analysed as:** | | |
| Debt including Group's share of joint ventures | **4,440.5** | 4,223.5 |
| Cash including Group's share of joint ventures | **(301.4)** | (260.1) |
| **Net external debt – including Group's share of joint ventures** | **4,139.1** | 3,963.4 |

## Debt to assets ratio

| | 2015 £m | 2014 £m |
|---|---|---|
| Market value of investment and development property | **9,602.4** | 8,963.4 |
| Net external debt | **(4,139.1)** | (3,963.4) |
| **Debt to assets ratio** | **43.1%** | 44.2% |

Pro forma for the £201.9 million received on disposal of the Group's interest in Equity One on 19 January 2016, the debt to assets ratio would be 41.0 per cent at 31 December 2015.

## Interest cover

| | 2015 £m | 2014 £m |
|---|---|---|
| Finance costs | **(208.9)** | (201.2) |
| Finance income | **1.6** | 1.2 |
| Interest on convertible bonds recognised directly in equity | **–** | (2.9) |
| | **(207.3)** | (202.9) |
| Underlying operating profit | **395.6** | 370.3 |
| Less trading property related items | **–** | (0.6) |
| | **395.6** | 369.7 |
| **Interest cover** | **1.91x** | 1.82x |

# Underlying profit statement (unaudited)

for the six months ended 31 December 2015

The underlying profit information in the table below shows the Group including its share of joint ventures on a line-by-line basis.

| | **Year ended 31 December 2015 £m** | Year ended 31 December 2014 £m | **Six months ended 31 December 2015 £m** | Six months ended 31 December 2014 £m | **Six months ended 30 June 2015 £m** | Six months ended 30 June 2014 £m |
|---|---|---|---|---|---|---|
| **Net rental income** | **427.8** | 396.6 | **220.2** | 207.4 | **207.6** | 189.2 |
| Net other income | **5.8** | 4.8 | **3.2** | 2.8 | **2.6** | 2.0 |
| Administration expenses | **(38.0)** | (31.1) | **(21.7)** | (16.2) | **(16.3)** | (14.9) |
| **Underlying operating profit** | **395.6** | 370.3 | **201.7** | 194.0 | **193.9** | 176.3 |
| Finance costs | **(208.9)** | (201.2) | **(103.8)** | (103.5) | **(105.1)** | (97.7) |
| Finance income | **1.6** | 1.2 | **1.1** | 0.7 | **0.5** | 0.5 |
| Other finance costs | **(5.9)** | (6.1) | **(3.0)** | (3.0) | **(2.9)** | (3.1) |
| Underlying net finance costs | **(213.2)** | (206.1) | **(105.7)** | (105.8) | **(107.5)** | (100.3) |
| **Underlying profit before tax and associates** | **182.4** | 164.2 | **96.0** | 88.2 | **86.4** | 76.0 |
| Tax on underlying profit | **(0.6)** | (0.9) | **(0.3)** | (0.6) | **(0.3)** | (0.3) |
| Share of underlying profit of associates | **0.2** | – | **0.1** | – | **0.1** | – |
| Remove amounts attributable to non-controlling interests | **4.6** | 1.3 | **2.1** | 2.1 | **2.5** | (0.8) |
| Interest on convertible bonds deducted directly in equity | **–** | (2.9) | **–** | – | **–** | (2.9) |
| **Underlying earnings** | **186.6** | 161.7 | **97.9** | 89.7 | **88.7** | 72.0 |
| **Underlying earnings per share (pence)** | **14.2p** | 13.3p | **7.4p** | 6.9p | **6.8p** | 6.4p |
| **Weighted average number of shares (million)** | **1,318.1** | 1,214.6 | **1,327.6** | 1,297.9 | **1,308.3** | 1,129.5 |

For the reconciliation from basic earnings per share see note 17.

# EPRA performance measures (unaudited)

## 1 Summary

The EPRA Best Practice Recommendations identify six key performance measures, including the EPRA Cost Ratios. The measures are deemed to be of importance for investors in property companies and aim to encourage more consistent and widespread disclosure. The Group is supportive of this initiative but continues to disclose additional measures throughout this report which it believes are more appropriate to the Group's current circumstances.

In 2015, the Group retained its EPRA Gold Award for exceptional compliance with the EPRA Best Practice Recommendations.

The EPRA measures, as calculated including the Group's share of joint ventures, are summarised below and detailed in the tables following:

| | Table | **2015** | 2014 |
|---|---|---|---|
| EPRA cost ratio (including direct vacancy costs) | 2 | **19.9%** | 19.4% |
| EPRA cost ratio (excluding direct vacancy costs) | 2 | **16.0%** | 15.5% |
| EPRA earnings | 3 | **£187.7m** | £154.9m |
| — per share | 3 | **14.3p** | 12.8p |
| EPRA NAV | 4(a) | **£5,188.5m** | £4,740.0m |
| — per share | 4(a) | **387p** | 361p |
| EPRA NNNAV | 4(b) | **£4,878.7m** | £4,322.4m |
| — per share | 4(b) | **365p** | 329p |
| EPRA net initial yield | 5 | **4.3%** | 4.4% |
| EPRA 'topped-up' NIY | 5 | **4.5%** | 4.6% |
| EPRA vacancy rate | 6 | **2.6%** | 3.0% |

Details of the Group's performance against the EPRA Best Practice Recommendations on Sustainability Reporting can be found in full in the 2015 corporate responsibility report. In 2015, the Group retained its Gold EPRA Sustainability Best Practice Recommendations award.

## 2 EPRA Cost Ratios

| | **2015 £m** | 2014 £m |
|---|---|---|
| Administration expenses – ongoing | **38.0** | 31.1 |
| Net service charge costs | **14.0** | 11.3 |
| Other non-recoverable costs | **49.8** | 49.1 |
| Remove: | | |
| Service charge costs recovered through rents | **(4.8)** | (3.3) |
| EPRA costs – including direct vacancy costs | **97.0** | 88.2 |
| Direct vacancy costs | **(18.9)** | (17.9) |
| EPRA costs – excluding direct vacancy costs | **78.1** | 70.3 |
| | | |
| Rent receivable | **514.0** | 480.4 |
| Rent payable | **(22.4)** | (23.4) |
| Gross rental income less ground rent payable | **491.6** | 457.0 |
| Remove: | | |
| Service charge costs recovered through rents | **(4.8)** | (3.3) |
| Gross rental income | **486.8** | 453.7 |
| | | |
| **EPRA cost ratio (including direct vacancy costs)** | **19.9%** | 19.4% |
| **EPRA cost ratio (excluding direct vacancy costs)** | **16.0%** | 15.5% |

### 3 EPRA earnings

EPRA earnings per share has been presented as recommended by EPRA which seeks to assist comparison between European property companies. However, we believe that our measure of underlying earnings per share is more appropriate than the EPRA measure in the context of our business as set out in note 17. The key difference relates to the adjustments in respect of exceptional items where EPRA is prescriptive about the adjustments that can be made limiting these to acquisition related costs and costs incurred on termination of derivative financial instruments. A reconciliation of EPRA earnings per share to the Group's measure of underlying earnings per share is provided below.

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **Earnings £m** | **Shares million** | **Pence per share** | Earnings £m | Shares million | Pence per share |
| Basic earnings per share | **518.4** | **1,318.1** | **39.3p** | 583.3 | 1,214.6 | 48.0p |
| Remove: | | | | | | |
| Revaluation of investment and development property | **(264.9)** | | **(20.1)p** | (567.8) | | (46.7)p |
| Loss/(gain) on acquisition of businesses | **0.8** | | **0.1p** | (1.6) | | (0.1)p |
| Gain on disposal of subsidiaries | **(2.2)** | | **(0.2)p** | (0.6) | | – |
| Gain on sale of other investments | **(0.9)** | | **(0.1)p** | – | | – |
| Exceptional administration costs – acquisition and disposal related | **0.4** | | **–** | 13.1 | | 1.1p |
| Exceptional finance charges – termination of derivative financial instruments | **26.5** | | **2.1p** | 44.1 | | 3.6p |
| Change in fair value of financial instruments | **(6.0)** | | **(0.4)p** | 157.6 | | 13.0p |
| Tax on the above | **(3.6)** | | **(0.3)p** | (5.6) | | (0.5)p |
| Share of joint ventures' adjusting items | **(84.3)** | | **(6.4)p** | (81.7) | | (6.7)p |
| Share of associates' adjusting items | **(0.3)** | | **–** | (0.8) | | (0.1)p |
| Non-controlling interests in respect of the above | **3.8** | | **0.3p** | 14.9 | | 1.2p |
| **EPRA earnings per share** | **187.7** | **1,318.1** | **14.3p** | 154.9 | 1,214.6 | 12.8p |
| *Reconciliation to the Group's measure of underlying earnings per share* | | | | | | |
| Remove: | | | | | | |
| Other exceptional items | **5.5** | | **0.4p** | 7.3 | | 0.6p |
| Other exceptional tax | **(1.5)** | | **(0.1)p** | (1.1) | | (0.1)p |
| Add: | | | | | | |
| Share of associates' adjusting items | **(5.5)** | | **(0.4)p** | – | | – |
| Share of joint ventures' adjusting items | **0.4** | | **–** | 0.6 | | – |
| **Underlying earnings per share** | **186.6** | **1,318.1** | **14.2p** | 161.7 | 1,214.6 | 13.3p |

# EPRA performance measures (unaudited) continued

## 4 EPRA NAV

### (a) EPRA NAV

EPRA NAV has been presented as recommended by EPRA which seeks to assist comparison between European property companies. However, we believe that our measure of NAV per share (diluted, adjusted), as presented in note 18a, is more appropriate than the EPRA measure in the context of our business. The key difference is the swaps not currently used for economic hedges of debt which are excluded in the Group's definition of NAV per share (diluted, adjusted). The adjustment in respect of the non-controlling interest recoverable balance not recognised is due to historical accounting practices and is required, in our view, to give a more appropriate value of net assets attributable to equity owners of the Group. A reconciliation of EPRA NAV to the Group's measure of NAV per share (diluted, adjusted) is provided below.

As for earnings per share, the comparative number of shares have been adjusted to reflect the rights issue. See note 17 for details.

| | **2015** | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **Net assets £m** | **Shares million** | **NAV per share pence** | Net assets £m | Shares million | NAV per share pence |
| NAV attributable to owners of intu properties plc | **4,976.4** | **1,331.9** | **374p** | 4,524.0 | 1,303.7 | 347p |
| Dilutive convertible bonds, share options and awards | **16.2** | **6.4** | | 22.2 | 8.6 | |
| Diluted NAV per share | **4,992.6** | **1,338.3** | **373p** | 4,546.2 | 1,312.3 | 347p |
| Remove: | | | | | | |
| Fair value of derivative financial instruments (excluding swaps not currently used for economic hedges of debt and net of tax) | **99.4** | | **7p** | 104.3 | | 8p |
| Deferred tax on investment and development property and other investments | **18.9** | | **1p** | 14.1 | | 1p |
| Share of joint ventures' adjusting items | **6.3** | | **1p** | 4.1 | | – |
| Add: | | | | | | |
| Non-controlling interest recoverable balance not recognised | **71.3** | | **5p** | 71.3 | | 5p |
| **EPRA NAV per share** | **5,188.5** | **1,338.3** | **387p** | 4,740.0 | 1,312.3 | 361p |
| *Reconciliation to the Group's measure of underlying earnings per share* | | | | | | |
| Remove: | | | | | | |
| Swaps not currently used for economic hedges of debt (net of tax) | **222.7** | | **17p** | 228.9 | | 18p |
| **NAV per share (diluted, adjusted)** | **5,411.2** | **1,338.3** | **404p** | 4,968.9 | 1,312.3 | 379p |

### (b) EPRA NNNAV

The Group's measure of NNNAV per share (diluted, adjusted) disclosed in note 18 is equal to the EPRA NNNAV measure presented below:

| | **2015** | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **Net assets £m** | **Shares million** | **NAV per share pence** | Net assets £m | Shares million | NAV per share pence |
| EPRA NAV | **5,188.5** | **1,338.3** | **387p** | 4,740.0 | 1,312.3 | 361p |
| Fair value of derivative financial instruments (net of tax) | **(99.4)** | | **(7)p** | (104.3) | | (8)p |
| Excess of fair value of debt over book value | **(194.4)** | | **(14)p** | (310.2) | | (24)p |
| Deferred tax on investment and development property and other investments | **(18.9)** | | **(1)p** | (14.1) | | (1)p |
| Share of joint ventures' adjusting items | **(8.1)** | | **(1)p** | (6.0) | | – |
| Non-controlling interests in respect of the above | **11.0** | | **1p** | 17.0 | | 1p |
| **EPRA NNNAV** | **4,878.7** | **1,338.3** | **365p** | 4,322.4 | 1,312.3 | 329p |

## 5 EPRA net initial yield and 'topped-up' NIY

| | 2015 £m | 2014 £m |
|---|---|---|
| Investment and development property | **9,602** | 8,963 |
| Less developments | **(144)** | (74) |
| Completed property portfolio | **9,458** | 8,889 |
| Allowance for estimated purchasers costs | **525** | 457 |
| Gross up completed property portfolio valuation | **9,983** | 9,346 |
| | | |
| Annualised cash passing rental income | **449** | 436 |
| Property outgoings | **(20)** | (21) |
| Annualised net rents | **429** | 415 |
| Notional rent on expiration of rent free periods or other lease incentives | **21** | 19 |
| Topped-up net annualised rent | **450** | 434 |
| | | |
| EPRA net initial yield | **4.3%** | 4.4% |
| EPRA 'topped-up' NIY | **4.5%** | 4.6% |

EPRA net initial yield and 'topped-up' NIY by property is given in the investment and development property section.

## 6 EPRA vacancy rate

| | 2015 % | 2014 % |
|---|---|---|
| intu Trafford Centre | **1.7** | 3.4 |
| intu Lakeside | **2.7** | 2.2 |
| intu Metrocentre | **4.3** | 2.7 |
| intu Braehead | **3.6** | 3.8 |
| intu Derby | **1.2** | 0.1 |
| Manchester Arndale | **0.7** | 2.6 |
| intu Victoria Centre | **2.6** | 3.3 |
| intu Watford | **4.6** | 2.6 |
| intu Eldon Square | **0.9** | 3.1 |
| intu Milton Keynes | **2.8** | 0.8 |
| intu Chapelfield | **–** | 1.2 |
| Cribbs Causeway | **4.2** | 8.2 |
| intu Potteries | **2.7** | 3.0 |
| intu Bromley | **2.4** | 4.8 |
| intu Merry Hill | **3.2** | 3.0 |
| St David's, Cardiff | **3.8** | 5.0 |
| Puerto Venecia, Zaragoza | **5.0** | n/a |
| intu Asturias | **0.4** | 0.7 |
| | **2.6** | 3.0 |

EPRA vacancy rate is the ERV of vacant space divided by total ERV. This differs from the Group's measure of occupancy which treats units in administration and no longer trading as un-let, units under offer as let, and assesses occupied units using passing rent not ERV.

# Financial record
## 2011-2015

| | 2011 | 2012 | 2013 | 2014 | **2015** |
|---|---|---|---|---|---|
| Net rental income | £364m | £363m | £370m | £397m | **£428m** |
| Underlying earnings | £139m | £138m | £140m | £162m | **£187m** |
| Underlying earnings per share[1] | 15.0p | 14.7p | 13.7p | 13.3p | **14.2p** |
| Dividend per share[1] | 13.7p | 13.7p | 13.7p | 13.7p | **13.7p** |
| Property revaluation surplus | £63m | £41m | £126m | £648m | **£351m** |
| NAV per share (diluted, adjusted)[1] | 356p | 357p | 346p | 379p | **404p** |
| Market value of investment and development property | £6,960m | £7,073m | £7,624m | £8,963m | **£9,602m** |
| Net external debt | £3,374m | £3,504m | £3,698m | £3,963m | **£4,139m** |
| Debt to assets ratio | 48.5% | 49.5% | 48.5% | 44.2% | **43.1%** |
| Interest cover | 1.71x | 1.69x | 1.71x | 1.82x | **1.91x** |
| Change in like-for-like net rental income | 3.6% | (2.7)% | (1.9)% | (3.2)% | **1.8%** |
| Occupancy | 97% | 96% | 95% | 95% | **96%** |
| Growth in footfall (like-for-like) | 2% | (1)% | (2)% | +0% | **+0%** |

Amounts presented include the Group's share of joint ventures.

1 Amounts for 2013 and earlier are as adjusted by the 2014 rights issue bonus factor.

# Glossary

### ABC1 customers
Proportion of customers within UK social groups A, B and C1, defined as members of households whose chief earner's occupation is professional, higher or intermediate management, or supervisory.

### Annual property income
The Group's share of passing rent plus the external valuers' estimate of annual excess turnover rent and sundry income such as that from car parks and mall commercialisation.

### CACI
Provide market research on intu's customers and UK wide location analysis.

### Debt to assets ratio
Net external debt divided by the market value of investment and development property.

### Diluted figures
Reported amounts adjusted to include the effects of dilutive potential shares issuable under convertible bonds and employee incentive arrangements.

### Earnings per share
Profit for the period attributable to owners of intu properties plc divided by the weighted average number of shares in issue during the period.

### EPRA
European Public Real Estate Association, the publisher of Best Practice Recommendations intended to make financial statements of public real estate companies in Europe clearer, more transparent and comparable.

### ERV (estimated rental value)
The external valuers' estimate of the Group's share of the current annual market rent of all lettable space after expiry of concessionary periods net of any non-recoverable charges but before bad debt provisions.

### Exceptional items
Items that in the Directors' view are required to be separately disclosed by virtue of their size, nature or incidence to enable a full understanding of the Group's financial performance.

### Headline rent ITZA
Annual contracted rent per square foot after expiry of concessionary periods in terms of Zone A.

### Interest cover
Underlying operating profit excluding trading property related items divided by the net finance cost plus interest on convertible bonds recognised in equity excluding the change in fair value of financial instruments, exceptional finance costs and amortisation of the Metrocentre compound financial instrument.

### Interest rate swap
A derivative financial instrument enabling parties to exchange interest rate obligations for a predetermined period. These are used by the Group to convert floating rate debt to fixed rates.

### IPD
Investment Property Databank Limited, producer of an independent benchmark of property returns.

### Like-for-like property
Investment property which has been owned throughout both periods without significant capital expenditure in either period, so that income can be compared on a like-for-like basis. For the purposes of comparison of capital values, this will also include assets owned at the previous reporting period end but not throughout the prior period.

### Long-term lease
A lease with a term certain of at least five years.

### LTV (loan to value)
The ratio of attributable debt to the market value of an investment property.

### NAV per share (diluted, adjusted)
NAV per share calculated on a diluted basis and adjusted to remove the fair value of derivatives (net of tax), goodwill resulting from the recognition of deferred tax liabilities, and deferred tax on investment and development property and other investments.

### Net asset value (NAV) per share
Net assets attributable to owners of intu properties plc divided by the number of ordinary shares in issue at the period end.

### Net external debt
Net debt after removing the Metrocentre compound financial instrument.

### Net initial yield (EPRA)
Annualised net rent on investment property (after deduction of revenue costs such as head rent, running void, service charge after shortfalls, empty rates and merchant association contribution) expressed as a percentage of the gross market value before deduction of theoretical acquisition costs, consistent with EPRA's net initial yield, and as provided by the Group's independent external valuers.

### Net rental income
The Group's share of net rents receivable as shown in the income statement, having taken due account of non-recoverable costs, bad debt provisions and adjustments to comply with IFRS including those regarding tenant lease incentives.

# Glossary continued

### NNNAV per share (diluted, adjusted)
NAV per share (diluted, adjusted) adjusted to include the fair values of derivatives, debt and deferred taxes.

### Nominal equivalent yield
Effective annual yield to a purchaser from an asset at market value before taking account of notional acquisition costs assuming rent is receivable annually in arrears, reflecting ERV but disregarding potential changes in market rents, as determined by the Group's independent external valuers.

### Occupancy
The passing rent of let and under offer units expressed as a percentage of the passing rent of let and under offer units plus ERV of un-let units, excluding development and recently completed properties. Units let to tenants in administration and still trading are treated as let and those no longer trading are treated as un-let.

### Passing rent
The Group's share of contracted annual rents receivable at the balance sheet date. This takes no account of accounting adjustments made in respect of rent free periods or tenant incentives, the reclassification of certain lease payments as finance charges or any irrecoverable costs and expenses, and does not include excess turnover rent, additional rent in respect of unsettled rent reviews or sundry income such as from car parks etc. Contracted annual rents in respect of tenants in administration are excluded.

### PMA
Property Market Analysis LLP, a producer of property market research and forecasting.

### Property Income Distribution (PID)
A dividend, generally subject to UK withholding tax at the basic rate of income tax, that a UK REIT is required to pay to its shareholders from its qualifying rental profits. Certain classes of shareholder may qualify to receive a PID gross, shareholders should refer to intugroup.co.uk for further information. The Group can also pay non-PID dividends which are not subject to UK withholding tax.

### Real Estate Investment Trust (REIT)
REITs are internationally recognised property investment vehicles which have now been introduced in many countries around the world. Each country has its own rules, but the broad intention of REITs is to encourage investment in domestic property by removing tax distortions for investors.

In the UK, REITs must meet certain ongoing rules and regulations, including the requirement to distribute at least 90 per cent of qualifying rental profits to shareholders. Withholding tax of 20 per cent is deducted from these Property Income Distributions (see above). Profits from a REIT's non-property business remain subject to normal corporation tax. The Group elected for REIT status in the UK with effect from 1 January 2007.

### Scrip Dividend Scheme
The Group offers shareholders the opportunity to participate in the Scrip Dividend Scheme. This enables participating shareholders to receive shares instead of cash when a Scrip Alternative is offered for a particular dividend.

### Short-term lease
A lease with a term certain of less than five years.

### SOCIMI
The Spanish equivalent of a Real Estate Investment Trust (see definition).

### Tenant (or lease) incentives
Any incentives offered to occupiers to enter into a lease. Typically incentives are in the form of an initial rent free period and/or a cash contribution to fit out the premises. Under IFRS the value of incentives granted to tenants is amortised through the income statement on a straight-line basis over the lease term.

### Topped-up NIY (EPRA)
Net initial yield adjusted for the expiration of rent free periods and other unexpired lease incentives.

### Total financial return
The change in NAV per share (diluted, adjusted) plus dividends per share paid in the period expressed as a percentage of opening NAV per share (diluted, adjusted).

### Total property return
The change in capital value, less any capital expenditure incurred, plus net income in the year expressed as a percentage of the capital employed (opening capital value plus capital expenditure incurred) in the year as calculated by IPD.

### Underlying earnings per share (EPS)
Earnings per share adjusted to exclude valuation movements, exceptional items and related tax.

### Underlying figures
Amounts described as underlying exclude valuation movements, exceptional items and related tax.

### Vacancy rate (EPRA)
The ERV of vacant space divided by total ERV.

### Yield shift
A movement (usually expressed in basis points) in the yield of a property asset.

# Dividends

The Directors of intu properties plc have proposed a final dividend per ordinary share (ISIN GB0006834344) of 9.1 pence (2014: 9.1 pence) to bring the total dividend per ordinary share for the year to 13.7 pence (2014: 13.7 pence as adjusted by the rights issue bonus factor). A scrip dividend alternative may be offered.

The dividend may be partly paid as a Property Income Distribution ('PID') and partly paid as a non-PID. The PID element will be subject to deduction of a 20 per cent withholding tax unless exemptions apply (please refer to the PID special note below). Any non-PID element will be treated as an ordinary UK company dividend. For South African shareholders, non-PID cash dividends may be subject to deduction of South African Dividends Tax at 15 per cent.

The following are the salient dates for the payment of the proposed final dividend.

### Tuesday 29 March 2016

Sterling/Rand exchange rate struck

### Wednesday 30 March 2016

Sterling/Rand exchange rate and dividend amount in South African currency announced

### Monday 11 April 2016

Ordinary shares listed ex-dividend on the Johannesburg Stock Exchange

### Thursday 14 April 2016

Ordinary shares listed ex-dividend on the London Stock Exchange

### Friday 15 April 2016

Record date for 2015 final dividend in London and Johannesburg

### Thursday 26 May 2016

Dividend payment date for shareholders

South African shareholders should note that, in accordance with the requirements of Strate, the last day to trade cum-dividend will be Friday 8 April 2016 and that no dematerialisation or rematerialisation of shares will be possible from Monday 11 April 2016 to Friday 15 April 2016 inclusive. No transfers between the UK and South African registers may take place from Thursday 24 March 2016 to Monday 18 April 2016 inclusive.

## PID SPECIAL NOTE:

### UK shareholders

For those who are eligible for exemption from the 20 per cent withholding tax and have not previously registered for exemption, an HM Revenue & Customs ('HMRC') Tax Exemption Declaration is available for download from the 'Investors' section of the intu properties plc website (intugroup.co.uk), or on request to our UK registrars, Capita Asset Services. Validly completed forms must be received by Capita Asset Services no later than the dividend Record Date, as advised; otherwise the dividend will be paid after deduction of tax.

### South African and other non-UK shareholders

South African shareholders may apply to HMRC after payment of the dividend for a refund of the difference between the 20 per cent withholding tax and the UK/South African double taxation treaty rate of 15 per cent. Other non-UK shareholders may be able to make similar claims for a refund of UK withholding tax deducted. Refund application forms for all non-UK shareholders are available for download from the 'Investors' section of the intu properties plc website (intugroup.co.uk), or on request to our South African registrars, Trifecta, or HMRC. UK withholding tax refunds are not claimable from intu properties plc, the South African Revenue Service ('SARS') or other national authorities, only from the UK's HMRC.

Additional information on PIDs can be found at intugroup.co.uk/investors/shareholders-bondholders/real-estate-investment-trust/.

The above does not constitute advice and shareholders should seek their own professional guidance. intu properties plc does not accept liability for any loss suffered arising from reliance on the above.

## SUMMER BUDGET 2015 SPECIAL NOTE:

UK shareholders should note that the Summer Budget 2015 announced that the dividend tax credit is to be replaced with a new personal tax-free dividend allowance of £5,000 a year for all UK taxpayers from 6 April 2016.

These new rules will only apply to any non-PIDs paid, but there will be no change to the taxation of PIDs paid by intu properties plc. The Company's dividend communications in May will be updated, as required, to reflect the new taxation arrangements.

# Shareholder information

## Registered Office
40 Broadway, London SW1H 0BT
Registered in England & Wales no. 3685527

## Websites
intugroup.co.uk
intu.co.uk

## Registrars
All enquiries concerning shares or shareholdings, including notification of change of address, queries regarding loss of a share certificate and dividend payments should be addressed to:

**For shareholders registered in the UK**
**Capita Asset Services**
The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
Calls are charged at the standard geographic rate and will vary by provider; lines are open 9.00am to 5.30pm Monday to Friday
Telephone +44 (0) 371 664 0300
Email: ssd@capitaregistrars.com
capitashareportal.com

**For shareholders registered in South Africa**
**From 1 February 2016,**
**Trifecta Capital Services**
31 Beacon Road, Florida North, 1709
South Africa
Postal address:
PO Box 61272
Marshalltown 2107, South Africa
Telephone +27 (0) 860 222 213
Email: intu@trifectacapital.com

## Payment of dividends
Shareholders who wish to have their dividends paid directly into a bank or building society account should complete a mandate form available from the appropriate registrars.

## Share price information
The latest information on the intu properties plc share price is available on the website intugroup.co.uk.

## Web-based enquiry service for shareholders
Shareholders registered in the UK can go to capitashareportal.com to obtain details of their shareholdings and dividends. The shareholder's surname, Investor Code (found on any correspondence from registrars) and postcode are required to use this service. Shareholders may also use this service to amend or change their address and dividend mandate details.

Shareholders registered in South Africa can go to trifectacapital.net/how-can-we-help-you/ to obtain details of their shareholdings. Shareholders will need to follow a registration process in order to access such information. Unfortunately, due to South African legal requirements, shareholders may not update records, but will be able to view their entire holding of shares globally. Please note that the Trifecta company code for intu properties plc is ITUZ.

## Share dealing
Existing UK shareholders may trade intu properties plc shares through Capita Share Dealing Services who provide an easy to use, real-time online, telephone and postal dealing service.

Contact details are:

capitadeal.com
Telephone (within UK) 0871 664 0364 (calls cost 10p per minute plus network extras; lines are open 8.00 am to 4.30 pm Monday to Friday)
(Ireland) Lo-call 1 890 946 375
(outside UK) +44 20 3367 2686

Existing South African shareholders whose shares are held in electronic format through Trifecta's CSDP may trade intu properties plc shares through Trifecta's low cost telephone share dealing service on 0869 222 213 (SA calls only).

## Sharegift
Shareholders with a small number of shares, which may be uneconomic to sell on a commission basis, may wish to consider donating them to the charity Sharegift (registered charity no. 1052686). Further information can be found on Sharegift's website sharegift.org or by calling them on 020 7930 3737.

## Strate Charity Shares
South African shareholders for whom the cost of selling their shares would exceed the market value of such shares may wish to consider donating them to charity. An independent non-profit organisation called Strate Charity Shares has been established to administer this process. The South African Revenue Service (SARS) has advised Strate Charity Shares that the value of any shares donated may be deducted from taxable income, as the scheme is registered under section 18A of the Income Tax Act. For further details, queries and/or donations contact the Strate Share Care toll free help line on 0800 202 363 or +27 11 373 0038 if you are phoning from outside South Africa or email charityshares@trifecta.co.za

## Electronic communication
The Company supplies information such as the annual report via its website to shareholders who have consented to such communication. Shareholders will be notified by email or post when new information is available on the website.

Shareholders can at any time revoke a previous instruction in order to receive hard copies of shareholder information.

UK shareholders may register to receive email alerts by logging on to the website of the UK Registrars (capitashareportal.com) and following the instructions given to register an email address. SA shareholders may register to receive email alerts by written instruction to the South African Registrar, Trifecta, sent either by email (intu@trifectacapital.com) or by facsimile (+27 860 222 213). Once registered, shareholders are sent a 'Notice of Availability' email highlighting that the annual report or other information is available for viewing on the website.

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