places where
shaping
visitors smile
our
brands succeed
future
communities thrive

intu properties plc
Annual report 2019

The dramatic new extension at intu Lakeside won a Revo gold award for its impressive addition to the leisure experience of the centre

Welcome to our 2019 annual report

Contents

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Our results are evidence of the challenges in the retail property market, but our operational performance remained robust

IFRS revenue
£542.3m
(2018: £581.1m)

Net rental income[1]
£401.6m
(2018: £450.5m)

IFRS loss for the year
£2,021.8m
(2018: £1,173.7m)

Underlying earnings[1]
£127.2m
(2018: £193.1m)

IFRS basic loss per share
145.1p
(2018: 84.3p)

Underlying EPS[1]
9.5p
(2018: 14.4p)

IFRS net assets attributable to owners of intu properties plc
£1,904.2m
(2018: £3,811.7m)

Market value of investment and development property[1]
£6,633.3m
(2018: £9,167.4m)

EPRA NAV per share[3]
147p
(2018: 293p)

Debt to assets ratio[2]
67.8%
(2018: 53.1%)

IFRS (£m)	2019	2018	change
Revenue	**542.3**	581.1	**(38.8)**
Loss for the year	**(2,021.8)**	(1,173.7)	**(848.1)**
Basic loss per share (pence)	**(145.1)p**	(84.3)p	**(60.8)p**
Net assets attributable to owners of intu properties plc	**1,904.2**	3,811.7	**(1,907.5)**
Dividends paid (pence)	**–**	4.6p	**(4.6)p**

Alternative performance measures (APM)[1] (£m)	2019	2018	change
Net rental income	**401.6**	450.5	**(48.9)**
Underlying earnings	**127.2**	193.1	**(65.9)**
Underlying EPS (pence)	**9.5p**	14.4p	**(4.9)p**
Property revaluation deficit	**(1,979.7)**	(1,405.0)	**(574.7)**
Market value of investment and development property	**6,633.3**	9,167.4	**(2,534.1)**
Net external debt[2]	**4,498.4**	4,867.2	**368.8**
EPRA NAV per share (pence)[3]	**147p**	293p	**(146)p**
EPRA NNNAV per share (pence)[3]	**149p**	271p	**(122)p**
Debt to assets ratio (per cent)[2]	**67.8%**	53.1%	**14.7%**

Operational performance	2019	2018
Leasing activity		
— number	**205**	248
— new rent	**£26m**	£39m
— new rent relative to previous passing rent	**+1%**	+6%
Rental uplift on rent reviews settled	**+6%**	+7%
Footfall	**+0.3%**	-1.6%
Occupancy (EPRA basis)	**94.9%**	96.7%
Net promoter score	**75**	73
Carbon emission reduction	**15%**	17%

1 All APMs are presented on a proportionately consolidated basis. See presentation of information section for further APM details including rationale for all APMs used and reconciliations between presented figures and IFRS figures.
2 See note 27 for calculations.
3 See EPRA measures section for reconciliations between presented figures and IFRS figures.

Key comments
— reduction impacted by CVAs and administrations
— adversely impacted by property revaluation deficit (see below) and change in fair value of financial instruments
— in line with IFRS loss for the year
— reduction predominantly as a result of property revaluation deficit
— no 2019 dividend recommended for payment

Key comments
— like-for-like reduction of 9.1% (£39.6m) driven by impact of administrations and CVAs — impact of disposals of £10.5m, main contributor being intu Derby
— net rental income reduction of £48.9m, see above — finance costs increased by £4.2m, mainly due to reduced capitalised interest — increased tax expense of £15.7m from current year estimated underpayment of minimum PID
— reduction in line with underlying earnings
— like-for-like reduction of 22.3% — 95bps outward yield shift from weakening investor sentiment — like-for-like ERVs marked down by 13.4% following higher level of administrations and CVAs
— revaluation deficit of £1,979.7m — part disposals of intu Derby £353.7m, intu Puerto Venecia and intu Asturias transferred to held for sale £341.8m — capital investment of £129.2m, mainly on developments such as intu Lakeside and intu Trafford Centre
— reduction from disposal proceeds and transfers to held for sale
— impact of revaluation deficit of 145p — exceptional finance and administration costs of 6p, primarily from unallocated swap payments — partially offset by underlying earnings in year of 10p
— main movement as above for EPRA NAV per share, offset by 20p movement in fair value of borrowings
— increase due to revaluation deficit — reduces to 65.3% when adjusted for expected disposal proceeds from intu Puerto Venecia and intu Asturias

Key comments
— level of lettings reduced slightly from economic uncertainty in 2019 — in line with valuers' assumptions — +1% on net effective basis (net of rent frees and incentives)
— 159 settled in year
— UK -0.1%; Spain +3.5% — UK outperformed Springboard benchmark which was down by 2.5%
— lower occupancy due to increased level of administrations and CVAs, in particular the impact from prior year processes
— continued improvement in visitor satisfaction
— continued reduction, total reduction of 69% against 2010 baseline

See presentation of information on pages 157 to 161 for more details on the presentation of information and alternative performance measures used

Business highlights of 2019

▲ From clicks to bricks
AliBaba opens its first European store at intu Xanadú to huge crowds

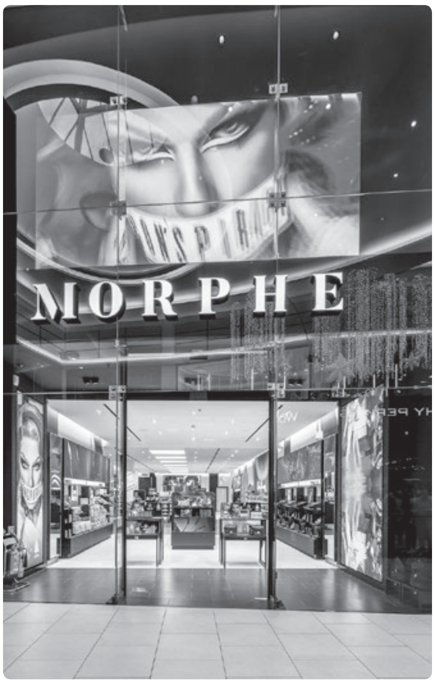
▼ Accessible destinations
Free sensory backpacks for children with autism and sunflower lanyards for people with hidden disabilities were launched across our centres

▼ Upside Down House
The topsy-turvy experience is opening at six more of our centres after its success at intu Lakeside this year

▼ Here for life
Our new consumer advertising campaign conveys the huge role our centres play in our visitors' lives

▲ intu Watford
Thanks to the award-winning extension, aspirational new brands and great leisure, footfall is up 15 per cent in its first full year of trading

▼ intu Lakeside
The £72 million leisure extension opened in May and is set to attract millions of new visitors



◀ New brands
205 new lettings this year, including three stores for US cosmetics giant Morphe

2019 was a challenging year, but we have a new strategy which positions us to take advantage of the evolving retail market

Last year was challenging for intu as we continued to face a testing retail and retail property market, something we are seeing a continuation of in early 2020. It was also a year of change with a new management team and a new strategy.

A new strategy

We have a new management team that has been focused on creating and delivering our new strategy. This strategy, which chief executive Matthew Roberts discusses in more detail on pages 6 to 8, positions us to take advantage of the evolving retail market. We are changing to a more collaborative way of working with our customers that will be to our mutual benefit. We are also focusing on transforming our centres over the coming years into places where everyone feels they belong.

Fixing the balance sheet is central to this as we move into 2020. Despite being unable to raise equity, we will broaden our conversations with stakeholders to consider alternative capital structures and further disposals. However, the notes accompanying these financial statements indicate a material uncertainty in relation to the Group's ability to continue as a going concern, detailed in note 1.

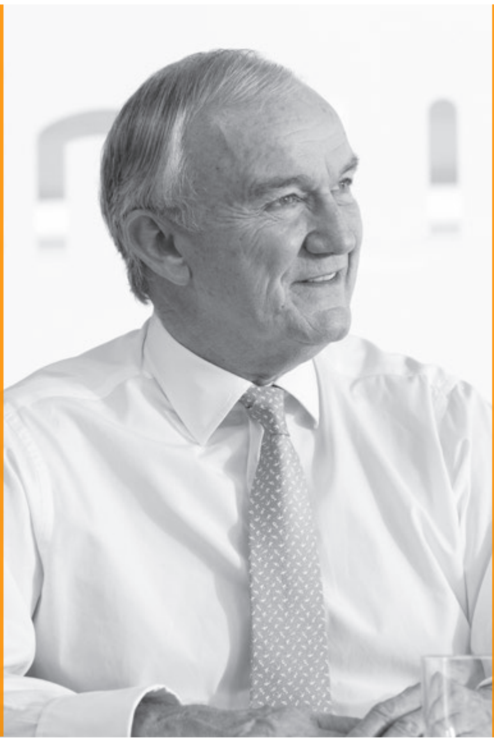
2019 results

Our financial results for 2019 reflect the testing market, with net rental income reducing from the impact of CVAs and administrations, as well as economic and political uncertainty. This, together with weak market sentiment, rather than any hard transactional evidence, has affected the valuation of our properties, which are down by 23 per cent in 2019.

However, what we see on the ground tells a very different story. In our centres, footfall was stable and sales marginally down, but both outperformed the national average. Our insight illustrates this perfectly with stores in our centres typically outperforming the UK chain average by 28 per cent (see page 13).

People

I would like to thank all our people for their commitment in what has been a difficult year. Despite the negative sentiment towards retail, they have ensured that our centres represent the very best in retail and guest services. Our measure of the service we deliver to visitors, net promoter score, has increased again in 2019 from what was already a high base.



Our centres will remain destinations where customers and visitors want to be, now and in the future."

John Strachan
Chairman

There have been many changes to the Board this year and I believe this has improved the expertise and guidance available to the business. Matthew Roberts was appointed chief executive and we welcomed Robert Allen as chief financial officer. We also have two new independent non-executive directors, Cheryl Millington and Steve Barber, who bring a wealth of experience from retail and technology, as well as financial experience through periods of change and challenge.

There have also been changes to the Executive Committee. In order to deliver our new strategy, we have changed its composition, putting customer and centre performance at the heart of our business and bringing new expertise to the table.

Sustainability

We have a deeply ingrained culture of behaving responsibly and working with our stakeholders to address social and environmental issues.

We have achieved the majority of our 2020 corporate responsibility targets and have now developed a new 2030 strategy which commits us to be zero carbon by 2030. For more details, see the sustainability section of this report, pages 48 to 50.

We are supporting the recommendations of the Taskforce on Climate-related Financial Disclosure (TCFD) and are planning to fully disclose in our 2020 annual report.

The future

Whenever I visit our centres I see vibrant locations packed with visitors enjoying the experience. The outperformance of our centres against national averages, along with our new strategy and new management team, gives me confidence that they will remain destinations where our customers and visitors want to be, both now and into the future.

John Strachan
Chairman

In 2019 we introduced a new five-year strategy to address the challenges and position us to take advantage of the opportunities

> In a world where it is harder for retailers to increase profits, our centres offer them the best opportunity."
>
> **Matthew Roberts**
> Chief Executive

In addition to having been a challenging year, 2019 has been a year of change for intu. I took over as Chief Executive in April and in the summer I introduced our five-year strategy. With the pace of change accelerating in our sector, radical transformation was required, so we carried out a comprehensive review of the business and tested our findings to develop the strategy.

Our review of the business looked at the risks and opportunities of the evolving retail market, and along with an assessment of our underlying strengths, helped formulate our strategy for the next five years. This will reshape the business by way of four strategic objectives, detailed below. I am pleased to say we have already taken steps to deliver this strategy.

However, there are challenges. In the year, we made a loss of £2.0 billion, predominantly due to a property value deficit of 23 per cent, which is now 33 per cent down from the peak in December 2017. This results in our debt to assets ratio increasing to 65 per cent (adjusted for the Spanish disposals), highlighting the importance of fixing the balance sheet in our strategy. Although we were unable to proceed with an equity raise, we have a range of options including alternative capital structures and asset disposals.

The store is not dying, it is evolving

The right stores in the right locations will always play a vital role for retailers but, with all the recent commentary around the death of the store, you could believe that no one will be going shopping in the future. Two statistics from recent research by CACI illustrate the importance of the store. First, around 90 per cent of all retail spend is influenced by a physical store, and second, the presence of a physical store can double a retailer's online sales in that local catchment.

If we look ahead to 2026, research carried out by CACI and Revo suggests that 77 per cent of transactions will still touch a store, even with the overall percentage of online sales increasing from around 20 per cent to 30 per cent. If this is considered with the expectation that overall store numbers in the UK will decrease, there will be continued demand from brands for high-quality, high-footfall locations where they can maximise their productivity and profitability.

As the role of the store changes, then the relationship with our retail customers will change too. Data and insight are becoming increasingly important and it is key that we and our customers join forces and share data to ensure we both benefit and potentially share the risk and reward.

Centres are transforming

The transformation of centres is nothing new but the speed of change is increasing. Our view is that the best locations will deliver theatre and world class service, maximising footfall and increasing dwell time. These will be the locations that our customers focus on as they rationalise their store portfolios.

In addition to the retail and leisure mix, we will also see further intensification of sites introducing uses including residential, office and hotels which will cement our centres' importance at the heart of their communities.

intu's fundamental strengths

There are challenges, but we also have many strengths.

We own nine of the UK's top-20 centres (source: GlobalData), on average a million people a day visit one of our centres and our satisfaction scores and brand relevance continue to grow. Our centres have high occupancy at 95 per cent and we are seen as innovators – we introduced the first nationwide shopping centre brand and have been at the forefront of technology in our sector, from our online shopping mall, intu.co.uk, through to our recent launch of intu Pocket, our in-store cashback app.

All this means that we are a first stop and major provider of space in the UK for many global brands, such as Apple, Inditex, Victoria's Secret and Abercrombie & Fitch, as well as new digital native brands such as Morphe and AliExpress, which opened its first European store at intu Xanadú in 2019.

Delivering a strategy for the 2020s

I believe our strategy addresses the challenges and will position us to take advantage of the opportunities. With a largely new Board and a restructured executive team, we are already making progress.

2019 results

Our results are evidence of the challenges in our market, in particular structural changes ongoing in the retail sector, with some weaker retailers struggling to remain relevant in a multichannel environment. This has led to a higher level of administrations and CVAs and has been exacerbated by the continued weak consumer confidence from the political and economic uncertainty in the UK.

Putting the right team in place

Our Executive Committee is a smaller, more focused team. Five of the eight members are new or new in post and, with this new expertise and fresh perspective, our decision-making will be bolder and more effective.

See page 56

The impact of this can be seen in the reduction in revenue. Like-for-like net rental income reduced by 9.1 per cent in 2019, with over half the change coming from CVA and administration processes which were predominantly agreed in the first half of the year.

This has also impacted the investment market where 2019 saw the lowest level of shopping centre transactions since 1993. This weak sentiment has weighed heavily on valuations. We have seen reductions in the year of 23 per cent and around 33 per cent from the peak in December 2017. This property valuation deficit was the main contributor to the £2.0 billion loss for 2019.

Outlook

Looking in to 2020, we would expect like-for-like net rental income to be down, but by a lower amount than 2019. The Covid-19 situation is rapidly evolving and we are closely monitoring the impact on our centres (see focus on risk). Our footfall for the first 10 weeks of 2020 is broadly unchanged.

For UK valuations, we would expect some further downward pressure in 2020, although we believe the decline in values in the second half of 2019 from the impact of yield and ERV movements suggests an acceleration towards the point where we believe valuations should start to stabilise.

In the short term, fixing the balance sheet is our top priority. The notes accompanying these financial statements indicate a material uncertainty in relation to intu's ability to continue as a going concern. However we have options including alternative capital structures and further disposals to provide liquidity, and will seek to negotiate covenant waivers where appropriate. These would address potential covenant remedies and the upcoming refinancing activities, with the first material debt maturities in early 2021.

We are focusing all our energies on moving the business forward. We own many of the best shopping centre locations in the UK, with dedicated staff looking after our visitors who are coming to our centres in the same numbers and like intu more than ever. In a world where it is harder for retailers to increase profits, our centres offer them the best opportunity and many, such as Next, Primark and JD Sports, are thriving. But we cannot stand still, and as we have always done, we will focus on placemaking, curating our space to ensure it remains the place visitors love to be.

Matthew Roberts
Chief Executive

Our five-year strategy

Fix the balance sheet

To reduce net external debt and create liquidity to deal with any potential covenant breaches and the upcoming refinancing activity, with the first material debt maturities in early 2021

Key actions
- mitigating any potential covenant breaches, including seeking waivers
- considering alternative capital structures, including reviewing the feasibility of a future equity raise
- pausing the dividend for the time being
- disposing and part disposing of assets in the UK and Spain
- reducing the capital expenditure pipeline

What have we done
- no 2018 final or 2019 dividends proposed or paid
- disposals of nearly £600m of assets:
  - part disposed of intu Derby for £186m
  - disposed of intu Puerto Venecia for £201m (€238m) and intu Asturias for £123m (€145m)
  - disposed of £82m of sundry assets
- reduced capital expenditure pipeline by £60m

Simplify, enhance and drive efficiency

To deliver our strategy and reshape intu, we need to ensure we have the correct leadership team in place, with the right skill sets and teams to deliver this vision

Key actions
- updating management structure for our forward-looking strategy
- delivering a thriving culture of happy and high-performing colleagues
- considering new approach to incentive plans
- focusing on wellbeing and ESG

What have we done
- refreshed the Board since 2018 with four of the seven members new to intu and one new in role
- restructured Executive Committee
- created customer and centre performance directorates
- delivered £5m of annualised cost savings, of which £2m will benefit our customers through lower service charges
- signed 'Time to Change' pledge

Sharpen customer focus

To improve our relationships with those who pay us to take space, working closer with them and taking a partnership approach to maximise returns for both parties

Key actions
- identifying, nurturing and supporting leading brands
- investing in data and sharing the insight
- developing new product and service propositions for our customers to reduce their costs, remove hassle and improve sales
- leading the way in modernising the lease structure, to include store-generated online sales

What have we done
- CEO meetings with top-30 customers
- appointed customer performance director
- created customer performance team with insight, digital and sector specialist teams
- enhanced customer understanding with store-level affordability database
- multichannel-focused approach to align with retailers

Transform our centres

To deliver what future visitors and customers want with a project pipeline for new uses

Key actions
- focusing on placemaking, so our centres are places where people love to be
- evolving the visitor experience further to increase footfall and dwell time
- delivering seamless customer offering to allow new brands easy access to centres
- intensifying our estate, using a capital light model, introducing new uses

What have we done
- appointed centre performance director
- opened intu Lakeside leisure extension
- increased experiential offering: Big Bug Tour and Upside Down House roll-out
- curated new retail concepts such as Birdhouse Café and Fashion House
- identified around 6,000 potential residential units across eight sites, seven potential hotel sites for around 800 rooms and four flexible working sites

Top properties

We own, develop and manage some of the best shopping centres in some of the strongest footfall locations in the UK

intu Lakeside

intu Lakeside offers a compelling mix of retail, catering and leisure. The award-winning extension, opened in May 2019, brings in big names such as Puttshack, Hollywood Bowl and Nickelodeon. H Beauty, the first Harrods store in a shopping centre, arrives in summer 2020

Our centres' catchments cover

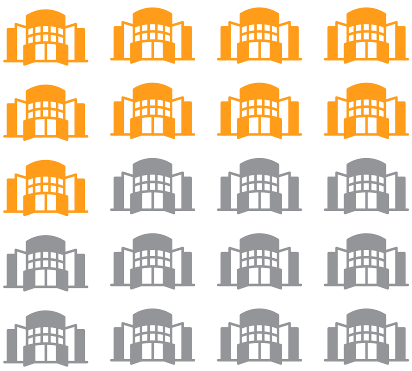
40%

of the country

intu Merry Hill

intu Merry Hill is the regional centre for the West Midlands and boasts powerhouse fashion brands including Primark, Next, Mango and Flannels. A £10 million external makeover has begun

We own **nine** of the UK's top-20 centres



High footfall

360m

visits per annum

Strong occupancy

3%

of the country's retail workforce work in an intu centre

intu Trafford Centre

intu Trafford Centre is the only location in the UK other than Oxford Street that hosts John Lewis, Selfridges, Marks & Spencer and Debenhams. It is now about to welcome Primark at the new Barton Square

We are Apple's principal landlord in the UK

11/38

stores

St David's, Cardiff

St David's, Cardiff is the top shopping location in Wales, with 1.4m sq ft of shopping and leisure and the only John Lewis store in the principality. New tenants this year include the Ivy, its first branch in Wales, and Zara

Nationally recognised brand

86%

prompted brand awareness

intu Metrocentre

intu Metrocentre is one of the largest shopping centres in Europe, with a catchment area reaching right across the northeast. Angry Birds adventure golf is the latest addition to the leisure line-up

The role of the physical store in a multichannel world is evolving and we are using our data and insight to ensure we can maximise the opportunity

Economic background

The continuing Brexit uncertainty has weighed heavily on consumer confidence. The GfK measure of consumer confidence has been subdued since the EU referendum and remained low through the whole of 2019 with a slight pick-up in December 2019 following the general election.

Against this, employment is at its highest level since 1971 and wage growth has outpaced inflation for nearly two years now.

Economic uncertainty and changes in what customers are spending their money on have impacted sales growth, with non-food retailer sales down by 1.3 per cent on average in 2019, according to the British Retail Consortium (BRC).

Shopping behaviours continue to change. The trend of growth in online sales (BRC 2019: +3.3 per cent), offset by falling in-store sales (BRC 2019: -3.1 per cent), has continued but it is clear the store still plays a vital role, irrespective of how the product is bought.

Traditional store profitability is under pressure from limited sales growth and increased costs from business rates, national living wage and the distribution costs of online sales.

In 2019 administrations and CVAs affected over 2,000 stores, according to the Centre for Retail Research, marginally lower than 2018, but a higher level than in other recent years. High-profile closures and CVAs in the year include Debenhams, Arcadia and Monsoon, adding to the negative retail sentiment.

The uncertainty of Brexit, the structural change in retail and a higher than normal level of administrations and CVAs have significantly reduced investment demand for prime shopping centres in 2019, which is running at the lowest level since 1993.

Following the general election in December 2019, more certainty in the course of 2020 over what Brexit means, and retailers addressing the structural changes in their sector, will enable customers and investors to make better informed decisions.

Online to in-centre

Chinese online giant Alibaba opened its first European store, AliExpress, at intu Xanadú in August 2019

The future role of the store

The UK retail market is undergoing a number of structural changes leading to an evolution in the role of the physical store and impacting on the traditional landlord-tenant relationship.

Evolving demands of the consumer and advancing technology

The combination of evolving demands of consumers alongside advances in technology is transforming the retail landscape, as consumers' focus shifts from the traditional equation driven by cost, choice and convenience to an evolving one driven by control and experience.

Consumers increasingly shop across channels, but the store remains an important part of this omnichannel journey. For example, the inspiration for a purchase could come from social media on a mobile, which could be checked and bought in store or ordered online and picked up in store by click and collect. Plus, any items not wanted may be returned to store.

The evolving role of the physical store

The ways consumers shop will impact the future role, purpose and value of the store. The role of the store has already evolved beyond purely selling products. It is central to multiple touchpoints along a consumer's journey: it serves as a mini fulfilment centre, handles online returns, provides customer service and acts as a marketing channel.

Online spend is expected to continue to grow, but even with 50 per cent growth over the next five years, three quarters of transactions will still touch a store.

The potential value of a physical store to a retailer is also evolving

Retailers are also changing their thinking around the contribution of a store and the value it creates. This includes the value of in-store sales, last-mile delivery by ship-from-store, halo sales in the store's catchment and click and collect, which lowers distribution costs and adds impulse sales. Returns also play a part and although they may reduce the net sales, a store collection hub is a cost-effective way of dealing with them.

The continued value of catering and leisure provision to customer performance

It remains clear that a strong catering and leisure provision in UK shopping centres has a positive impact on customer performance, increasing dwell time and broadening the reasons to visit.

The impact on shopping centres

We are adapting to this retail evolution and the changing role of the store, including across a number of areas where the impact of omnichannel retail will be more pronounced:

- redefinition of anchors – leisure, catering and services will become bigger footfall drivers than traditional anchors
- polarisation of venues – experience against convenience, with the middle squeezed
- additional reasons to visit – the development of a more rounded experience
- fluid and flexible use of space – a reconsideration of the standard use of space and a shift towards more fluid environments
- challenges to the traditional rental model – a move towards shorter leases potentially linked to measures of tenant performance
- reformating uses – increase in mixed use

The quality of our portfolio alongside our strategy gives us the capability to take advantage from the evolving retail market.

Insights into rent sustainability

With the continued evolution of the retail market, our data and insight team, working with an external consultant, is at the forefront of understanding the challenges and its impact on the rent sustainability of our customers.

The process

We analysed our 13 largest centres, amounting to 1,500 stores. Starting with traditional occupancy cost ratios (OCRs) of existing sales performance and rent for a store, we then overlaid the potential incremental omnichannel sales value. This estimated omnichannel OCR was then benchmarked against the expected sustainable OCR for that customer.

Observations

The analysis suggests that over 80 per cent of the space modelled is at a broadly sustainable level and 71 per cent is at sustainable levels – ie where the store is profitable. Of the 29 per cent considered borderline or unsustainable, 13 per cent is with customers that analysis suggests have robust covenants, around two thirds with over five years remaining on their lease. The remaining 16 per cent is mainly customers who have had a CVA or administration, split 10 per cent department stores and 6 per cent other retailers, mainly clothing and accessories.

Sensitivity analysis

Modelling rent reductions on the 20 per cent unsustainable rental levels suggests that the Group rent roll would have to reduce 8 per cent for them to be broadly stable. Moving all the borderline and unsustainable rents to a sustainable level would require the Group rent roll to reduce by 16 per cent.

Neither of these sensitivities takes into account improving customer sales performance, the unexpired lease terms, tenants who run naturally high OCRs (for example, mobile phone operators) or possible mitigation actions we can take.

Possible mitigating actions

Department stores generally pay a low rent per square foot, on average £11 per square foot across our portfolio, and are usually positioned at one end of a mall. This gives optionality to introduce new concepts or reduce the retail footprint and bring in alternative uses such as residential or hotels.

As a break-even scenario, on the closure of a department store, we could maintain rental levels by reletting 50 per cent of the space, before we even consider the opportunities from alternative uses of the remaining vacant space in the form of a gym, cinema, grocery store or leisure offering – all paying on average more than a department store. In addition there is an option of closing the store and changing its use to residential, hotel or offices.

For other retail space, although the rent may not be sustainable for the post-CVA customer, there are many other brands looking for space who can maintain those rental levels. This includes many London-focused brands who will look to our centres as they expand across the UK.

Conclusions

We are starting from a strong position. According to market data, brands trading in our centres typically outperform the UK chain average sales by 28 per cent and outside London and the southeast, we have the highest performing malls in each region.

Although there may be rental pressure over the short term, our analysis suggests that if all rents were to become sustainable then our rent roll would be likely to reduce by 16 per cent. However, around one-third of this is with financially stable tenants with over five years to run on their lease. Of the balance, we have possible mitigating actions available as discussed above to reduce any impact.

Our focus is on creating vibrant retail-led destinations that are loved by our visitors and where our customers flourish. We are committed to building a business that delivers value for all our stakeholders

What are our resources…	…and what competitive advantage do they deliver?	
Our centres Strategically positioned regional destinations and access to affluent visitors make us the **first choice landlord for many of our customers.** See top properties on pages 10 and 11	**40%** of the UK population within catchment of an intu centre	**9 of 20** top centres in the UK
Our people Directly employing over 2,500 talented people means they are trained and motivated to deliver **outstanding service for our customers and visitors.** See our people on pages 45 to 47	**66%** visitor happiness level	**81%** of our people have received accessibility training
Our relationships By building strong relationships with our customers we create **a sustainable operating model.** See page 16	**£125m** invested by our customers in their stores this year	**1,500** store rent-sustainability models
Our brand We have the UK's only national shopping centre brand. It differentiates us and helps us build **strong customer and visitor loyalty.** See pages 17 to 27	**86%** prompted brand awareness	**1m** email database
Our data and insight Our insight into the UK's top brands and the shopping habits of our millions of visitors gives us **a unique view of retail.** See page 13	**21k** Tell intu responses	**360m** visits each year
Our financial flexibility Our capital structure allows **flexibility** to dispose of or introduce partners to assets. See financial review on pages 30 to 37	**£600m** disposals since the start of 2019	**£3.8bn** of our 100% owned shopping centres are in the UK's top-20

What value do we add?

curating vibrant sustainable places

This allows us to

attract visitors from further, for longer

We do this by:

developing insights that strengthen our appeal

This allows us to

appeal to a compelling mix of brands

We do this by:

Create places people love to be

What value does this deliver?

See more on following page

Operating sustainably

We are a sustainable business committed to acting responsibly towards our people, our communities and our planet.

See more on our sustainability strategy on pages 48 to 50

Underpinned by our culture and our values

bold	creative	genuine

The value we deliver	How we engaged in 2019	What we will do in 2020
Our customers Outperformed national footfall benchmark by 2.4%	— new customer performance team — CEO to CEO meetings with our top-30 customers — perception study research — attended major conferences in UK and Europe	— new sector specialist heads of partnership will deepen relationships and understanding — regular and ongoing review programme with top-40 customers — increase data and insight sharing
Our visitors Average net promoter score of 75	— 208 mystery shopper visits — 21,000 Tell intu responses, a rise on 2018 — 27% unprompted brand awareness — social media engagement with 17m unique users	— Light House installation national tour to 12 intu centres — over 1,000 brand activations across all our centres — placemaking projects across the portfolio
Our people Employees rated their overall motivation in the workplace 8/10	— made a commitment to mental health and wellbeing — introduced a new staff survey, the Happiness Index — launched a new monthly forum with chief executive Matthew Roberts	— improve employee engagement — introduce a business-wide mental health and wellbeing awareness programme — improve Happiness Index score
Our communities Gross value added £4.8bn	— 12,500 hours donated by our people — 400 community activities — 570 community organisations supported — £1.7m donated to community organisations	— target of 35% of staff to volunteer — continue to support local community organisations — improve our measurement system for community activity to understand impact better
Our investors Underlying earnings £127m	— 150 roadshow meetings — seven real estate conferences meeting 80 investors — interaction with 20 sell-side analysts — site visits to four centres with 45 investors	— investor engagement on alternative capital structures, including a potential future equity raise — roadshow meetings in UK, South Africa and Europe — attend real estate conferences
Our environment Reduction in carbon intensity since 2010 of 69%	— reduced electricity intensity by 5% — met our 2020 target for electric vehicle charging points — won three industry awards for our waste management practices — signed the Better Building Partnership's Climate Challenge commitment	— install a further 2MW of onsite renewable capacity — install 20 more electric vehicle charging points at our centres — launch new zero-carbon target for 2030

Great experiences, all day, every day



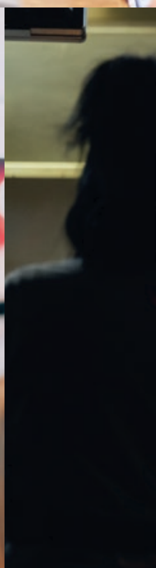
Our purpose is to create places people love to be, where visitors smile, brands succeed and communities thrive

We do this by using our insight and knowledge to understand evolving needs and then apply our expertise and creativity to curate the right mix of brands, transform our spaces and provide great experiences that drive visitor numbers and demand for our space



















&S FOODHALL

Visitors and customers choose intu

With 17 centres, nine of the UK's top-20, each with its own irresistible blend of top brands, great places to eat, fun leisure and exciting events, intu attracts 360 million visitors every year

From morning to evening our centres lay on a fantastic show that makes our visitors smile and helps our customers flourish

Reasons our visitors flock to our centres

We provide unique experiences that surprise and delight

66%

visitor happiness level

A huge choice of leisure and retail means fun for visitors of all ages

33%

of our visitors are under 35

intu centres have some of the best stores of the best brands

£125m

invested by customers in their intu stores

We're working to make our centres the most accessible shopping destinations in the country

81%

of our people have had special accessibility training

There's always something new and interesting

256

stores opened new or refitted this year

World class customer service makes shopping at intu a pleasure

75

net promoter score

...and why our customers do...

We are transforming our centres to create places that visitors love

15%

rise in footfall at intu Watford since the opening of the new extension

Brands' intu stores are some of their most productive

28%

outperformance of retailers' stores in intu centres against their chain average

We bring consumers to their doors

2.4%

UK footfall above the national average in 2019

intu has their business interests at heart

1%

budgeted service charge reduction in 2020

They are always in good company

130

new stores opened in our centres in 2019

Our centres are thriving

95%

occupancy levels in 2019

Retail is changing…

… and so are we, with a new structure that puts customers and visitors right at the heart of our business

In conversation with **Martin Breeden,** Centre Performance Director, and **Rebecca Ryman,** Customer Performance Director

Two of our most experienced people, Martin Breeden who heads the centre performance team, and Rebecca Ryman, who leads the customer performance team, talk about the difference the new focus will make.

So, why is intu changing the way it focuses on customers and visitors?

RR It's a response to the structural change in the world of retail property. Part of our five-year strategy is to sharpen our relationship with our customers and deliver an incremental outperformance against our peers.

MB We want to transform our centres into places with the mix of leisure and experience that makes our visitors want to keep coming back, and do it by making effective use of our capital.

What will the new teams do?

RR Sharpening our relationship with our customers is quite simply about getting closer to our customers in the same way they are getting closer to their customers. Working in partnership and providing them with great places where they are going to thrive, the focus on customer performance will be unique to intu. The team brings together customer relationship management (CRM), online, data and insight and retail innovation.

Our CRM team will be talking to our customers to ensure they are in the right locations, their stores are working well for them and they are performing to their optimum. The online team will grow our customer base by bringing online brands into our centres. The insight team will tap into new trends and the retail innovations team will curate new environments where brands who want to come into shopping centres can take the first step and we share the risk.

MB The centre performance team brings together development, asset management, visitor experience and operations and simplifies our whole structure, with one team and one vision. Placemaking will be our main focus – using our creativity and innovation to curate places where everyone feels they belong. By bringing all these teams together we will be able to transform our centres quickly and cost-effectively.

Our two teams will work closely together because ultimately what is good for our visitors is good for our customers and vice versa.

How are you building sustainability into your strategies?

MB I chair the environmental operations working group which brings the relevant teams together so we can deliver on our commitment to be net zero carbon by 2030. We will also support our customers towards more efficient use of their spaces.

Our business benefits from the footfall intu shopping centres attract through the day. Half our venues are at intu sites and we look forward to continuing our partnership."

Hugh Knowles, chief development officer, UK and Europe, Puttshack

800
unique brands at intu centres

21%
of units at intu centres devoted to catering and leisure

£141m
capital investment planned across the portfolio

69%
reduction in carbon emission intensity since 2010

For our visitors it's as much about the social element of sustainability – making our centres the most accessible centres as well as the beating hearts of the community. And we're very good at that.

RR Sustainability is very high on our customers' agendas and they want sustainable partners. When we look at new leasing models, sustainability will be an important element.

What are the teams' plans for the next 12 months?

MB I talk a lot about putting on a show – using the fabric of our buildings, our people and activities to put on something people really want to see. A big focus is to make cost-effective enhancements and create placemaking activities across the portfolio. There will be more things happening at intu Lakeside; a place-making programme is ready to go at intu Trafford Centre; new ideas for intu Braehead are already in progress and a transformational programme is planned at intu Merry Hill.

RR We will use our insight to be the voice of retail. We have a huge focus on top-40 customer engagement and new leasing structures. We'll be drawing lessons from our data and insight work to feed into our conversations with customers and curating new spaces such as Fashion House for emerging pureplay brands.

Surprising the visitors of tomorrow

The future is about to arrive for intu's visitors and customers – with innovative ideas and market-leading initiatives planned for 2020 and beyond

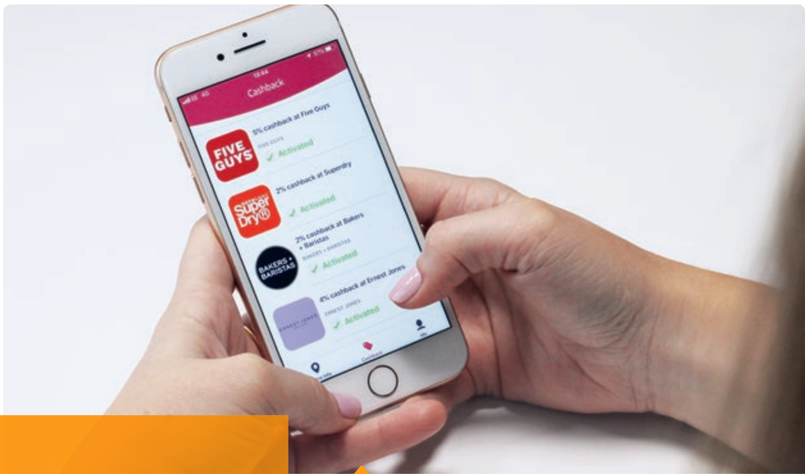
Creating places people love to be

Placemaking is at the heart of our business – and of our programme to transform our centres. It has many elements, from our world class service to our events programme, as well as using design to shape environments to give our visitors a sense of emotional connection.

By mapping the visitor's journey through the centre we can use mall decoration, artworks, graphics, furniture and planting to lead them round, while creating a personalised local experience with a joyful intu twist.

At the new Barton Square development at intu Trafford Centre, opening in spring 2020, this includes bespoke art, hanging decorations that tell stories and a bold sculptural arch that creates a sense of arrival.

Clever interior design doesn't have to cost a fortune, but it can create an atmosphere of excitement and drama and give our visitors a sense of fun and connection.



intu in your Pocket

intu Pocket, our innovative app-based loyalty programme, helps visitors make their money go further by providing special offers and cashback on their purchases, including car parking. By rewarding their spend in our centres, we encourage them to come back more often.

It gives our customers more opportunity to publicise their great offers and drive footfall into their stores. Brands can set up different offers for specific times of the day or week, for individual stores across their portfolio or spending thresholds.

To obtain their cashback rewards visitors link their bank cards to the app, which enables us to understand more about their shopping habits and what makes them tick while they are in our centres.

Since intu Pocket launched in July 2019, 18,000 members have signed up and it has generated £183,000 in sales.

A moment of connection

To our visitors intu is more than just a place to shop – they want to experience a connection, something that makes them feel like they belong, and this is 'their' centre. So we have started to create moments during their visit that inspire them or make them laugh. We call these 'instagrammable moments' – backdrops or activities that give them the opportunity to capture their experiences and share them online.

Moments like these – whether that is sitting on a 'selfie seat' or hanging from the ceiling in the Upside Down House – enhance our visitors' sense of place and connection with the centre. We get the benefit of user-generated content on social media as well as income opportunities.

A new model for fashion

Fashion House, designed and curated by intu, is a new immersive pop-up that we are opening at intu Lakeside in summer 2020. It will be a multibrand curated space for trending online brands to showcase their ranges in a unique and engaging way. Each brand will 'own' its space, with shared changing rooms, a click and collect desk and the latest in showroom design – but we will operate the space on brands' behalf. There is also a central 'catwalk' area that brands can use to create exciting experiences to wow visitors.

This new concept will allow pureplay fashion brands, such as Gina Bacconi and Whyte Studio, to test their bricks and mortar appeal while at the same time giving our visitors access to new brands they can't visit elsewhere. It will be an innovative way of operating beyond a traditional institutional lease for smaller brands.

and delighting the customers of the future

Online brands come down to land

Online brands are seeing the benefits of the massive footfall that goes through our shopping centres to reach new customers and take their businesses to another level.

Brands that have already opened physical stores with intu include Chinese online giant Alibaba, which has opened its first European store of AliExpress at intu Xanadú. Digital native cosmetics brand Morphe has opened three of its first six UK stores in intu centres. Several digital brands are in the process of signing up for our new retail concept Fashion House (see left).

Our expertise in the digital space, through intu.co.uk, and our strong relationships both with digital brands like Boohoo and the digital teams of other top UK brands, allow us to lead in bringing online brands to earth.

Ahead of the trends

To keep intu at the cutting edge of the shopping experience our new insight team uses our data and insight to spot visitor and customer trends as they start to form – whether that's new uses for the store or the latest social media and shopping habits of the younger generation. That gives us the information we need to create new opportunities.

Right now, sustainable fashion is the hot topic and we're pleased that new sustainable fashion brand All Good Things has chosen two intu centres, intu Merry Hill and Cribbs Causeway, to launch its ethical fashion concept. Not far behind is the pre-loved fashion trend and we're already looking at ways to incorporate this into our tenant mix.

Building a long-term business

The evolution of our centres never stops. We will continue to adapt to the changing way people live, work and play with new uses for the land around our centres

With only around 50 per cent of the area of our out-of-town centres currently being used for buildings or roads, there are lots of opportunities to capitalise on the value of the intu estate and to create even more vibrant centres. We have identified possible sites for hotels, flexible working environments and new homes.

We have a good track record – from masterplanning the intu Braehead estate in the early 2000s to building a number of our centres from the ground up.

A masterplan for a new community

We have developed 10-year masterplans for our major centres. For instance, at intu Lakeside the plan encompasses a number of uses to create a new community. We are planning to develop a thousand new homes for the private rented sector, with new public spaces, transport connections and lifestyle and leisure facilities. Our masterplan will also bring hotels, residential areas and flexible office developments, designed to create new audiences for our centres.

intu Lakeside is just one example. Across the portfolio we have identified locations for around 6,000 potential residential units across eight sites, alongside seven hotel sites and four flexible working hubs.

By offering a centre for a variety of activities, and placing it at the heart of communities, we will transform our estate, creating destinations that appeal to a broader audience and larger catchment.

2019

2029

Transforming intu Lakeside
Above: the stunning new leisure extension that opened in 2019 was built on car parks and other underutilised land

Right: over a thousand residential units could be built on the site of a current department store and two multistorey car parks

10 years of sustainability success

2010
launched long-term CR targets and began supporting **The Passage, the UK's largest resource centre** for vulnerable people

2012
over £12 million invested since 2012 in our flagship LED lighting programme

2014
40,000 hours volunteered since the employee volunteering scheme was launched

2016
first solar project went live at intu Chapelfield, **generating 10% of the centre's electricity consumption**

2017
achieved our **50% carbon reduction target** three years early and opened our **10th Green Gym**

2019
69% reduction in carbon intensity since 2010, reached **140 EV charging bays** and achieved **Disability Confident Leader** status

Our 2030 vision

Creating a better future together

After a successful decade acting responsibly towards our people, our communities and our planet, we have our sights set on the next 10 years

Our new vision and strategy are built on working with our partners to achieve three key ambitions:

with our **people**

100% inclusive

We will strive towards being 100% inclusive by 2030

with our **planet**

Net zero

We will be a net zero carbon business by 2030

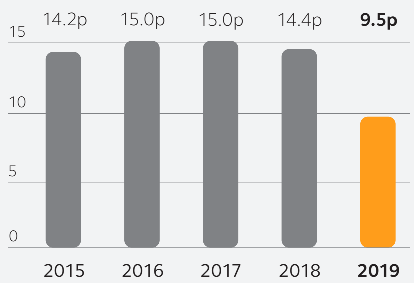
with our **communities**

100,000+

We will positively impact the lives of over 100,000 people by 2030

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

Underlying earnings per share
|p|



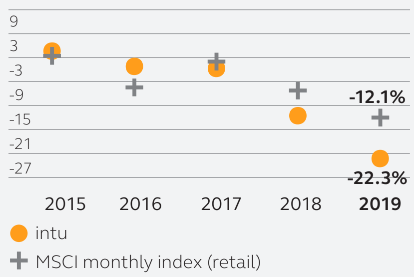
Why is this important?
Underlying earnings per share is based on the underlying income generated in the year which gives an indication of the Group's recurring performance.

How is this measured?
Underlying earnings excludes property and derivative valuation movements, exceptional items and related tax. See presentation of information on page 161 for details on this APM.

How have we performed?
Underlying earnings per share reduced due to the lower level of net rental income. This was impacted by the effect of administrations and CVAs in the year and vacancy running slightly higher.

Strategic objective: Fix, Sharpen, Simplify, Transform

Prime property assets
|%|



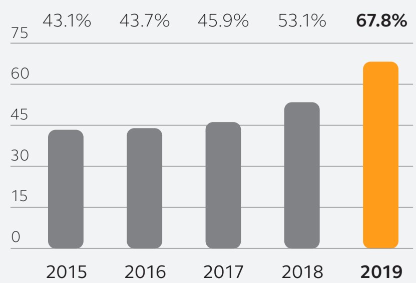
Why is this important?
Measures the capital return on the Group's property assets and compares this with the MSCI index, a recognised industry benchmark.

How is this measured?
The property 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?
Like-for-like valuation deficit of 22 per cent was greater than the MSCI deficit of 12 per cent. The larger lot size of our assets means market sentiment plays a larger role than transactional evidence. The benchmark is more driven by transactions.

Strategic objective: Sharpen, Transform

Debt to assets ratio
|%|



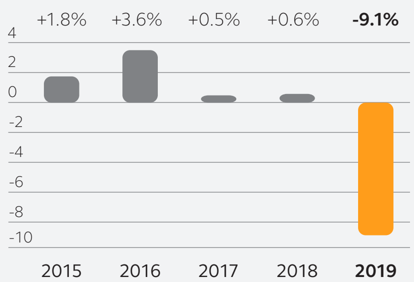
Why is this important?
Measures the level of debt compared to the value of the assets which give security for debt.

How is this measured?
Net external debt divided by the market value of investment and development property, including investment and development property held for sale.

How have we performed?
Debt to assets has increased in the year as a result of the 22 per cent revaluation deficit. Net external debt has remained stable.

Strategic objective: Fix

Like-for-like net rental income
|%|



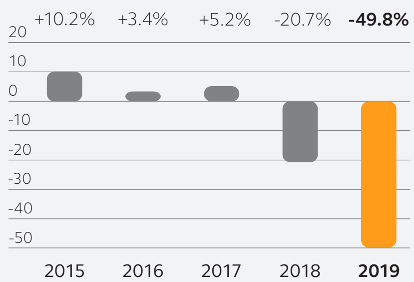
Why is this important?
Measures the organic growth in income generated from our shopping centres in the year.

How is this measured?
Year-on-year movement in net rental income with the impact of acquisitions and disposals removed. See presentation of information on page 160 for details on this APM.

How have we performed?
Like-for-like net rental income reduced in 2019. Over half the reduction was from the effect of administrations and CVAs, with vacancy running slightly higher and fewer surrender premiums received than in 2018.

Strategic objective: Sharpen, Transform

Total financial return
|%|



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

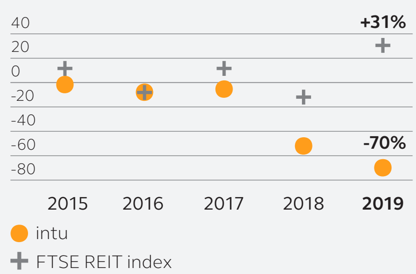
How is this measured?
The change in EPRA NAV per share plus dividends per share paid in the year expressed as a percentage of opening EPRA NAV per share.

Note: 2015 to 2018 based on previous measure of NAV per share (diluted, adjusted).

How have we performed?
Total financial return in the year was negative, driven by a property revaluation deficit of 22 per cent in the year.

Strategic objective: Fix, Sharpen, Simplify, Transform

Shareholder return
|%|



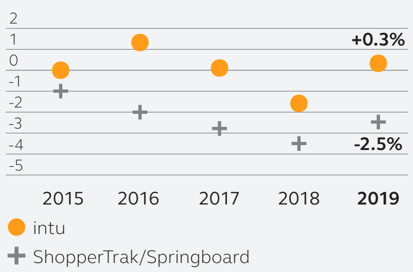
Why is this important?
Combines share price movement and dividends to produce a direct measure of the change in shareholder value in the year.

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 significantly underperformed in 2019 compared with the overall REIT sector. This was driven by negative sentiment towards retail and retail property in addition to a higher level of debt than our peer group.

Strategic objective: Fix, Sharpen, Simplify, Transform

Footfall
|%|



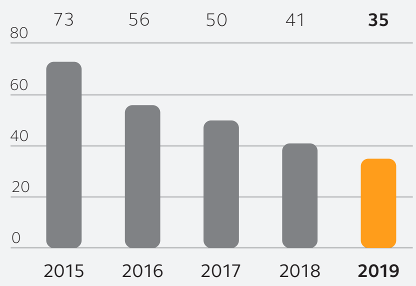
Why is this important?
Footfall is an important measure of a shopping centre's popularity with customers. Customers use this measure as a key part of their decision-making process on where to locate their stores.

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 in our centres marginally increased in 2019. We significantly outperformed the Springboard monitor of UK shopping centre footfall, which was down by 2.5 per cent.

Strategic objective Sharpen, Transform

Greenhouse gas emissions intensity
|kg CO_2e/m^2|



Why is this important?
Measures operational efficiency and performance of our assets and also our performance against carbon intensity reduction target of 50 per cent by 2020 against 2010 base.

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

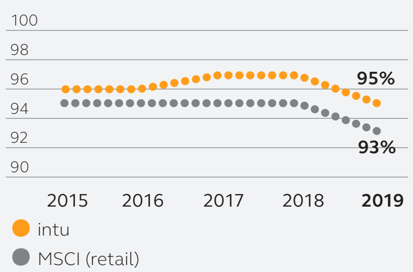
How have we performed?
Reduction of 15 per cent in the year from continued focus on energy efficiency, supported by ongoing greening of electricity grid.

Note: 2018 figure adjusted from 42 due to restatement of electricity usage.

Strategic objective Simplify, Transform, Sharpen

The key performance indicators listed are consistent with 2018 with the exception of debt to assets ratio, which has been added in the year given our strategic objective to fix the balance sheet (see page 9).

Occupancy
|%|



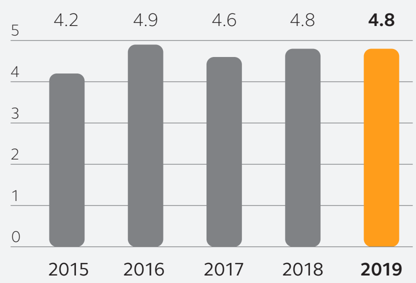
Why is this important?
Attracting and retaining the right mix of retail, catering and leisure brands will enhance our centres' appeal and trading environment.

How is this measured?
The ERV of let and under-offer units expressed as a percentage of the total ERV.

How have we performed?
Occupancy reduced in the year, impacted by units closed in the first half of 2019 from administrations or CVAs in 2018. The MSCI monthly property benchmark figure (retail) has seen a similar decline.

Strategic objective Sharpen, Transform

GVA of community investment
|£bn|



Why is this important?
Shopping centres create wealth and employment for their local communities. Gross value added (GVA) measures the economic contribution of intu to local communities in the UK.

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.

How have we performed?
GVA has remained stable in the year.

Strategic objective Simplify, Transform, Sharpen

Fixing the balance sheet remains our main strategic priority in what has been a challenging year for the retail property sector

Robert Allen
Chief Financial Officer

Financial review

2019 was a challenging year for the retail property sector with the ongoing structural changes and low consumer confidence impacting some weaker retailers and leading to a higher level of CVAs and administrations. This impacted our revenue, net rental income and property valuations, with like-for-like net rental income down 9.1 per cent and the property revaluation deficit was £1,979.7 million.

Fixing the balance sheet is our top strategic priority and although the notes accompanying these financial statements indicate a material uncertainty in relation to intu's ability to continue as a going concern we have options including alternative capital structures and further disposals to put us on a stronger financial footing.

Income statement

£m	Notes	2019	2018	Change
Net rental income	A	**401.6**	450.5	(48.9)
Administration expenses	B	**(40.5)**	(44.0)	3.5
Net finance costs	C	**(224.6)**	(220.4)	(4.2)
Tax on underlying profit	D	**(17.6)**	(0.7)	(16.9)
Other underlying amounts[2]		**8.3**	7.7	0.6
Underlying earnings[1]		**127.2**	193.1	(65.9)
Revaluation of investment and development property	E	**(1,979.7)**	(1,405.0)	(574.7)
Change in fair value of financial instruments	F	**(75.3)**	86.3	(161.6)
Other finance charges – exceptional	G	**(37.7)**	(28.4)	(9.3)
Other non-underlying amounts[3]		**14.6**	21.8	(7.2)
IFRS loss for the year attributable to owners of intu properties plc[1]		**(1,950.9)**	(1,132.2)	(818.7)
IFRS basic loss per share (pence)		**(145.1)p**	(84.3)p	(60.8)p
Underlying EPS (pence)		**9.5p**	14.4p	(4.9)p

1 A reconciliation from the IFRS consolidated income statement to the underlying earnings amounts presented above is provided in presentation of information on page 161.
2 Other underlying amounts includes net other income, share of underlying profit in associates and any underlying amounts attributable to non-controlling interests.
3 Other non-underlying amounts includes losses on disposal of subsidiaries, gains on sale of investment and development property, write-down on recognition of joint ventures and other assets classified as held for sale, impairment of goodwill, impairment of investment in associates, impairment of loan to associate, exceptional administration expenses, exceptional tax, and any non-underlying amounts attributable to non-controlling interests.

Presentation of information

Figures and commentary within the financial review, unless otherwise stated, are presented including the Group's share of joint ventures on a proportionately consolidated basis. See presentation of information on pages 157 to 161 for further details including rationale for alternative performance measures (APMs) used as well as reconciliations between presented figures and IFRS figures.

The IFRS loss for the year attributable to owners of intu properties plc increased by £818.7 million to £1,950.9 million, with the IFRS basic loss per share increasing by 60.8 pence. Underlying earnings decreased by £65.9 million to £127.2 million, with a corresponding reduction in underlying EPS of 4.9 pence. The key drivers of these variances are discussed below.

A Net rental income

Net rental income decreased £48.9 million in the year to £401.6 million. This was due primarily to the 9.1 per cent reduction in like-for-like net rental income of £39.6 million and the impact of disposals of £10.5 million (see APM – like-for-like amounts in presentation of information on page 160 for further details). The key components of the like-for-like net rental income movement were:

IFRS income statement items

Revenue decreased by £38.8 million in 2019 to £542.3 million, primarily driven by the reduction in rent receivable from the impact of CVAs and administrations and increased vacancy.

The share of post-tax loss in joint ventures is £158.9 million for 2019, a decrease of £116.8 million from 2018. The key driver in the year relates to property revaluation deficit on joint ventures of £182.9 million, an increase of £110.7 million against the deficit of £72.2 million in 2018.

The loss in the year of £1,950.9 million was largely driven by the property revaluation deficit.

%	2019	2018
Rent reviews and improved lettings	**+0.8**	+1.3
Capital investment	**+1.2**	+0.2
Vacancy impact	**–3.7**	–0.1
Administrations and CVAs	**–4.6**	–1.9
Turnover rent	**–0.6**	–
Other (e.g. bad debt; surrender premiums; headlease adjustments)	**–2.2**	+1.1
Change in like-for-like net rental income	**–9.1**	+0.6

— rent increases from rent reviews and new lettings delivered 0.8 per cent rental growth. Rent reviews were settled 6 per cent ahead of previous rents and lettings were on average up 1 per cent (see operational performance section on page 38 for further details)
— capital investment primarily at intu Lakeside and intu Watford delivered growth of 1.2 per cent
— vacancy throughout 2019 was on average around 2 per cent higher than 2018, resulting in a 3.7 per cent impact on net rental income from both rent foregone and increased void costs
— the effect of administrations and CVAs was a rental decline of 4.6 per cent, mainly driven by the impact in 2019 from 2018 administrations and CVAs, including House of Fraser, HMV and New Look Men, and the Debenhams, Arcadia and Monsoon CVAs in 2019
— other was adverse by 2.2 per cent primarily due to surrender premiums received, with around £7 million received in 2018 against around £4 million in 2019

In 2019, administrations and CVAs related to 167 stores and around 9 per cent of our passing rent. By rent, 51 per cent of these have had no impact, with the customer keeping their stores in our portfolio open on the existing rent. Of the remainder, 40 per cent are trading on discounted rents and 9 per cent have closed. Some of these stores are still considered to be at risk and we continue to monitor these, including Debenhams which has the largest concentration of space in the portfolio.

We anticipate 2020 like-for-like net rental income to decline further, but at a slower rate than in 2019. The effect of the 2019 CVAs are expected to skew the decline in like-for-like net rental income towards the first half of 2020.

B Administration expenses

Administration expenses reduced by £3.5 million in the year predominantly due to cost savings made in the year:

— in July, we went through a restructuring of headcount delivering around £5 million of annualised savings, of which around £2 million will benefit the service charge. These changes had a partial impact in 2019, but will deliver a full-year benefit in 2020
— our EPRA cost ratio (excluding direct vacancy costs) remains low at 16.1 per cent (see EPRA measures on page 167 for detailed calculation)

C Finance costs

Net finance costs have increased by £4.2 million in 2019 to £224.6 million, largely due to lower interest being capitalised on developments as the extensions of intu Watford and intu Lakeside have opened.

We would expect the net finance costs run rate for 2020 to be similar to 2019.

£6.6bn

market value of investment and development property

D Tax on underlying profit

Tax on underlying profit includes £15.7 million in respect of corporation tax on the estimated current year underpayment of the minimum PID.

Current tax relating to the prior year underpayment of the minimum PID of £6.4 million was recognised in 2019 as a one-off tax expense in respect of prior year profits and so has been classified as exceptional based on its incidence. See note 10 for further details.

E Valuation

The property revaluation deficit of £1,979.7 million was driven by increasing yields in the year with a more minor impact from reduced rental values:

— like-for-like properties were down by 22.3 per cent with most centres in the range of 20 per cent to 24 per cent. intu Braehead was an outlier due to a more negative view on Scottish retail, down 33 per cent (see investment and development property on pages 162 and 163 for centre by centre analysis)
— intu Xanadú was broadly unchanged in the year

Yields expansion was the main factor of the property valuation deficit, driven predominantly by sentiment:

— the UK shopping centre investment market had the lowest level of transactions in 2019 since 1993 resulting from factors including the political and economic uncertainty in the UK and the challenges facing retailers
— weak market sentiment rather than hard transactional evidence has been the key driver for the expansion in valuation yields
— intu's weighted average net initial yield (topped-up) – the expected focus of any potential direct investor – increased by 95 basis points to 5.93 per cent at 31 December 2019. This yield shift in isolation equates to an approximate 16 per cent reduction in capital values

Rental values have also been impacted by the higher than normal levels of administrations and CVAs:

— valuers have reappraised ERVs across the portfolio due to perceived changes in letting demand
— intu's ERVs decreased by 13.4 per cent in the year on a like-for-like basis, reducing any reversion and bringing them more in line with current rental values. This is evidenced by the reduction in the spread between net initial yield (topped-up) and nominal equivalent yield, which at 31 December 2019 was 23 basis points, reducing from 46 basis points at 31 December 2018

For the investment market to improve, we believe stabilisation of income is required with reduced levels of administrations and CVAs. This should enable potential investors to make more informed decisions on pricing.

F Change in fair value of financial instruments

The change in fair value of financial instruments related to fair value movements on our interest rate swaps and our convertible bonds. Further detail on our interest rate swaps (including detail on allocated and unallocated interest rate swaps) is provided under E below within the balance sheet section.

G Other finance charges – exceptional

Other finance charges – exceptional related mainly to interest payments on unallocated interest rate swaps. Further detail is provided under E below within the balance sheet section.

IFRS balance sheet items

Our total investment in joint ventures was £524.1 million at 31 December 2019 (which includes investments in joint ventures of £326.6 million and loans to joint ventures £197.5 million), a decrease of £299.8 million from 31 December 2018. The key driver in the year related to the share of loss of joint ventures of £158.9 million, which primarily included underlying earnings of £27.9 million and a property revaluation deficit of £182.9 million, a £200.7 million transfer of intu Puerto Venecia and intu Asturias to held for sale, partially offset by the residual interest in intu Derby of £93.9 million being classified as a joint venture.

We are exposed to foreign exchange movements on our overseas investments. At 31 December 2019 the exposure was 24 per cent of net assets attributable to shareholders, the increase from the 31 December 2018 exposure of 15 per cent being due to the property revaluation deficit in the UK. Adjusted for the disposals in intu Puerto Venecia and intu Asturias, this exposure would be reduced to 15 per cent.

Balance sheet[1]

£m	Notes	2019	2018	Change
Investment and development property	A	**6,721.6**	9,255.7	(2,534.1)
Joint ventures and other assets classified as held for sale	B	**163.7**	–	163.7
Investment in associates	C	**53.7**	65.6	(11.9)
Net external debt	D	**(4,498.4)**	(4,867.2)	368.8
Derivative financial instruments	E	**(286.9)**	(284.0)	(2.9)
Other assets and liabilities[2]		**(307.7)**	(342.0)	34.3
Net assets		**1,846.0**	3,828.1	(1,982.1)
Non-controlling interest[3]		**58.2**	(16.4)	74.6
IFRS net assets attributable to owners of intu properties plc		**1,904.2**	3,811.7	(1,907.5)
Other adjustments[4]		**73.1**	135.4	(62.3)
EPRA NAV		**1,977.3**	3,947.1	(1,969.8)
EPRA NAV per share (pence)	F	**147p**	293p	(146)p

1 A reconciliation from the IFRS consolidated balance sheet to the amounts presented above is provided in the presentation of information on page 159. A further reconciliation of EPRA NAV to IFRS net assets attributable to owners of intu properties plc is provided within EPRA measures on page 169.
2 Other assets and liabilities includes property, plant and equipment, other non-current assets, trade and other receivables, trade and other payables, current tax liabilities, deferred tax liabilities and other payables.
3 Relates primarily to our partner's 40 per cent stake in intu Metrocentre. The amount is considered to be recoverable in view of the £195.4 million owed to the non-controlling interest (which is included in the Group's borrowings in note 23).
4 Other adjustments relate to fair value of derivative financial instruments, fair value of convertible bonds, deferred tax on investment and development property, share of joint ventures' adjusted items and non-controlling interest recoverable balance not recognised in EPRA NAV.

The key drivers in the decrease in IFRS net assets attributable to owners of intu properties plc of £1,907.5 million as well as the decrease in EPRA NAV of £1,969.8 million and EPRA NAV per share of 146 pence in the year are discussed below.

A Investment and development property

Investment and development property has decreased by £2,534.1 million:

— deficit on revaluation of £1,979.7 million (see E above within the income statement section)
— disposals in the year, including the part disposal of intu Derby in July 2019, transfer of intu Puerto Venecia and intu Asturias to assets held for sale (see B below) and sundry asset disposals
— capital expenditure of £129.2 million on projects enhancing the value and appeal of our centres, including £44.5 million on the Primark anchored intu Trafford Centre's Barton Square extension, £14.5 million on the redevelopment of intu Broadmarsh and £11.2 million on the now completed leisure extension at intu Lakeside

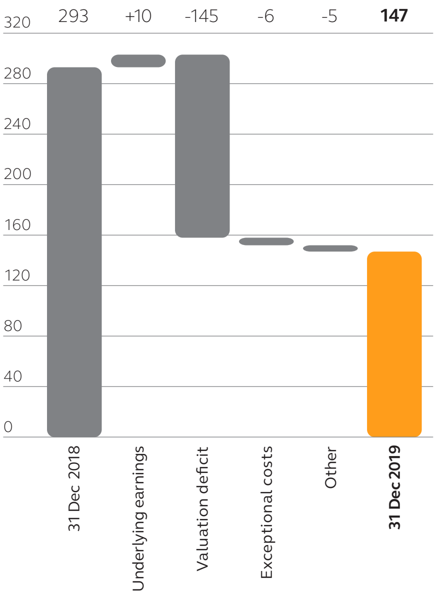
B Joint ventures and other assets classified as held for sale

intu Puerto Venecia and intu Asturias were classified as joint ventures held for sale at 31 December 2019 and recognised at their expected net proceeds.

intu Puerto Venecia

In December 2019 the Group announced the disposal of its joint venture interest in intu Puerto Venecia to Generali Shopping Centre Fund S.C.S. SICAV-SIF and Union Investment Real Estate GMBH for €475.3 million (intu share €237.7 million), an 11 per cent discount to the June 2019 valuation. This is expected to complete in early April and deliver net proceeds to intu of around £95.4 million after repaying asset-level debt, working capital adjustments, fees and taxation.

EPRA NAV per share (pence)



intu Asturias

In January 2020 the Group announced and subsequently completed the disposal of its joint venture interest in intu Asturias to the ECE Prime European Shopping Centre Fund II for consideration of €290.0 million (intu share €145.0 million), a 9 per cent discount to the June 2019 valuation. The transaction delivered initial net proceeds of £68.3 million after repaying asset-level debt, working capital adjustments, fees, taxation and including land and other assets totalling £1.0 million within a wholly owned subsidiary also being sold as part of this transaction.

C Investments in associates

Investments in associates of £53.7 million primarily represent our interests in India, Prozone and Empire, which own and operate shopping centres in Coimbatore and Aurangabad. See note 18 for further details.

D Net external debt

Net external debt of £4,498.4 million decreased by £368.8 million in 2019. The transfer of intu Puerto Venecia and intu Asturias to held for sale reduced net external debt by £123.5 million. The fair value of the convertible bonds reduced net external debt by £60.0 million, with the balance of the reduction largely from net proceeds from asset sales – the part disposal of intu Derby and other sundry asset disposals.

E Derivative financial instruments

Derivative financial instruments comprise the fair value of the Group's interest rate swaps (referred to as allocated and unallocated swaps). The net liability of £286.9 million increased by £2.9 million in 2019, due primarily to decreases in interest rates, with the Sterling five-year and 10-year swap rates decreasing by 41bps and 42bps respectively, partially offset by early termination at the option of the counterparties of some unallocated swaps of £52.2 million and other cash payments in the year of £40.8 million. Of the £40.8 million cash payments in the year, £27.0 million were classified within other finance charges – exceptional as it relates to interest in respect of unallocated swaps (see below). The balance of the payments has been included as underlying finance costs as it relates to ongoing allocated swaps actively used to hedge debt.

We hold a number of interest rate swaps, entered into some years ago, which are unallocated due to a change in lenders' practice. Lenders previously would allow the allocation of the Group's existing long-dated swap portfolio to new debt. However, this practice changed when lenders began to require lender specific swaps on new debt to be put in place as a hedge when entering into new variable interest rate debt. As a consequence of our significant refinancing activity carried out in recent years (see financing section below), this historical long-dated swap cover is no longer acting as a hedge to any debt interests and is therefore unallocated.

At 31 December 2019 these unallocated swaps had a market value liability of £166.7 million (31 December 2018: £184.4 million). It is estimated that we will make cash payments on these unallocated swaps of £21.7 million in 2020, reducing to around £16.5 million per annum from 2021. Cash payments on these unallocated swaps will continue until their maturity dates, which range between 2020 and 2037, but will cease in the event a swap is terminated early.

F EPRA NAV per share bridge

The key drivers of the 146 pence decrease in EPRA NAV per share to 147 pence are summarised in the chart, left.

As noted in previous results, NAV per share continues to include a timing impact within retained earnings of 4 pence in relation to our Spanish development partner Eurofund's expected future equity interest in the intu Costa del Sol development.

IFRS cash flow

£m	2019	2018
Cash flows from:		
operating activities	**11.1**	102.6
investing activities	**75.5**	(0.4)
financing activities	**(122.4)**	(90.8)
Net change in cash and cash equivalents	**(35.8)**	11.4

The key drivers of the decrease in cash and cash equivalents of £35.8 million in the year are discussed below.

Cash flows from operating activities of £11.1 million were £91.5 million lower than 2018, largely due to the reduction in underlying earnings of £65.9 million (see income statement section) and the early settlement of interest rate swaps of £52.4 million, partially offset by improvements in working capital of £32.2 million.

Cash flows from investing activities mainly reflected cash inflows related to the part disposal of intu Derby of £96.7 million and other sundry disposals of £75.3 million, partially offset by capital expenditure during the year of £127.7 million.

Cash flows from financing activities primarily reflected net borrowings repaid in the year (see debt activity section on page 36).

Subsequent to the year end, we have received the final ratifications required for full planning to become effective and therefore we expect the positive impact on retained earnings to reverse once these arrangements are formally concluded. In this event EPRA NAV per share would have been 143 pence.

Debt measures

	Notes	2019	2018	Change
Debt to assets ratio	A	**67.8%**	53.1%	14.7%
Interest cover	B	**1.67x**	1.91x	–0.24x
Weighted average debt maturity		**5.0 years**	5.8 years	–0.8 years
Weighted average cost of gross debt (excluding RCF)		**4.3%**	4.2%	–0.1%
Proportion of gross debt with interest rate protection		**88%**	84%	4%
Immediately available cash and facilities	C	**£241.5m**	£246.8m	£(5.3)m

A Debt to asset ratio

Our debt to assets ratio increased to 67.8 per cent in 2019 due to the property revaluation deficit in the year. This reduces to 65.3 per cent when adjusted for expected disposal proceeds from intu Puerto Venecia and intu Asturias.

B Interest cover

Interest cover of 1.67x remains above our target minimum level of 1.60x although it has reduced in 2019 as a result of the reduction in net rental income.

C Immediately available cash and facilities

Immediately available cash and facilities has reduced in the year by £5.3 million to £241.5 million at 31 December 2019. This excludes the rents collected at the end of December 2019 which relate to the first quarter of 2020 and remain in the debt structures until interest payments are made. At 10 March 2020, immediately available cash and facilities is £200.3 million, which will be augmented by the intu Puerto Venecia sales proceeds expected to be received in early April.

Financing

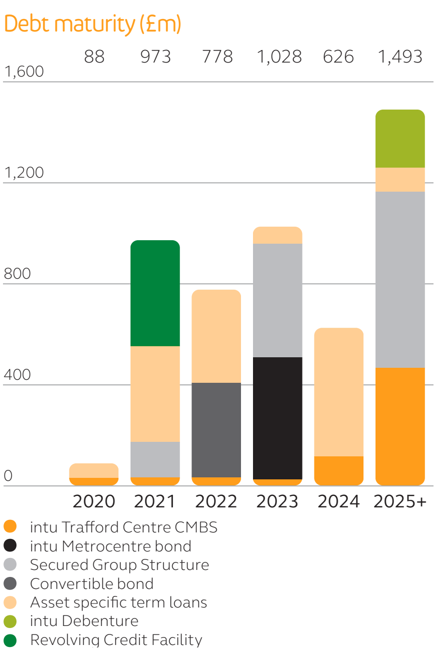
Central to our strategy is fixing the balance sheet, with the key aim to increase short-term liquidity and increase headroom to deal with any potential covenant breaches and the upcoming financing activity, from early 2021 onwards.

Disposals

In the year we completed or agreed £469.4 million of asset disposals:

- part disposal of intu Derby completed for £186.3 million
- disposed of £82.1 million of sundry assets, including Sprucefield retail park (£40.0 million), Waterfront business park at intu Merry Hill (£15.5 million) and King George V dock (see note 35 for further details)
- exchanged contracts on the disposal of intu Puerto Venecia for £201.0 million (€237.7 million)

Since the year end we have announced and completed the sale of intu Asturias for £122.6 million (€145.0 million).



Debt activity

During the year we undertook the following financing activity:

— raised debt of £150 million on intu Derby at the joint venture level

— removed intu Derby and added the extension of intu Watford to the SGS debt structure on 28 June 2019 and repaid £210 million of the SGS term loan (maturity 2021)

In our facilities we have the ability to prepay debt in order to manage LTV against the relevant covenant ratio. Since the year end, we have utilised around £50 million from available resources to pay down debt in a small number of our facilities.

The chart, left, illustrates the debt maturity profile as at 31 December 2019 and although the debt market is more cautious at the moment, we have no major refinancing requirement due until early 2021.

Debt structure and covenants

We have carried out significant refinancing activity in recent years which has resulted in diversified sources of funding, including:

— secured bonds and syndicated bank debt secured on individual or pools of assets

— limited or no recourse from the borrowing entities to other Group companies outside of these arrangements

— corporate-level debt limited to the RCF and £375 million 2.875 per cent convertible bonds

We have reported on compliance on all our covenants at their most recent testing dates. Details of all our debt financial covenants are included in financial covenants on pages 165 and 166 of this report. We regularly undertake sensitivity analysis to consider downside risks to assess the potential impact on our financial covenants:

— as at 31 December 2019, a further 10 per cent fall in property valuations, equivalent to a fall of 40 per cent from the December 2017 valuation peak, would (taking into account the Spanish sales proceeds):

  — create covenant cure requirements of £113 million under the Group's asset-level borrowings; and

  — require cures on the RCF's net worth and borrowings to net worth covenants, involving repayment of £161 million of net borrowings on this facility

— a further 10 per cent decline from 2019 net rental income would create a covenant cure requirement of £34 million under the Group's asset-level borrowings

We will, accordingly, be seeking to take timely mitigating actions (which may include seeking waivers where appropriate) to deal with any covenant breaches in July 2020.

Our business depends on our ability to continue to access these sources of funding to refinance debt as it falls due.

Capital commitments

We have Board approved projects of £141 million over the next two years:

— at intu Broadmarsh we commenced construction of the £91 million regeneration of the centre in January 2019. This leisure-led scheme will be anchored by The Light cinema and Hollywood Bowl, with two-thirds of the units either exchanged or in advanced negotiations. Of the remaining cost of £68 million, £37 million will be funded from development finance

Capital commitments

£m	Cost to completion Total	2020	2021
intu Broadmarsh – redevelopment	68	40	28
intu Trafford Centre – Barton Square	20	14	6
intu Watford – extension	11	11	–
intu Merry Hill – external enhancements	10	10	–
intu Lakeside – leisure extension	5	5	–
Placemaking and leasing projects	27	27	–
Total committed[1]	**141**	**107**	**34**
Development funding available	42	27	15
Net cost to intu	**99**	**80**	**19**

1 Total committed of £141 million represents projects that are Board approved (31 December 2018: £238 million). Of this, £75 million (31 December 2018: £191 million) is contractually committed.

— at intu Trafford Centre, construction is nearing completion for the £75 million expansion and transformation of Barton Square which is scheduled to open in spring 2020 and will be anchored by Primark. Of the remaining cost of £20 million, £5 million will be funded from development finance
— the Revo award-winning extensions at intu Watford and intu Lakeside are now open, introducing new brands to the centres and delivering increased footfall. The remaining spend relates to the final units to be let
— the external enhancement project for intu Merry Hill, investing £12 million, is underway with £10 million remaining on the project
— placemaking and leasing projects total £27 million and include £3 million to complete the final design and resolve any outstanding planning matters at intu Costa del Sol and £4 million to enhance the food court at intu Xanadú

Other

Tax policy position

The Group seeks to minimise its level of tax risk and to comply fully with relevant regulations and other tax obligations in a way which upholds intu's reputation as a responsible corporate citizen. The Group regularly carries out risk reviews, seeking pre-clearance from taxing authorities in complex areas and actively engaging in discussions regarding proposed changes in the taxation system that might affect the Group.

We have updated 'intu's Approach to Tax' for 2019 on the Group's website intugroup.co.uk which provides further information about the Group's tax strategy.

The Group has REIT tax exempt status in the UK which provides an exemption from corporation tax on rental income and gains arising on property sales, with tax instead being paid at shareholder level. See glossary for further information on REITs.

A UK REIT is expected to pay dividends (PIDs) of at least 90 per cent of its taxable profits from its UK property rental business by the first anniversary of each accounting date. In view of the announced short-term reduction of dividends there will be an underpayment of the minimum PID, and therefore under REIT legislation, the Group will incur UK corporation tax payable at 19 per cent while remaining a REIT. See note 10 for further details. The Group intends to remain a UK REIT for the foreseeable future.

In addition to the PID shortfall as described above, we pay tax directly on overseas earnings, any UK non-property income, business rates and transaction taxes such as stamp duty land tax. In 2019 the total of such payments to tax authorities was £44.2 million (2018: £28.2 million), of which £40.9 million (2018: £25.4 million) was in the UK (which includes the PID shortfall) and £3.3 million (2018: £2.8 million) in Spain. In addition, we also collect VAT, employment taxes and withholding taxes for HMRC and the Spanish tax authorities.

Dividends

The directors are not recommending payment of a final dividend for 2019. Following losses in the year, the Company no longer has any distributable reserves.

Robert Allen
Chief Financial Officer

Operational performance

	Notes	2019	2018
Leasing activity	A		
— number		**205**	248
— new rent		**£26m**	£39m
— new rent relative to previous passing rent		**+1%**	+6%
Investment by customers	B	**£125m**	£144m
Rental uplift on rent reviews settled	C	**+6%**	+7%
Occupancy (EPRA basis)	D	**94.9%**	96.7%
— of which, occupied by tenants trading in administration		**2.8%**	2.0%
Unexpired lease term	E	**6.3 years**	7.2 years
Footfall	F	**+0.3%**	–1.6%
Retailer sales	G	**–1.6%**	–2.3%
Net promoter score	H	**75**	73
Gross value added of community investment	I	**£4.8bn**	£4.8bn
Carbon emission intensity reduction	J	**15%**	17%

This year's gift card sales of £26 million have locked a considerable level of spend within intu centres for the benefit of our customers

A Leasing activity

We agreed 205 long-term leases in 2019, amounting to £26 million annual rent, at an average of 1 per cent above previous passing rent (like-for-like units) and in line with valuers' assumptions. On a net effective basis (net of rent frees and incentives), rents were also 1 per cent ahead of previous rents. The upside from these new lettings added to like-for-like net rental income but was lower in magnitude than the negative impacts from administrations and CVAs and increased vacancy (see financial review on pages 30 to 37).

Our customers continue to focus on increasing their space in prime, high footfall retail and leisure destinations. Significant activity in 2019 included:

- pureplay online brands starting to open stores to increase their physical presence. Morphe, the digital native cosmetics brand, opened three of its six UK stores at intu Victoria Centre, intu Eldon Square and Manchester Arndale, and AliExpress, the consumer platform of Alibaba, opened its first store in Europe at intu Xanadú
- Harrods taking its first shopping centre store, launching a new beauty concept, H Beauty, at intu Lakeside
- a new flagship store for Zara at St David's, Cardiff, where it is moving into the centre from the high street. This follows the recent upsizing of stores at intu Trafford Centre and intu Lakeside
- leisure brands increasing their space with Puttshack to open its fourth venue at intu Watford, following its successful opening at intu Lakeside. Namco is expanding its range of attractions at intu Metrocentre with Clip 'n Climb and the first Angry Birds Adventure Golf in the UK and Rock Up is taking space at intu Lakeside
- international fashion brands continuing to expand in the UK with Spanish brand Mango due to open at intu Watford and intu Merry Hill and Uniqlo and Hollister joining the line up at intu Watford

B Investment by customers

In the year, 256 units opened or refitted in our centres (2018: 262 stores), representing around 8 per cent of our 3,300 units. Our customers have invested around £125 million in these stores, which we believe is a significant demonstration of their long-term commitment to our centres.

C Rent reviews
We settled 159 rent reviews in 2019 for new rents totalling £45 million, an average uplift of 6 per cent on the previous rents.

D Occupancy
Occupancy was 94.9 per cent, in line with June 2019 (95.1 per cent), but a reduction against 31 December 2018 (96.7 per cent), impacted by units closed in the first half of 2019 from tenants who went into administration or through a CVA process in 2018. This had a 3.7 per cent negative impact on like-for-like net rental income in 2019 from both rents foregone and increased void costs.

E Weighted average unexpired lease term
The weighted average unexpired lease term was 6.3 years (31 December 2018: 7.2 years) illustrating the longevity of our income streams. The reduction against the prior year was primarily due to new lease terms on department stores that have been through a CVA or administration process.

F Footfall
Footfall in our centres increased by 0.3 per cent in the year. UK footfall was flat, significantly outperforming the Springboard footfall monitor for shopping centres which was down on average by 2.5 per cent. We believe this highlights the continued attraction of our compelling destinations against the wider market. In Spain, footfall was up by 3.5 per cent.

G Retailer sales
Estimated retailer sales in our UK centres, which totalled £5.2 billion in 2019, were down 1.6 per cent, impacted by some larger space users who have had difficulties and been through CVAs and those brands who operate successful multichannel models where in-store sales figures take no account of the benefit of the store to online sales. This compares favourably to the British Retail Consortium (BRC), where non-food retailer sales in-store were down 3.1 per cent on average in 2019.

The ratio of rents to estimated sales for standard units remained stable in 2019 at 12.0 per cent. This does not take into account the benefit to the retailer of their multichannel business, such as click and collect.

All our centres now have electric vehicle charging bays – 140 across the portfolio. 3,500 charges are made each month – a year-on-year growth of almost 40 per cent

H Net promoter score
Our net promoter score, a measure of visitor satisfaction, ran consistently high throughout 2019 averaging 75, an increase of 2 over 2018. Visitor satisfaction is paramount to a shopper's likelihood to visit, which in turn drives footfall and extended dwell time.

I Gross value of community investment
Gross value added, the measure of the economic contribution of intu to the local communities in the UK, remained stable in the year at £4.8 billion.

J Carbon emission intensity reduction
Annual reduction in carbon emission intensity has reduced in 2019. This is due to our continued focus on energy efficiency to reduce our overall energy demand each year, supported by the ongoing greening of the electricity grid as we become less reliant on coal and increase our renewable generation.

Our 2020 target was to reduce carbon emission intensity by 50 per cent, against a 2010 baseline. We reached this target three years ahead of plan and at the end of 2019, our reduction total was 69 per cent.

The effective assessment and management of risk is key to the delivery of our strategy

Our Board is responsible for setting the Group's appetite for risk 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 and uncertainties facing the Group, including those that would impact the business model, future performance, solvency or liquidity.

Risk appetite and risk management process

The Board determines the nature and extent of the principal risks that intu is willing to take in order to achieve our long-term strategic objectives, and for overall risk management. The effectiveness of the risk management process is monitored and reviewed by the Audit Committee and through periodic external review, supported by the internal audit department. The chart opposite illustrates how this risk management framework fits with the operational management teams, and how the key responsibilities for monitoring and reporting are filtered up, and implementation and compliance work are delegated down, within the business.

The Audit Committee oversees the risk management process, with the head of internal audit and risk reporting directly to the Audit Committee Chairman, ensuring independence and objectivity. Four risk updates are provided each year.

The risk team provides an overview of key risks to the Board and Executive Committee. This includes horizon-scanning for new and emerging risks and highlighting the output of an annual survey of top perceived risks by the executive and non-executive directors to help identify risks that could impact the delivery of corporate objectives.

An assessment of the Group's risk appetite was undertaken in 2019 where the Group's principal risks and uncertainties were reviewed.

Risk monitoring

The monitoring of risk within our business is underpinned by a formal risk review process conducted for each area of the business including each intu-managed centre, each department, selected internal committees and the Executive Committee. These reviews provide an opportunity to identify risks and assess their impact and likelihood. The assessment also includes how quickly the risks would impact our business and for how long.

The risk registers created through this process are subject to a minimum of an annual review, facilitated by the risk team. Operational management is responsible for managing the risks and for updating risk registers.

In addition to the formal risk review process, risk and opportunity workshops and specific risk reviews on emerging risks are also conducted as required.

We have well-trained in-house security teams at all intu-managed centres and close relationships with police and other security agencies

Principal risks and uncertainties

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

Reviews of our principal and emerging risks led to an increased risk profile in 2019. Increases were identified in financing, both property market sub-risks, operations – people and developments, and some changes to the scope of existing principal risks were made. Emerging risks include changes to off-payroll working rules and the risks to customers and visitors associated with the outbreak of Covid-19. The health and safety of our customers and visitors is our top priority. In addition, we are carefully monitoring the financial resilience of our centres including the potential impact on variable income, from reduced footfall, and future rents receivable. Plans are underway to review existing risk management processes to help ensure climate-related risks are integrated where possible.

The UK's decision to withdraw from the European Union continues to have a negative impact on the macroeconomic risks that the Group faces, as well as changes in sentiment in the retail and investment markets in which we operate. Combined, these affect our ability to execute our strategy.

In addition, operations – health and safety has been broadened to include anti-social behaviour, violent crime and pandemic or virus outbreak, and brand now incorporates corporate reputation. The risk profile heat map indicates the movement in net risk levels during 2019.

Risk management framework

Monitoring and reporting responsibility

Implementation and compliance responsibility

Board
- ensures that risk is managed across the business
- defines the Group's appetite for risk
- with the Executive Committee, assesses the Group's principal risks and uncertainties
- establishes 'tone at the top' to drive risk culture across the business

Audit Committee
- monitors and reviews the effectiveness of the Group's risk management system and risk culture
- oversees and challenges the Group's overall approach to monitoring areas of risk

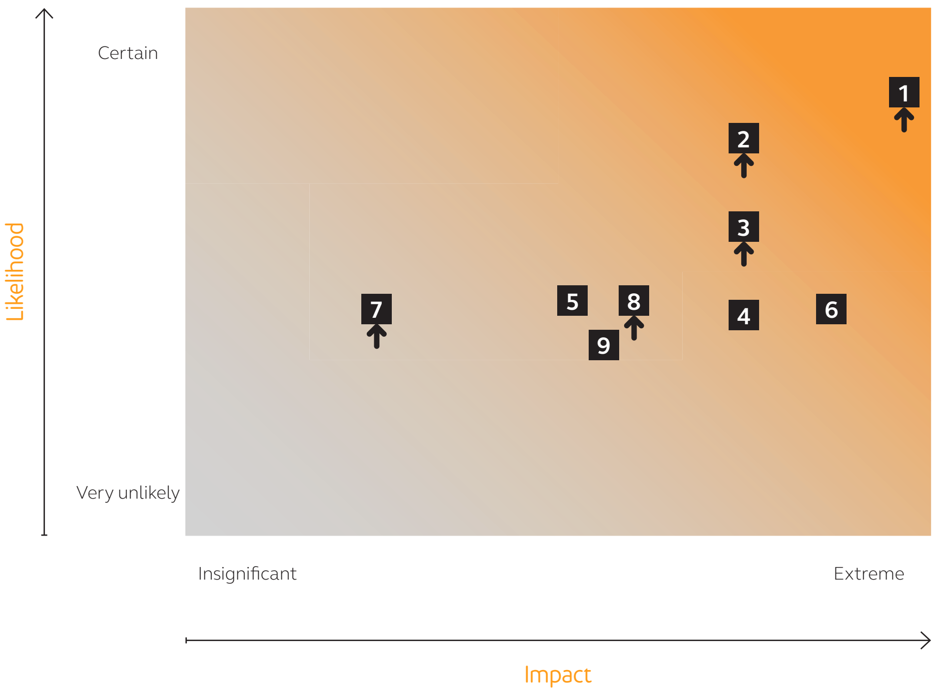
Internal audit and risk department
- leads the development of risk management for intu
- collates outputs of risk management exercises including risk registers for presentation to the Executive Committee, Audit Committee and Board
- identifies and communicates emerging risks for the business

Executive Committee
- inputs into Board's process for setting risk appetite
- with the Board, assesses the Group's principal risks and uncertainties
- endorses 'tone at the top' set by the Board
- implements strategy in line with the Group's risk appetite
- leads operational management's approach to risk

Operational management
- creates an environment where risk management is embraced
- communicates the responsibility of risk management to all employees
- implements and maintains risk management processes
- produces and maintains risk registers including identification of risks, mitigating controls and actions required

Employees
- active in the day-to-day management of risk
- give feedback to operational management on day-to-day risk management

Risk profile



1 Financing – breach of covenants and availability of funds
2 Property market – macroeconomic
3 Property market – retail environment
4 Operations – health and safety
5 Operations – cybersecurity
6 Operations – terrorism
7 Operations – people
8 Developments
9 Corporate reputation and brand

Key
Arrow indicates movement of risk since 2018

Risk	Impact	Mitigation	Change	Commentary	Opportunity
Financing					
Breach of covenants and availability of funds Fix Simplify Sharpen Transform	Further fall in valuations may cause breaches of certain covenants which could result in an acceleration or immediate repayment of certain facilities Reduced availability of funds could limit liquidity, leading to restriction of investing and operating activities and/or increase in funding cost	We are currently seeking to take timely mitigating actions to provide additional liquidity, including further asset disposals, the pricing of which will depend on future market conditions. Actions may also include seeking covenant waivers where appropriate.	↑	For more detailed commentary refer to the Viability Statement on page 63. Actions taken to date include asset disposals of £600m, dividend paused and capital expenditure reduced by £60m.	Explore opportunities of alternative capital structures and further asset disposals. Review feasibility of an equity raise.
Property market					
Macroeconomic Fix Simplify Sharpen Transform	Weakness in the macroeconomic environment could impact intu's ability to deliver its strategy, customer performance and our visitors' propensity to visit	We regularly review the economic outlook against the business plan, including the close monitoring and stress-testing of covenant headroom and updating of the Brexit risk review. We remain focused on maintaining high-quality shopping centres, attracting and retaining aspirational customers as well as portfolio-wide marketing events targeted at attracting footfall.	↑	The economic outlook during the year has weakened, with the annual growth of the UK economy reported to have slowed this year. Meanwhile interest and employment rates have remained fairly stable. The trend of administrations and CVAs of customers has continued, and investors have responded by remaining highly cautious. These trends could be exacerbated if the UK fails to reach a trade deal with the EU by the end of 2020. This has resulted in lower transaction volumes and a corresponding reduction in property valuations.	Increased customer focus on high-quality, high-footfall locations where they can maximise their productivity and profitability.
Retail environment Fix Sharpen Transform	Structural and cyclical changes in the retail environment, including the rise in online shopping, could undermine intu's ability to attract customers and visitors and continue to put pressure on net rental income and property valuations	With our new strategy we will be collaborating more closely with customers, sharing data and other information so we can adapt better to their changing needs. The customer mix is proactively managed and plans have been developed to diversify use of future vacant units and land, including direct retailing, the building of hotels, residential units and flexible office space.	↑	Ongoing structural change is being experienced within the retail market with an increase in administrations and CVAs during the year. A new customer performance director has been appointed, who will lead a team in sharpening the customer focus.	Invest further in data and share insights. Develop new product and service proposition to reduce costs, remove hassle and improve sales. Lead modernisation of lease structures.

Change in level of risk

↑ Increased

↔ Remained the same

Risk	Impact	Mitigation	Change	Commentary	Opportunity
Operations					
Health and safety Fix Simplify Sharpen Transform	Accidents, pandemic or virus outbreak, anti-social behaviour, violent crime or system failure leading to reputational loss	There is a strong safety culture. Consistent health and safety management process and procedures across the portfolio, compliant with OHSAS 18001 Annual audits of operational standards and crisis management and business continuity plans are tested and in place.	↔	Primary Authority audits for both health and safety and fire safety are being conducted. These provide assurances surrounding compliance. The rapidly evolving situation in respect of Covid-19 is being closely monitored. We have well-rehearsed plans in place that have been reviewed in line with Public Health England's advice. A slight increase in anti-social behaviour in the UK has influenced the implementation of new mitigators. The Group had 26 reportable accidents during the year.	Develop new approaches to higher-risk areas such as fire management and high-frequency incidents. Broaden the impact of occupational health monitoring and support. Extend our commitment to the wellbeing of staff.
Cybersecurity Fix Sharpen Transform	Loss of data and information or failure of key systems resulting in financial and/or reputational loss	We operate robust data and cybersecurity strategies, subject to continuous review and testing – including assessments performed by CREST-accredited external consultancies. A data committee and data protection officer oversees GDPR compliance. Management of third parties who hold intu data. Employee awareness campaigns and training.	↔	Significant progress has been made in the year. An information security architect has been appointed to develop a sustainable cybersecurity framework. To reduce intu's threat exposure, new technical and logical security controls have been implemented.	Focus on vulnerability and anomaly detection and remediation.
Terrorism Fix Transform	Terrorist incident at intu or other major shopping centre resulting in a decline in footfall and business disruption	Robust processes and procedures in place, supported by regular training and exercises. We have strong relationships with police, NaCTSO, CPNI and other agencies. We are NaCTSO-approved to train staff in counter-terrorism awareness programme Action Counters Terrorism. Crisis management and business continuity plans in place and tested regularly. An embedded safety culture.	↔	UK threat level reduced in 2019. Our Group head of security was appointed as deputy chairman of the Crowded Places Information Exchange. This ensures that intu is abreast of the current threats and work undertaken by Counter Terrorism policing teams in the UK. Major multiagency security exercises have been held at all five super-regional centres within the last three years and learnings have been embedded into the security strategy. We invested in airport-style screening technology which can be deployed at any centre when required.	Further promote our close relationship with the security services and our market-leading security processes to our visitors.

Risk	Impact	Mitigation	Change	Commentary	Opportunity
Operations continued					
People Fix Simplify Sharpen Transform	Failure to attract, retain or develop an appropriate team with the key skills to deliver intu's objectives	Clear recruitment policies. Established appraisal process linked to strategy. Talent management programme for functional and personal development. Regular benchmarking of salaries and benefits. Opportunity for two-way communication through forums, surveys and publications.	Increased	Introduced renewed people focus into our new five-year strategy. The Executive Committee was reduced and restructured and the overall organisational structure simplified. We remodelled the staff survey, improved employee communication and started a review and improvement of benefits. We launched our employee wellbeing strategy and signed the Time to Change pledge.	For intu to be seen as an employer of choice. Create a comprehensive plan to further develop our culture and build high-performing teams.
Developments					
Developments Fix Sharpen Transform	Developments fail to create shareholder value	Developments pursued based on extensive research. The Capital Projects Committee reviews detailed appraisals before, and monitors progress during, significant projects. Target levels of pre-lets are exchanged prior to commencement of construction. Fixed-price construction contracts are negotiated for developments and are agreed with a clear apportionment of risk.	Increased	The capital expenditure pipeline has been reduced by £60m and no further projects initiated.	Evolve our centres into living cities, with the introduction of residential, hotel and office/flexible working spaces.
Corporate reputation and brand					
Integrity of the brand Fix Simplify Sharpen Transform	The integrity of the business is damaged leading to financial and/or reputational loss	We operate a reputation management framework, and have robust issue and crisis management procedures. Staff attend induction and training programmes, and are offered reward and recognition schemes designed to embed brand values and culture throughout the organisation. Strict communications protocols are in place, supported by comprehensive media monitoring. We have clear guidelines for the use of the brand and intellectual property protection.	Remained the same	Increase in general public filming and uploading incidents to social media complicates issue management. We have carried out behavioural economic-based training to improve conflict management. New consumer brand-building campaign launched.	Be known as a brand that promotes compelling experiences, builds strong sustainable communities, underpinned by high-quality centres and a resilient income stream.

Change in level of risk

Increased

Remained the same

Our people

Our employees are vital to delivering our new strategy, which harnesses their commitment and their talents to transform our business


Highlights of the year
- simplifying our organisational structure
- a commitment to wellbeing
- new Happiness Index
- becoming a Disability Confident Leader
- continuing our apprenticeship programme

We have some of the most talented, experienced and passionate people in the industry, and a culture that empowers them to be bold, creative and genuine.

In his first message to employees, chief executive Matthew Roberts urged people to be bold and brave in their work. He pledged to support them and to create a structure that would enhance their work rather than hinder it. He also declared his commitment to their wellbeing, as he strongly believes success cannot be achieved at any cost.

The right team

One of our main priorities in 2019 has been on simplifying our business. We are streamlining our structure and changing the way we do things to be more efficient. We started from the top, reducing the size of both the Board (down from nine to seven, five new to their roles in the last year) and the Executive Committee (down from 10 to eight, five new or new in post). We have established a new customer performance team to focus on our relationships with our customers and a new centre performance team combining asset management, operations, development, marketing and our commercialisation and promotions business. The aim of these changes is to create a simpler, more responsive and agile business.

Keeping everyone on board

Keeping staff engaged and motivated during this time of change and challenge has been a particular focus in 2019.

We have introduced new forums to give employees the information they need to understand their role in the new strategy and how to put it into action in their day-to-day work. This includes a new chief executive-led all-staff town hall each month to keep people up to date with the progress of the strategy and to encourage two-way conversations. As part of that, we have introduced 'Ask Matthew', an email forum through which employees can put any questions they may have about the business. We continue to communicate with our staff through a range of other channels such as our in-house magazine Chorus, the intranet and face-to-face meetings and briefings.

Our reward and recognition programme Win Your Dream, now in its fifth year, continues to celebrate employees who have gone above and beyond. Over the last two years alone we have awarded 1,131 'golden envelopes' with a combined value of over £34,000, plus quarterly and annual 'dreams' totalling £44,000.

We encourage our people to be creative and, to capture their ingenuity and inventiveness, we have established the Great Ideas portal, through which staff can put forward their suggestions for new ways of doing things, confident that people with the relevant knowledge and level of seniority will see their ideas. Its popularity has exceeded expectations, with over 1,000 ideas submitted in the 12 months since it started.

Disability Confident Employer
As our ambition is to be the accessible shopping destination of choice, we were pleased to be awarded Disability Confident Employer Leader (level 3) status. We were the first shopping centre business to hold leader status across all our centres.

Our commitment to inclusion encompasses both our staff and visitors, and our recognition as a Disability Confident Leader will make sure our recruitment, development and training processes are accessible by people with a disability, as well as helping staff understand how to treat all stakeholders, regardless of their disability.

To assess the impact these initiatives are having we have also taken a fresh approach to measuring employee engagement. In August we introduced The Happiness Index, which includes an 'always on' staff feedback process, with greater emphasis on personal comments. While the initial results were less positive than previously, as would be expected at a time of organisational change, they provide a baseline for us to measure our performance in addressing the issues raised by staff.

Diverse and inclusive
Diversity is very important to us – as a people business with a footfall in our centres of around 360 million a year, it is important that our workforce reflects our visitors and the communities around our centres.

Our HR data suggests we closely mirror the national profile for ethnicity. Our Executive Committee is now 37.5 per cent female. However, the representation of women on the new Board falls short of the Hampton Alexander target of 33 per cent, see pages 54 and 55.

Gender pay gap
At Group level, our gender pay gap has slightly improved in the past year. The median has reduced from 4.7 per cent in 2018 to 2.5 per cent in 2019. The mean has fallen from 9.7 per cent to 8.7 per cent.

We continue to work hard to achieve gender balance at every level of our

Our culture
Having the right culture is integral to our success both in what we deliver and how we deliver it. So everyone, regardless of role or seniority, goes through the same brand immersion to understand our purpose and our values and how they impact everything we do.

Our purpose is simple – to create compelling experiences that make our visitors smile and help our brand partners flourish.

Our values – bold, creative, genuine – encourage us all to behave in the right way and do the right thing: for our visitors, our customers, the environment and society. Our people understand if they apply our values in their work they will help create a successful and responsible business.

We measure various aspects of culture and these are shared with the Board and staff on a quarterly basis.

Gender pay gap

	Pay gap Difference between the average pay of men and women		Bonus gap Difference between the average bonus paid to men and women		Proportion of women receiving a bonus	Proportion of men receiving a bonus
Median	2.5%	(2018: 4.7%)	0.0%	(2018: 0.0%)	85.7% (2018 85.5%)	82.6% (2018 83.0%)
Mean	8.7%	(2018: 9.7%)	32.7%	(2018: 54.4%)		

business. We are committed to ending the gender pay gap through measures focused on equalising opportunities for men and women.

Our median pay and bonus gaps show we are significantly better than the national average, and all figures at the Group level show an improvement in favour of women since last year. However, there is still more to do. Further detail about our sector splits and what we are doing to address the continuing differences is on our Group website.

A fair wage for a fair job

We pay our staff members properly, going beyond statutory requirements where possible. All our staff over 18 who have completed their probation are paid above the National Living Wage, even those not covered by regulation. We do not use zero-hour contracts.

Talent development

We believe in investing in our people to create high-performing teams of home-grown talent. We offer a plethora of development opportunities, created and delivered in-house and through external specialists.

During this year we have provided over 13,600 individual training activities at all levels including:

- Innate Leaders programme for the Executive Committee, focusing on creating and maintaining a leadership mindset
- Dale Carnegie bespoke management development for operations managers
- London Business Forum events
- Mini Marketing MBA, with CIM e-learning opportunities

Our apprenticeship scheme continues to introduce new young talent into the business. We currently have nine apprentices in their first or second year, with seven having graduated to work in the business in 2019.

We encourage staff to achieve their personal and professional goals and to take part in our sustainability programmes. More than a quarter of employees took advantage of the working days intu makes available for volunteering activity in 2019.

Our plans for 2020

- creating a future-focused succession strategy to ensure long-term stability and opportunities for high-potential staff
- increasing the agility of our centre teams, using technology to support flexible labour deployment
- ensuring current and aspirational leaders have a consistent ethos and leadership mindset
- improving and maintaining employee engagement
- introducing a business-wide wellbeing and mental health awareness programme
- creating high-performance teams

About our people

We employ 2,556 staff. In the UK 2,448 are employed in 18 locations across the UK, in 17 centres and our head office in London. 2,024 of these are directly employed by our in-house facilities company, intu Retail Services.

Age profile

Under 35	31%
35 – 55	47%
Over 55	22%

UK gender profile

Female
961
(2018: 1,006)

Male
1,487
(2018: 1,532)

UK gender profile senior managers

Female
9
(2018: 9)

Male
25
(2018: 24)

Diversity

At least
41
nationalities

Volunteering

12.5k
hours donated by employees

Mental health and wellbeing

Our chief executive Matthew Roberts is leading a campaign to promote mental and physical wellbeing and in November he kicked off a two-year programme to promote the wellbeing of staff by signing mental health charity Mind's Time to Change pledge.

Through this pledge we are committing to a range of actions that remove the stigma around mental health and make sure our staff feel able to better manage their mental health and wellbeing.

We are a sustainable business, committed to acting responsibly towards our people, our communities and our planet

2019 performance review

2019 has been a successful year in both our work with communities and our efforts to reduce our environmental impact.

Community development and economic contribution

Over the past 10 years we have developed community programmes in partnership with charitable organisations to deliver real and lasting change.

Our approach to community development falls into four areas: skills and employment; accessibility; mental health and wellbeing; and social inclusion. This year our community activities benefited over 18,500 people. Feedback showed 85 per cent of beneficiaries, where results were measured, reported a positive change in their quality of life.

In 2019, over 570 community organisations used our centres to raise awareness of the issues facing our communities.

Since 2015 we have been actively engaging with relevant groups and taking action to make our centres more accessible for people with disabilities. In 2019 we launched sensory backpacks to support young people with autism visiting our centres and introduced sunflower lanyards for those with hidden disabilities.

In a year where 10,000 jobs have been lost from the retail industry in the UK, our centres continued to support over 3 per cent of all jobs in the retail workforce. The majority of these are locally employed, meaning the wealth we create is captured locally.

Environmental efficiency

We are committed to making our centres sustainable. In 2019 we signed the Better Building Partnership's Climate Commitment to achieve net zero carbon buildings. We will fully disclose in line with the Taskforce on Climate-related Financial Disclosure framework in our 2020 annual report.

Our greatest direct impact on the environment is through the energy that our centres consume. Last year we reduced our carbon emission intensity by 15 per cent, which makes a total reduction of 69 per cent since 2010. This was mainly achieved through continued investment in our flagship LED lighting programme and innovative artificial intelligence technologies that enable us to improve environmental control of our buildings. Absolute carbon emissions were 23,416 tCO_2e (2018: 26,975 tCO_2e).

We installed our first solar array in 2016 and have plans to install a further 2 MW of onsite renewables by the end of 2020.

Not every disability is visible

At intu, our journey toward becoming the accessible shopping destination of choice is being achieved through initiatives such as regular quiet hours, autism awareness and Dementia Friends training. Following visitor feedback, we have expanded our accessibility offering to those with disabilities that may not be immediately apparent, known as hidden disabilities.

We are the first shopping centre manager to take part in the sunflower scheme for those with hidden disabilities. At intu-branded centres, as well as the sunflower lanyards and stickers, we provide dog-lead sleeves for the assistance dogs of visitors who wish to use the discreet signifier.

The campaign raises awareness among intu and retailer staff and will create a more welcoming and understanding environment for everyone.

We have completed our roll-out of an innovative waste reporting and auditing system across the portfolio. All our managed centres have waste improvement plans to improve recycling rates and drive cost efficiencies. 26,013 tonnes of waste was diverted from landfill in 2019 and 41 per cent of waste was recycled (2018: 43 per cent).

We joined EV100 to promote the use of electric vehicles (EV) and are investing in EV charging infrastructure with 140 charging bays across our centres.

External benchmarking

Responding to relevant indices provides clear and accurate performance data to our investors. We are proud to be rated EPRA Sustainability Best Practices Recommendations (sBPR) Gold for the sixth year and to be included in the highly regarded DJSI World and Europe Sustainability indices, the FTSE4Good index in addition to a range of other responsible investment indices.

Our 2030 vision

Creating a better future together

We have a strong track record of operating responsibly and over the last 10 years we have achieved most of our 2020 aspirations – from meeting tough environmental targets to making a significant difference in our communities through our social programmes.

We have developed a new 2030 sustainability strategy to continue the positive impact intu has made over the last decade. We identified the issues most relevant to us and our stakeholders, informed by the UN Sustainable Development Goals (SDGs), through a robust materiality exercise. The areas of interest that emerged from this process fall under three pillars: people, community and planet. We have made a number of commitments and an overarching goal for 2030 for each pillar.

The strategy has ambitious climate and environmental targets, along with plans to further develop the positive contribution our centres make to their local communities, through charity partnerships and volunteering programmes. We also aim to become one of the most accessible shopping locations in the UK.

Creating a better future together

Three pillars

with our **people**	with our **communities**	with our **planet**
Together we will create a positive culture that is fair and inclusive	Together we will build resilient communities and foster wellbeing	Together we will reduce resource use and move towards climate resilience

Three visionary goals

100% inclusive	**100,000+**	**Net zero**
We will strive towards being 100% inclusive by 2030	We will positively impact the lives of over 100,000 people by 2030	We will be a net zero carbon business by 2030

Relevant SDGs

People	Communities	Planet
3, 8, 10	10, 11, 17	7, 11, 12, 13

Making a meaningful difference: our contributions in 2019

Economic value we generate
£4.8bn
GVA

Our centres directly support
3%
of all UK retail sector jobs

We contribute to the local and national economy
£278m
business rates paid by intu and our tenants

We reach people across the country
40%
of the UK population in our catchments

Recognised by:

Dow Jones Sustainability Indices · GRESB 2019 · FTSE4Good · CDP · LBG Corporate Citizenship

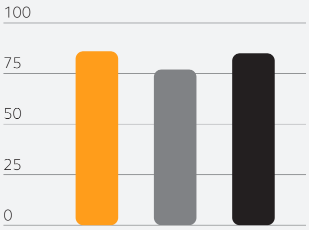
Community

Supporting our communities
Community activities benefited almost 18,500 people; of those over 900 reported on the impact the activities had on them

Donations

- Value of time £311,848
- In-kind £755,541
- Cash £246,127
- Leverage £356,283

Positive change
% of beneficiaries who reported:



- Change in behaviour
- Change in skills
- Change in quality of life

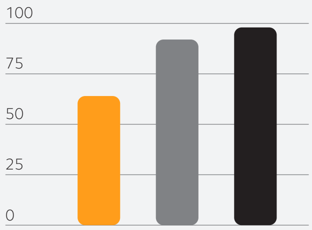
Employee engagement

Supporting our people
Employee volunteering increased to 28 per cent (2018: 24 per cent)

700
employee volunteers

81%
of our people have received accessibility training

Employee engagement



% of intu volunteers who:
- Improved jobs related skills
- increased well being
- Felt more positive

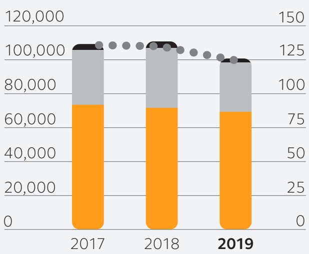
Environment

Supporting our planet

100%
of centres have electric vehicle charging points

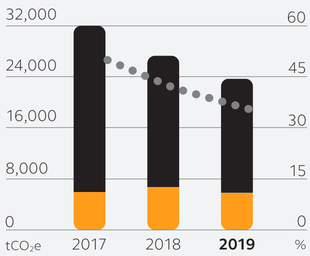
100%
of electricity is renewably sourced

Energy consumption



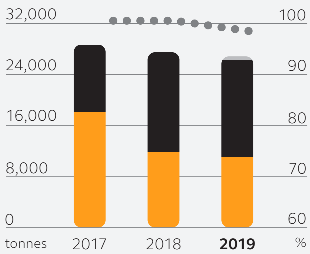
- Electricity (MWh)
- Gas (MWh)
- District heating (MWh)
- Energy intensity (kWh ele-eq./m²)

Carbon emissions



- Scope 1
- Scope 2
- Carbon intensity (kgCO₂e/m²)

Waste management



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

For further details on our reporting methodology and full disclosure in line with the EPRA sustainability performance measure, see our separate sustainability reporting material on our website

Meeting our responsibilities

Non-financial information statement

Reporting requirement	Relevant policies*	Read more in this report	Page
Environmental matters	Energy management policy Environmental policy Supply chain policy	Sustainability	48-50
Employees	Business code of practice Importance of people policy Code of professional conduct Equality and diversity policy Health and safety Whistleblowing policy	Our people Business model – Our people Governance – Whistleblowing	45-47 14 62
Human rights	Data protection policy Modern slavery and human rights policy Supply chain policy	Our people	45-47 51
Social matters	intu's approach to tax Policy towards occupiers and shoppers Supply chain policy Volunteering policy	Financial review – Tax policy position Sustainability	37 48-50
Anti-corruption and anti-bribery	Business code of practice Supply chain policy Whistleblowing policy	Our culture and values Internal control, risk management and compliance	46 68
Principal risks		Focus on risk, principal risks and uncertainties	40-44
Business model		Our business model	14-16
Non-financial key performance indicators		KPI GVA of community investment KPI Greenhouse gas emissions intensity	29 29

* All our policies can be found on our website intugroup.co.uk/en/investors/reports-results-and-policies

Human rights

At intu we respect the dignity, liberty and equality of everyone we work with. 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, brand partners 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, to ensure all staff earn above the National Living Wage and enjoy fair working conditions. Fair treatment of people who work for intu or our suppliers is a key focus of our sustainability approach.

Modern Slavery Act

We are aware of our responsibilities under the Modern Slavery Act and continue to conduct due diligence on our suppliers. Details of our approach can be found in our Modern Slavery and Human Rights policy which is communicated to all those working on our behalf and in our annual Modern Slavery Act statement (available on our website) which outlines our approach in three key areas: due diligence, our supply chain and our people.

Companies Act 2006, Section 172

The Board makes decisions for the long-term success of the Company and its stakeholders and complies with the requirements of section 172 of the Companies Act 2006. Our reporting against The Companies (Miscellaneous Reporting) Regulations 2018, explaining how the directors have had regard to various matters in performing their duty to promote the success of the Company in Section 172 of the Companies Act 2006, can be found in the Governance section on page 61.

Read more at intugroup.co.uk

We consider that our governance framework is appropriate for a UK premium-listed company

"The Board, through its committees, received comprehensive briefings on the new Code and took steps to ensure that the Company was able to comply fully."

John Strachan
Chairman

Dear shareholder

Throughout the year we have continued to ensure that our governance structures at Board, Committee, subsidiary and joint venture levels continue to be appropriate and support our business and culture in an ever-changing regulatory environment. In the next few pages we provide details of our Board members, the role of the Board and its performance and oversight. We also provide the information on our governance framework, which we consider is appropriate for a UK premium-listed company.

New Corporate Governance Code

In the second half of 2018, the FRC published a new UK Corporate Governance Code, effective for financial years beginning on or after 1 January 2019. The Board, through the Audit and Remuneration committees, received comprehensive briefings on the new Code and took steps to ensure that the Company was able to comply fully with the new Code. As regards our application of the new Code principles and compliance with the Code provisions during 2019, see the following sections regarding employee engagement and culture.

Employee engagement

I am the designated director for the workforce. A new engagement initiative 'Questions for the Board' was formally launched in April 2019, with a dedicated email inbox and clear signposting to employees regarding how they can raise questions to the Board via myself, both during and outside existing employee forums. In addition, 'Ask Matthew' was formally launched in June 2019, opening a new engagement channel between the chief executive and employees. Every month, Matthew responds to questions during his regular '15 with Matthew' sessions and further questions can be submitted between meetings via a dedicated email inbox. These initiatives have proved popular and effective, with queries and suggestions having been received from numerous employees at all levels on a range of topics including corporate governance, supplier set-up processes, dress code and national customer service week.

Culture

A dashboard comprising key performance indicators and key behaviour indicators has been developed and is used to track progress across various sources of culture insights. These are reported at each Board meeting. The Board is responsible for monitoring intu's culture and ensuring that there is alignment with the purpose, values and strategy.

Companies Act 2006, Section 172

While the Board intuitively considers Section 172 of the Companies Act 2006 in all decision-making, we have taken the opportunity to update our existing practices to assist the Board with doing so. As such, all matters presented to the Board requiring a decision must include a full analysis of Section 172 factors and other stakeholder considerations. Our statement regarding Companies Act 2006, Section 172 is set out on page 61.

Board changes

As described more fully in the Nomination and Review Committee report on pages 70 to 72, we have continued to focus on succession planning. During 2019 there were a number of changes to the Board including the appointment of Matthew Roberts as chief executive in April; Robert Allen as chief financial officer in June; and both Cheryl Millington and Steve Barber as non-executive directors in May and September respectively. Both Cheryl and Steve have taken part in comprehensive induction programmes since joining intu, including visiting our assets in the UK and Spain, attending the all-staff induction programme and meeting with a range of employees and external advisers including valuers, auditors, lawyers and investment bankers. This has allowed them to rapidly build their knowledge and understanding of intu, enabling them to make a valuable contribution at Board meetings within a short period since joining.

Effectiveness and evaluation

As Chairman, it is my role to provide leadership to ensure the operation of an effective Board. The Board consists of seven directors. The directors bring a wide range of skills and perspectives to the Board's deliberations, as described on the following pages.

In relation to gender diversity, recent Board changes mean that we currently have one female Board member. Nonetheless, the Board remains supportive of the aspirational target of 33 per cent female Board representation by 2020 recommended by both Lord Davies and the Hampton-Alexander review. The Board will keep the position under review and will take the first opportunity to appoint a second female non-executive director, either in response to returning to the FTSE 350 index or replacing an existing non-executive director should a change arise. However, given the number of changes to the Board in the past several months, the Board is mindful of allowing an appropriate settling-in period for the directors before making any further appointments. As highlighted in the Nomination and Review Committee's report on page 70, the Board considers that broader aspects of diversity, rather than purely gender, are key to stimulating constructive debate and is satisfied that the balance of skills, knowledge and experience on the Board and its committees continues to be appropriate. For the year under review we conducted an externally facilitated Board performance evaluation, the findings of which are set out on page 71.

John Strachan
Chairman
12 March 2020

Compliance with the UK Corporate Governance Code

The following governance pages explain how the Company applies the principles and compliance with provisions of the Code, issued by the FRC in July 2018, and how it meets other relevant governance requirements including the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority. Both documents are publicly available on the FRC website (frc.org.uk).

The Board considers that the Company complied in full with the provisions of the Code during the year.

Governance at a glance

Key strategic matters discussed in 2019

Fix the balance sheet
- increased focus on going concern and viability
- assessed the possibility of raising equity
- considered the disposal and part disposal of assets both in the UK and Spain
- considered financial covenant compliance
- determined that there would be no 2018 final or 2019 interim dividend
- focused on ways in which the capital expenditure pipeline could be reduced

Simplify, enhance and drive efficiency
- restructured the Executive Committee and appointed new non-executive directors to the Board
- promoted a focus on wellbeing and ESG, including signing up to the 'Time for Change' pledge

Sharpen customer focus
- agreed on investing further in data and sharing insights derived from this
- focused on leading the way in modernising the lease structure to include store-generated online sales

Transform our centres
- discussed improving the visitor experience and dwell time: street food, experiential markets and paid-for experiences
- considered the intensification of our land banks

Other key matters discussed
- reviewed and approved intu's strategic plan
- monitored operating performance at every Board meeting, including occupancy, new lettings, rent reviews, footfall, net promoter score, brand awareness and retailer sales
- related party transactions

Areas of focus in 2020
- strategic planning and delivery of 2020 objectives
- reviewing range of options available to demonstrate equity value of the business and to utilise assets to provide further liquidity, including alternative capital structures and further disposals
- improving our relationships with those who pay us to take space in our centres
- transforming our centres, including intensifying our estate, using a capital light model and introducing new uses
- sustainability

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Chairman, deputy chairman and executive directors

1 John Strachan, 69
Chairman

Appointed as a non-executive director on 7 October 2015 and as Chairman on 3 May 2017.

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 and an international perspective. 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 True Global; member of the European board of the International Council of Shopping Centres.

2 John Whittaker, 77
Deputy Chairman

Appointed as deputy chairman and a non-executive director on 28 January 2011.

Career: John 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. He is an experienced property developer and business leader, illustrated by projects such as The Trafford Centre, MediaCityUK and Liverpool2. His appointment to the Board followed the acquisition by intu of The Trafford Centre from the Peel Group in 2010.

Other appointments: chairman of the Peel Group.

3 Matthew Roberts, 56
Chief Executive

Appointed to the board on 3 June 2010 and as chief executive on 29 April 2019.

Career: Matthew was chief financial officer of intu from 2010 to 2019. In 2016 he assumed responsibility for operations, where he was responsible for the day-to-day activities of the UK centres. He was previously the finance director of Debenhams plc from 1996 to 2003, and chief financial officer of Gala (subsequently Gala Coral Group) from 2004 to 2008. He qualified as a chartered accountant in 1989.

Skills and experience: Matthew has significant real estate and retail experience and a strong track record of successfully recycling capital. He has led on financing/refinancing of secured debt including on £1.5 billion bond and bank debt refinancing of six centres, £500 million bond refinancing of intu Metrocentre and £600 million revolving credit facility. He led on the acquisition of The Trafford Centre in 2010, assets from Westfield in 2014 and assets in Spain in 2013 and 2015.

Other appointments: non-executive director and chairman of the audit committee of Marston's PLC.

4 Robert Allen, 48
Chief Financial Officer

Appointed to the Board and as chief financial officer on 10 June 2019.

Career: Robert served as group chief financial officer of Crest Nicholson plc for two years until 2018, responsible for all aspects of finance and IT. From 1998 to 2016, he held a number of senior finance roles at British American Tobacco plc including regional finance controller EMEA from 2012 to 2016 and head of corporate finance and group treasurer from 2009 to 2012. Prior to joining British American Tobacco, Robert held a corporate finance M&A role at Charterhouse Bank from 1996 to 1998. He commenced his career at Coopers & Lybrand in 1993.

Skills and experience: Robert has extensive experience of refinancing, M&A, treasury, IT and investor relations. At Crest Nicholson, Robert led a refinancing with private placement in the US and renewed banking facilities amid a change of brokers. As regional finance controller, EMEA of BAT, he was accountable for all aspects of finance across the region, comprising 83 countries, accounting for £10 billion of sales and £1.5 billion operating profit. As head of corporate finance and group treasurer of BAT, Robert led the group's M&A team, responsible for all acquisitions, disposals and joint ventures globally, as well as holding responsibility for all aspects of global treasury during the 2008/2009 financial crisis.

Non-executive directors

5 Steve Barber, 67
Chairman of the Audit Committee (from 25 October 2019)

Appointed to the Board on 9 September 2019.

Career: Steve's career has included 25 years with Price Waterhouse where he was a senior partner. He was then chief financial officer of the Mirror Group plc from 1998 to 1999, a partner in EY from 2001 to 2005 and chief operating officer of the Palladian Group from 2005 to 2008. In his non-executive career, he has also been the audit committee chairman of Next plc (2007-17) and Domino's Pizza Group plc (2015-19).

Skills and experience: Steve is an experienced non-executive director and audit committee chairman and is a fellow of the Institute of Chartered Accountants in England and Wales.

Other appointments: Steve is currently a non-executive director and audit committee chair of AA plc, Fenwick Limited and of National World plc.

6 Ian Burke, 63
Chairman of the Remuneration Committee (from 12 February 2019)

Appointed to the Board on 1 October 2018 and as senior independent director on 25 October 2019.

Career: Ian spent the majority of his career in the leisure industry, having been the chief executive of Rank Group plc between 2006 and 2014, Holmes Place Health Clubs from 2003 to 2006 and Thistle Hotels plc from 1998 to 2003. He was chairman of Rank Group plc from 2011 to 2019.

Skills and experience: Ian brings a wealth of experience from the leisure and retail sectors as well as significant prior experience of participation in audit and remuneration committees. He commenced his career in 1978 at Lever Bros. He has a degree in Mathematics from Imperial College, an MSc from the London Business School and is a qualified ACMA.

Other appointments: non-executive chairman of Studio Retail Group plc. He is a member of the board of governors of Birmingham City University. He will become the non-executive chairman of Pets at Home Group plc with effect from 27 March 2020.

7 Cheryl Millington, 53

Appointed to the Board on 3 May 2019.

Career: Cheryl has held a number of senior digital and technology leadership roles across a variety of sectors, including retail and financial services, most recently as chief digital officer at Travis Perkins plc where she was responsible for designing and implementing the digital strategy across the group. Prior to that, Cheryl was chief digital officer and a member of the executive board at Waitrose Ltd and chief information and data officer at Asda Stores Ltd. She has previously held senior management roles at HBOS plc, Innogy plc and National Power plc. Previously Cheryl served as a non-executive director of National Savings and Investments.

Skills and experience: Cheryl brings an extensive and significant experience to the Board in defining digital vision and strategy and will be instrumental in helping to drive intu's digital strategy, including data insight and analytics.

Other appointments: Cheryl is currently a non-executive director of Hays plc, Equiniti Group plc and Atom Bank plc. She is also a trustee of Durham University and a lay member of the university's council.

Key to committees

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

Executive Committee

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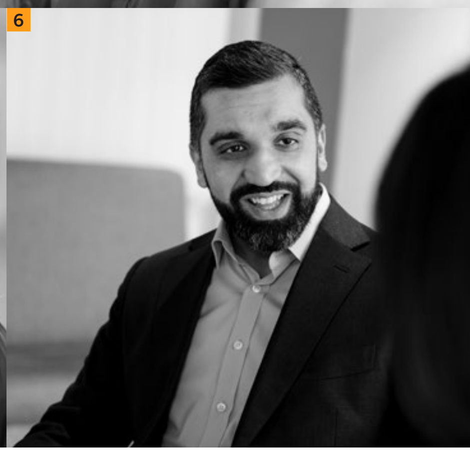


1 Martin Breeden
Centre Performance Director

Martin joined the Group in 2002 and was appointed to the Executive Committee in 2016. His role encompasses asset and development management, visitor experiences and centre operations. Martin has over 25 years' experience in the retail property industry including previous roles at MEPC and JLL, the latter including four years in Spain. He is a fellow of the Royal Institution of Chartered Surveyors and a member of the strategy board of Revo.

2 Amanda Campbell
Corporate Affairs and Sustainability Director

Amanda joined the Group in 2011; she became corporate affairs and sustainability director and was appointed to the Executive Committee in August 2019. Her responsibilities include corporate communications, branding, internal communications, public affairs, sustainability, B2B and corporate marketing and reputation management.

Amanda began her career in advertising and has over 25 years' experience in marketing and communications primarily in the retail and property sectors. Prior to intu, Amanda worked in communications and marketing positions with international and UK-based companies, including Lend Lease, Adams Childrenswear and ATS Euromaster.

3 Hugh Ford
General Counsel and Group Treasurer

Hugh joined the Group as general counsel in 2003. He was appointed as general counsel and 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.

4 Susan Marsden
Company Secretary

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

5 Rebecca Ryman
Customer Performance Director

Rebecca has over 20 years of shopping destination experience and joined intu in 2000, working on the majority of our centres through a combination of asset management, leasing, commercialisation and property management roles. Up until her appointment as customer performance director and upon joining the Executive Committee in August 2019, Rebecca was most recently responsible for the asset management of our southern region. As customer performance director, Rebecca is responsible for ensuring all our brand customers flourish through closer partnership working, sharing our insight and developing new products and services so that their intu locations are their most successful. Rebecca is a Member of the Royal Institution of Chartered Surveyors and on the Revo Gold Awards judging panel.

6 Dushyant Sangar
Chief Investment Officer

Dushyant joined the Group in 2010 and was appointed chief investment officer in 2019, having previously been corporate development director and a member of the Executive Committee since 2014. Since joining intu in 2010, Dushyant has worked on over £5.5 billion of transactions, including leading on the introduction of all its joint venture partners as well as recent divestments in Spain and the UK. As chief investment officer, Dushyant has responsibility for implementing the Group's investment strategy, managing acquisitions and disposals as well as sourcing and building relationships with capital partners. He has 17 years of real estate M&A and investment experience, including roles in private equity and investment banking at MGPA (now Blackrock) and UBS respectively.

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 control environment; monitoring delivery of strategy by the executive directors; and shaping the resourcing, culture and values by which the wider business delivers targeted performance.

The Board

Audit Committee

Chairman
Steve Barber

Members
Ian Burke, Cheryl Millington

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 pages 64 to 69 for more information

Corporate Responsibility Committee

Chairman
John Strachan

Members
Matthew Roberts, Amanda Campbell, Kathryn Barber, Jennifer Sandars

Key responsibilities
Oversees the management of the Group's corporate responsibility activities

See pages 48 to 50 for more information

Nomination and Review Committee

Chairman
John Strachan

Members*
Steve Barber, Ian Burke, Cheryl Millington, Steven Underwood

Key responsibilities
Ensures the Board comprises people with an appropriate balance of skills, knowledge and experience

* all independent non-executive directors are invited to attend when discussing Board succession

See pages 70 to 72 for more information

Remuneration Committee

Chairman
Ian Burke

Members
Steve Barber, Cheryl Millington

Key responsibilities
Sets remuneration policy for the executive directors and the Chairman and recommends and monitors the level and structure of remuneration for senior management

See pages 73 to 95 for more information

Capital Projects Committee

Chairman
John Strachan

Members
Matthew Roberts, Robert Allen, John Whittaker, Dushyant Sangar

Key responsibilities
Reviews new projects and expenditure in detail and makes recommendations to the Board on certain projects, as appropriate. Has no power to approve proposals or authorise expenditure

The Capital Projects Committee is not a formal committee of the Board

Executive Committee

Chairman
Matthew Roberts

Members
Robert Allen, Martin Breeden, Amanda Campbell, Hugh Ford, Susan Marsden, Rebecca Ryman, Dushyant Sangar

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

Board culture

The Chairman is directly accountable for the culture of the Board, which is defined by:

— highly experienced and knowledgeable directors, with a wide range of skills and diverse perspectives who act confidently and with integrity
— a conservative, measured approach to business, allied with a willingness to take considered risks through insightful investment to achieve strategic goals
— the relationships between individual directors and the senior executives, which encourage beneficial debate and open communication and discussion of views

The Board's culture permeates throughout the Group's operations and is enshrined within intu's values, which encourage staff to be bold, creative and genuine.

Further information on intu's culture and values can be found on page 46

Sustainability at intu

Operating responsibly has been a fundamental part of our approach for some time. The Board Corporate Responsibility Committee, led by the Chairman and the chief executive oversees our corporate responsibility activities.

In line with the aspirations of our 2030 strategy to be more integrated and forward-focused, we are replacing corporate responsibility with the more inclusive term sustainability.

Further details of our sustainability strategy can be found in the 2019 sustainability report

Leadership

The Board and its governance framework

The Board is responsible for setting intu's strategic aims and then monitoring management's performance against those aims as well as setting the strategic framework within which those aims can be achieved. The business model described on pages 14 to 16 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 shareholders and debt investors.

Appropriate and effective corporate governance is intrinsic to all aspects of the Board's activities. Consequently, governance is interwoven into the activities of management, who are accountable to the Board, and all employees, who are in turn accountable to management. This is reinforced by the established coherent governance framework that underpins the culture and workings of the Group with clearly defined responsibilities and accountabilities, consisting of:

— Board committees to enable the Board to operate effectively and give full consideration to key matters (as shown in the diagram on page 57)
— delegated authority limits, which apply at all levels of the business and are incorporated into all operational procedures ensuring matters are dealt with at the appropriate level
— internal policies, procedures and controls (including risk management arrangements, delegated authority limits and a related parties protocol), which are regularly reported on, reviewed and updated by the Board and relevant committees
— internal processes that are communicated to all staff and are available at all times on the Group's intranet

Each aspect is routinely reviewed by the Board and updated to satisfy the needs of the business. The Board has continued to review its governance framework and has adjusted, where necessary, the roles, structure and accountabilities of senior management to reflect the demands of the business.

Case study: 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 as needed following discussion between the Chairman and the individual director.

Where required, the company secretary provides guidance and 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.

During 2019 two new non-executive directors were appointed to the Board; Cheryl Millington joined in May and Steve Barber joined in September. Their comprehensive induction programmes included visiting our assets in the UK and Spain and meeting with a range of external advisers including valuers, auditors, lawyers and investment bankers.

Division of responsibilities

Role		Responsibility
Chairman	John Strachan	Leading the Board, setting agendas, achieving clarity of decision-making, ensuring effectiveness in all aspects of the Board's remit, driving the culture of accountability and openness and ensuring effective two-way communication with stakeholders including shareholders, between non-executive directors and senior management and in his role as designated director for the workforce.
Chief executive	Matthew Roberts	Setting and delivery of Group strategy, primary accountability for day-to-day operational management, implementation of policies and strategies developed by the Board, modelling and setting the Company's culture and developing the abilities and skills of the Group's personnel to their maximum potential.
Chief financial officer	Robert Allen	Managing the Group's funding strategy, financing, reporting and investor programme, encompassing leadership of the finance function.
Independent non-executive directors*	Steve Barber, Ian Burke, Cheryl Millington	Bringing an external and independent view to the Board's discussions, objectively scrutinising the performance of management, providing rigorous and constructive challenge to executive management when appropriate, ensuring financial controls and risk management are robust, determining appropriate levels of remuneration for the executive directors. Independent non-executive directors are entitled to attend any committee meeting if they wish.
Senior independent director	Ian Burke	Providing advice, additional support and experience to the Chairman as required. Available to act as an intermediary for the other directors if necessary. Leads the appraisal of the Chairman's performance annually in conjunction with the other non-executive directors and is available as an additional point of contact to shareholders.
Non-independent non-executive director	John Whittaker	intu currently has a representative of one major shareholder on its Board, the deputy chairman John Whittaker. Direct shareholder Board representation, with appropriate management of conflicts, ensures that key strategic, operational and governance decision-making is more closely aligned with the interests of the major shareholder and other institutional and retail investors generally. In this respect the Group surpasses the expectations of the Stewardship Code.
Alternate director	Steven Underwood	In accordance with the Company's articles of association John Whittaker has appointed Steven Underwood as his alternate. The Board has generally invited Steven Underwood to attend Board meetings.

* The Board reviews the independence of its non-executive directors on an annual basis. With the exception of John Whittaker, the Board has concluded that all non-executive directors are independent.

Biographical details of each director are set out on pages 54 and 55

Structure of the Board and independence
at 31 December 2019

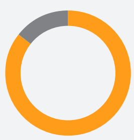
Board structure

Chairman	1
Executives	2
Non-Executives	4

Board independence
(excluding Chairman)

Executives	2
Non-Executives	3
Non Independents	1

Gender split



Men	6
Women	1

Length of tenure of directors

0 – 3 years	4
3 – 6 years	1
6 – 9 years	0
9+ years	2

Board relevant sector experience
(percentage of Board)

Sector	%
Property	29%
Governance	57%
Financial	57%
Retail	71%
Digital	14%

Effectiveness

Balance and composition

The Nomination and Review Committee regularly reviews the composition of the Board to ensure that it operates efficiently and has access to a broad range of knowledge and viewpoints. 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 or digital, to ensure that these key areas are well-represented – while also having regard to wider business knowledge and diverse backgrounds that can be beneficial to the Group.

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 facilitates this by drawing on the non-executive directors' range of experiences to provide insight and alternative perspectives and has invited all independent non-executive directors to attend any committee, irrespective of whether they are formally a member of such committee.

The balance of the Board is illustrated on page 59

Time commitment and external activities

Non-executive directors are appointed for a three-year term and their continuing service thereafter is subject to review by the Board. All directors are submitted for annual re-election by shareholders. Their annual time commitment varies with specified minimum requirements within the terms of their appointment and is assessed as part of each director's annual review. Directors are required to obtain approval prior to undertaking any additional external appointments.

Each director has demonstrated that he or she has sufficient time to devote to their present role at intu.

Conflicts of interest

The Board has adopted a formal procedure under which directors must notify the Chairman of the Board 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 themselves 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 previously.

Board oversight of risk management

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.

The Board has overall responsibility for risk management and the Audit Committee monitors and reviews the effectiveness of the risk management process ensuring that the appropriate governance and challenge around risk is embedded throughout the business.

The Group's risk management process is set out in more detail on pages 40 and 41; the Group's principal risks are discussed on pages 42 to 44. As part of the governance framework all recommendations to the Board must include specific consideration of potential risks to ensure this aspect is given due consideration while still permitting the Board to act decisively.

Communication

Directors are kept fully informed of progress on key matters, including operational and financial performance, between formal meetings. This is achieved by way of either scheduled conference calls or less formal update meetings in months where there is no formal Board meeting scheduled. Ad hoc meetings and working visits to centres are also regularly arranged to support the Chairman's policy of open communication. The chairmen of the Audit Committee and Remuneration Committee communicate regularly and directly with relevant staff and external advisers, including but not limited to, the head of internal audit and risk, Deloitte, the company secretary and Korn Ferry, which acts as the Remuneration Committee's consultants.

The Chairman of the Board and company secretary ensure that all directors are provided with accurate and timely information to facilitate informed discussion at Board meetings.

Companies Act 2006, Section 172

The Board makes decisions for the long-term success of the Company and its stakeholders and ensures compliance with the requirements of Section 172 of the Companies Act 2006. As noted on page 51 of the strategic report, our reporting against The Companies (Miscellaneous Reporting) Regulations 2018 is set out below. This explains how the directors have had regard to various matters in performing their duty to promote the success of the Company in Section 172 of the Companies Act 2006.

While the directors intuitively consider Section 172 of the Companies Act 2006 in all decision-making, we have taken the opportunity during 2019 to update our existing practices to assist the Board with doing so. All matters presented to the Board requiring a decision must include a full analysis of Section 172 and other stakeholder considerations. This helps to ensure a suitable focus on the consequences of any decision in the long term, intu's desire to maintain a reputation for high standards of business conduct and the need to act fairly between members of the Company. Particularly as intu continued to focus on the disposal and part disposal of assets in the UK and Spain, ways in which the capital expenditure pipeline could be reduced and the restructuring of the Executive Committee, an increasing number of such matters arose which required careful consideration of such factors. This ensures that the directors have focused discussions regarding Section 172 matters and the specific impact on stakeholders.

The Board engages with a range of stakeholders as follows:

Our customers

As detailed on page 9, sharpening customer focus is a key part of intu's five-year strategy, which the Board has played an active part in shaping. Building strong business relationships with our customers is considered a key part of our business model, as outlined on page 16 and this was further reflected in the appointment of a customer performance director during 2019, to help put customer performance at the heart of our business and to drive efficiency. As noted on page 9, much activity to engage with customers has taken place and this in turn has driven positive change, including the creation of a customer performance team with insight, digital and sector specialist teams, enhancement of our customer understanding with a store-level affordability database and a multichannel-focused approach to align with retailers.

Our visitors

Another core element of intu's five-year strategy is to transform our centres, with a view to delivering our vision for the future. As noted on page 53, one of the key strategic matters the Board discussed in 2019 was improving the visitor experience and dwell time, adding exciting new food outlets such as street food, experiential markets and paid-for experiences. Our new centre performance team will focus on enhancing visitor experiences. The positive net promoter score, detailed on pages 2 and 3, reflects continued improvement in visitor satisfaction during 2019.

Our people

The Board made strides in enhancing employee engagement during the year and as noted on page 52, two new initiatives – 'Questions for the Board' and 'Ask Matthew' – were successfully launched during 2019. Further information regarding intu's employee engagement activities can be found in the our people section on pages 45 to 47. One of the key new initiatives has been the introduction of a chief executive all-staff briefing session each month to keep employees up to date with progress on strategy and encourage two-way conversations and questions. As noted on page 52, these initiatives have proved popular and effective, with queries and suggestions having been received from numerous employees at all levels on a range of topics including corporate governance, supplier set-up processes, dress code and national customer service week. intu's response to such engagement has included providing communication to staff regarding dress code; considering extending an invitation to junior staff to accompany the Chairman and non-executive directors on centre visits; and the introduction of a new staff survey called the Happiness Index.

Our community and environment

As regards the impact of the Company's operations on the community and the environment, as noted on page 5, we have a deeply ingrained culture of behaving responsibly and working with our stakeholders to address social and environmental issues. The Board is directly involved in shaping this via the Board Corporate Responsibility Committee which oversees our corporate responsibility activities and is led by the Chairman and chief executive. For more details see the sustainability section of this report on pages 48 to 50.

Our investors

As noted on page 58, the Board aims to deliver long-term growth and sustainable returns for shareholders and debt investors. As part of this, engaging with shareholders has been essential. See page 16 for how intu engaged with investors during 2019 and page 62 for further information regarding our relations with shareholders.

Our suppliers

As we rely on our suppliers to help our business run smoothly, from day-to-day operations through to the construction of major developments, we aim to have open, transparent and long-term relationships to ensure they maintain the same high standards we set ourselves. As such, a review of the supplier payment policy and compliance with Prompt Payment Code was undertaken by the Audit Committee during 2018 and adherence to the revised policy continued through 2019.

Relations with shareholders

We place considerable emphasis on maintaining an open and frank dialogue with investors. For more details on how we engaged with investors, see page 16.

At the Annual General Meeting (AGM) of the Company held on 3 May 2019, all resolutions proposed at the meeting were passed. The Company's Result of AGM announcement is available on the Company's website.

Although Resolution 13, an ordinary resolution to authorise the directors to allot the unissued share capital, was passed with a majority of 66.37 per cent, some South African institutional shareholders voted against this resolution. This resulted in the Company's inclusion in The Investment Association's public register of shareholder dissent. intu is therefore providing an update in line with the UK Corporate Governance Code and Investment Association Guidelines.

The votes against Resolution 13 reflect prevailing institutional voting guidelines in South Africa, which differ from those generally applied in the UK regarding the subject of this resolution. intu has regular contact with its South African institutional shareholders and while they do not support this resolution, they do acknowledge that intu will continue to operate in accordance with UK market practice.

Whistleblowing policy

The Group's whistleblowing policy and procedures encourage employees to raise, on a confidential basis, concerns that fall outside the scope of other procedures, including something that: is unlawful; falls below established standards or practice; or amounts to improper conduct.

The Whistleblowing Committee comprises senior representatives from the secretariat, HR, operations and finance. The Committee reports regularly to the Audit Committee and Board. All whistleblowing incidents are reported to the Whistleblowing Committee which fully investigates each event deemed a whistleblowing incident and agrees any remedial action such as procedures being reviewed and improved where appropriate.

Board meetings

Board agendas are shaped to create time for strategic discussion and debate with time allocated to routine matters being closely managed.

At each scheduled Board meeting, the executive directors provide updates 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.

Board attendance table 2019[1]

	Board	Audit	Nomination and Review	Remuneration
John Strachan	4/4[10]	–	2/2[10]	–
John Whittaker	4/4	–	–	–
David Fischel[2]	1/1	–	–	–
Matthew Roberts	4/4	–	–	–
Robert Allen[6]	2/2	–	–	–
Adèle Anderson[8]	3/3	3/3	2/2	2/2
Steve Barber[7]	1/1	1/1[10]	–	2/2
Ian Burke[9]	4/4	4/4	2/2	4/4[10]
Richard Gordon[3]	1/1	–	–	–
Rakhi Goss-Custard[4]	2/2	2/2	2/2	1/1
Cheryl Millington[5]	3/3	2/2	–	3/3
Louise Patten[3]	0/1	–	1/2	1/1

1 Scheduled meetings only, excludes Board away day, Board and Committee update conference calls and ad hoc meetings.
2 David Fischel resigned from intu on 26 April 2019.
3 Richard Gordon and Louise Patten resigned from the Board on 18 February 2019.
4 Rakhi Goss-Custard resigned from the Board on 3 May 2019.
5 Cheryl Millington was appointed to the Board on 3 May 2019. She joined the Audit Committee, the Nomination and Review Committee and the Remuneration Committee.
6 Robert Allen was appointed intu chief financial officer on 10 June 2019.
7 Steve Barber was appointed to the Board on 9 September 2019. He joined the Audit Committee, the Nomination and Review Committee and the Remuneration Committee. Appointed Chairman of the Audit Committee from 25 October 2019.
8 Adèle Anderson resigned from the Board on 25 October 2019.
9 Ian Burke was appointed Chairman of the Remuneration Committee from 12 February 2019 and senior independent director from 25 October 2019.
10 Board or Committee chairman.

Going concern

Full detail in respect of going concern is set out in note 1 on pages 117 to 118.

The going concern disclosure details that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern, including:

— continued reductions in asset valuations and net rental income result in financial covenant breaches on its asset-level financing arrangements as well as the revolving credit facility (RCF)
— the Group is not able to refinance its borrowings at the same level as currently outstanding

The directors have considered the following mitigating actions available to the Group:

— engaging with stakeholders and other potential investors to explore alternative capital structures or solutions, including those investors which have expressed an interest in such transactions. The Group would also continue to keep under review the feasibility of a substantial equity raise. Some of these solutions could require shareholder or certain other approvals, which would be outside of the control of the Group and Company
— the sale and/or part sale of additional assets, which may be at lower valuations than the valuations at which the relevant investment was previously recorded and/or the current market valuation. The asset sales may also not be achievable in the timescales required in order to ensure sufficient liquidity
— seeking waivers from, or amendments to, the financial covenants contained in the Group's existing financing arrangements with lenders (including the lenders under its RCF). These are likely to be required prior to the covenants being tested in July 2020
— other self-help measures including a reduced level of capital expenditure in the short term

After reviewing the most recent projections and the sensitivity analysis and having carefully considered the above uncertainty and the mitigating actions available, the directors have formed the judgement that it is appropriate to prepare the financial statements on the going concern basis.

Viability statement

Introduction

In accordance with provision 31 of the UK Corporate Governance Code, the directors have assessed the prospects of the Group and Company over a longer period than that required in adopting the going concern basis of accounting. The directors have previously determined that the period of five years from the balance sheet date was appropriate for the purposes of conducting this review. This period was considered appropriate based on the Group's strategic plan covering 10 years, with a greater degree of detail and rigour applied to the first five years, the Group's weighted average unexpired lease term and the Group's weighted average debt maturity.

Viability period and statement

Given the uncertainty surrounding the successful and timely execution of the mitigating actions summarised above and detailed in note 1 on pages 117 to 118 over the going concern period, in assessing viability the directors are not able to form a reasonable expectation that the Group and Company will have the ability to continue in operation and meet its liabilities as they fall due beyond the going concern period. Therefore, the directors have concluded that it is necessary to shorten the viability assessment period to March 2021, to align to the going concern period.

While it is not possible for the directors to form a reasonable assessment of the Group and Company's ability to continue in operation and meet its liabilities as they fall due beyond the going concern period, the Group is committed to delivering on its five-year strategy (see long-term prospects below).

Long term prospects

The key area of focus for the directors is to fix the balance sheet in order to reduce net external debt and create liquidity to deal with any potential covenant breaches and the upcoming refinancing activity. Successful completion of this strategic objective would, subject to future valuations of the Group's property portfolio, position the business to deliver the other elements of its five-year strategy as well as refinance debts with maturities beyond the going concern period.

The Group has a concentrated and well-invested portfolio of many of the UK's best retail and leisure destinations where both shoppers and customers want to be. Operationally the business is strong, delivering a resilient rental performance despite ongoing pressure from CVAs and administrations, with stable occupancy rates and footfall that consistently outperforms the benchmark. intu's centres are the best performers in the regions in which they operate and independent research shows that stores in intu centres outperform retailers' average sales by nearly 30 per cent. This is a compelling proposition and one that will stand the test of time. See further details in market trends on pages 12 and 13.

Based on these factors, the directors believe in the quality of its asset base and the long-term attractiveness of its space to retailers.

2019 has been a year of change for intu, which has sharpened the Committee's focus on the Group's cash flow and short-term liquidity forecasts and ensuring robust going concern and viability disclosures

Steve Barber
Chairman of the Audit Committee

Areas of focus in 2019
- financial reporting for shareholders
- reviewing going concern and viability analysis and disclosures
- regular review of cash flow and short-term liquidity forecasts
- property valuations
- accounting treatment for the most significant transactions
- effective transition of external audit process from PwC to Deloitte
- cybersecurity

Members in 2019
Chairman
Steve Barber (from 9 September 2019, assumed Chairmanship from 25 October 2019)
Independent Non-Executive Director

Members
Ian Burke
Senior Independent Director

Cheryl Millington (from 3 May 2019)
Independent Non-Executive Director

Adèle Anderson
(to 25 October 2019, Chairman)
Senior Independent Director

Rakhi Goss-Custard (to 3 May 2019)
Independent Non-Executive Director

Areas of focus in 2020
- regular review of cash flow and short-term liquidity forecasting
- property valuations
- accounting treatment for the most significant transactions
- treasury management
- cybersecurity
- financial reporting to shareholders

Dear shareholder

I am pleased to introduce my first report as Chairman of the Audit Committee for 2019 following my taking up of the chair on 25 October 2019.

I would like to take the opportunity to thank Adèle Anderson for her support and advice during my induction period and I wish her well in her future endeavours. I would also like to welcome Deloitte LLP (Deloitte) as the new external auditor of intu.

During my induction, I have visited the majority of intu's shopping centres. At each centre, I have been impressed by the extremely high quality of the centres and the volume of visitors coming through the doors. High quality extends beyond the centres themselves, but also to all the staff that operate them and provide the best experience for our customers and visitors.

2019 has been a year of change and challenge for intu with rental values being impacted by higher than normal levels of administrations and CVAs and a property valuation deficit being primarily driven by yield expansion as a result of negative sentiment. Against this backdrop, the Committee has increased its focus on the Group's cash flow and short-term liquidity forecasts and ensuring robust going concern and viability analysis and disclosures.

Roles and responsibilities[1]

Financial statements
- monitoring the integrity of the financial statements and any formal announcements relating to the Company's financial performance, including a review of the significant financial reporting judgements contained within them (see key financial reporting and significant judgements)
- at the request of the Board, reviewing the content of the annual report and advising the Board whether, taken as a whole, it is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's performance, business model and strategy (see fair, balanced and understandable)

Internal control, risk management and compliance
- reviewing the Company's internal financial controls and internal control and risk management systems, including prevention of bribery, tax evasion and detection of fraud (see internal control, risk management and compliance)
- reviewing financial reporting standards and other relevant financial and governance requirements (see internal control, risk management and compliance)
- overseeing the Group's policies and procedures (see internal control, risk management and compliance)

Internal audit
- monitoring and reviewing the effectiveness of the Company's internal function (see internal audit)

External audit
- reviewing and monitoring the external auditor's independence and objectivity (see external auditor)
- reviewing the effectiveness of the external audit process (see external auditor effectiveness)
- developing and implementing the Group's policy on the engagement of the external auditor to supply non-audit services, including the impact any non-audit services may have on its independence (see non-audit services)

1. Full details of the Audit Committee's roles and responsibilities are set out in the Audit Committee Terms of Reference published on intugroup.co.uk.

Committee membership

The Audit Committee consists of three independent non-executive directors who have been selected to provide the wide range of financial and commercial expertise necessary to fulfil the Committee's duties and responsibilities. The Board is satisfied that the current composition of the Audit Committee as a whole has recent and relevant financial experience as well as competence relevant to the sector in which intu operates.

For details of the members' experience and skills, see Board of Directors on pages 54 and 55.

Financial statements

Key financial reporting and significant judgements

During the year the Audit Committee discussed the planning, progress and final conclusions of the external audit process, including the significant risks as detailed below and set out in Deloitte's audit plan, alongside the other areas of focus detailed below. The 2020 audit plan was discussed with management following Deloitte's appointment as external auditor and was reviewed and approved at the October 2019 Audit Committee meeting.

The Audit Committee takes into account the views of the external auditor in understanding and assessing whether suitable accounting policies have been adopted, whether management have made appropriate estimates and judgements and whether disclosures are fair, balanced and understandable.

Key financial reporting and significant judgements

Area of focus	Audit Committee consideration
Going concern[1] and viability	**Going concern** The Group and Company's 'going concern' review is set out in detail in note 1 on pages 117 and 118 and has been discussed extensively with management and Deloitte. The review is based on an 18-month cash flow forecast following the balance sheet date with particular focus on the next 12 months from the date of this report. Included in these forecasts are assumptions in respect of like-for-like net rental income, giving particular consideration to the impact of company voluntary arrangements (CVAs) and administrations and property valuations. The Group has considered sensitivities for what are believed to be reasonably possible adverse variations in performance and property valuations, reflecting the ongoing volatility in the UK retail market as well as the resulting impact of these changes on the Group's debt structure, facilities and related financial covenants. The Audit Committee has taken regard of the fact that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern, including: — continued reductions in asset valuations and net rental income result in financial covenant breaches on its asset-level financing arrangements as well as the revolving credit facility (RCF) — the Group may not be able to refinance its borrowings at the same level as currently outstanding The Audit Committee has also considered the mitigating actions available to the Group, including: — engaging with stakeholders and other potential investors to explore alternative capital structures or solutions, including a potential substantial equity raise — the sale and/or part sale of additional assets — seeking waivers from, or amendments to, the financial covenants contained in the Group's existing financing arrangements with lenders (including the lenders under its RCF) — other self-help measures including a reduced level of capital expenditure in the short term After reviewing the most recent projections and the sensitivity analysis and having carefully considered the material uncertainty and the mitigating actions available, the Audit Committee have formed the judgement that it is appropriate to prepare the financial statements on the going concern basis. **Viability** The Board has assessed the prospects of the Group over a longer period than that required in adopting the going concern basis of accounting and the viability statement included on page 63 sets out the conclusions of that assessment. Given that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern, as summarised above and detailed in note 1 on pages 117 and 118, in assessing viability the Board concluded that the viability assessment period be shortened to March 2021, to align to the going concern period from the five-year period used in previous years. The Audit Committee considered the viability assessment and the Board approved the related disclosures.

Key financial reporting and significant judgements	
Area of focus	Audit Committee consideration
Valuation of investment and development property[1]	The valuations of the Group's investment and development properties have been identified as a key source of estimation uncertainty in note 1. The valuations were carried out by independent third-party valuers (CBRE, Cushman & Wakefield and Knight Frank in the UK; Cushman & Wakefield and JLL in Spain). In view of the overall importance of these valuations to the Group's results as well as the potential impact on compliance with financial covenants in respect of the Group's debt facilities, the Audit Committee carried out detailed reviews of the 30 June 2019 valuations contained within the interim report and the 31 December 2019 valuations contained within this report. The full Board also carried out a review of the 31 December 2019 valuations. The Audit Committee review included: — a presentation from and discussion with CBRE at the July 2019 Audit Committee meeting where the 30 June 2019 valuations were reviewed — Audit Committee Chairman attendance at the review meetings in respect of the 31 December 2019 valuation process with each of the third-party valuers for the UK assets together with members of management and Deloitte — assessments with management and Deloitte regarding the key assumptions and results of the valuation process undertaken by the independent third-party valuers — understanding the factors that have influenced the valuers in reaching their conclusions, including their view of appropriate yields, actual and expected rentals (including an assessment of the financial strength of our customers), occupancy and the retail market in the UK The February 2020 Board meeting, where all Audit Committee members were in attendance, included a presentation from and discussion with Cushman & Wakefield in respect of its 31 December 2019 valuations. The valuation reductions in the year are a result of weak market sentiment as opposed to hard transactional evidence. In the opinion of management, the valuers have been prudent in their view of investment yields and future rental income, resulting in an accelerated decline in valuations. The valuations are often dependent on values actually achieved in comparable third-party transactions but there have been no transactions for properties that are comparable to the majority of properties owned by intu. Following these reviews with management and the independent third-party valuers, and noting the belief above that the accelerated declines in valuations were not commensurate with the quality of the Group's portfolio, the Audit Committee accepted the valuations as presented.
Property transactions[1]	The Audit Committee reviewed and challenged the critical judgement made by management in determining that the part disposal of intu Derby should be accounted for as an equity arrangement as opposed to a financing arrangement following completion. Following this review, the Audit Committee concluded that the accounting and related disclosures in this report are appropriate.
Carrying amount of India investments	In view of the ongoing difference between the carrying value of the Group's investment in Prozone (which is equity accounted based on its share of NAV as an investment in associate) and its market capitalisation based on Prozone's share price, the Audit Committee reviewed and challenged whether the carrying value of Prozone as well as the Group's direct interest in Empire (which is also part of the Prozone group) should be impaired. Underpinning the impairment assessment (where the fair value less costs to sell was considered) were the independent third-party valuations received for the investment and development properties, representing the underlying value of the associate's net assets. Assumptions were also made for tax and other costs that would be reasonably expected if these assets were to be disposed of. Following this review and the impairment recognised, the Audit Committee concluded that the carrying amount of the India investments are acceptable.
Non-controlling interest	Included in the Group's balance sheet is a non-controlling interest recoverable amount of £58.2 million. The Audit Committee satisfied itself that this amount is recoverable in view of the £195.4 million owed to the non-controlling interest (which is included in the Group's borrowings in note 23).

Key financial reporting and significant judgements	
Area of focus	Audit Committee consideration
Convertible bonds and derivative financial instruments	The convertible bonds are designated at fair value through the profit and loss, in accordance with IFRS and the Group's accounting policies. The result of this is that the convertible bonds are included in the 31 December 2019 balance sheet at their fair value of £254.9 million although the par (and 2022 redemption amount) is £375.0 million. Fair value is determined by reference to the quoted market price of the convertible bonds. In the event that the convertible bonds are repaid at par, there will be a charge to the income statement and/or other comprehensive income in future years for the difference between the par value of £375.0 million and the 31 December 2019 fair value of £254.9 million. The Group also accounts for its interest rate swaps as derivative financial instruments at fair value through profit and loss, in accordance with IFRS and the Group's accounting policies. At 31 December 2019 the balance sheet liability for derivative financial instruments was £285.5 million, including unallocated interest rate swaps of £167.5 million. The expected settlement cost of these unallocated interest rate swaps at 31 December 2019 was £220.0 million. The principal reason for the difference between: — the convertible bonds final 2022 redemption amount of £375.0 million and the 31 December 2019 balance sheet fair value of £254.9 million; and — the unallocated interest rate swaps expected settlement cost at 31 December 2019 of £220.0 million and the 31 December 2019 balance sheet fair value of £167.5 million is due to the Group's credit risk. The fair values recorded as liabilities in the Group's balance sheet reflect the counterparties fair values which include the risk that the Group will be unable to repay the convertible bonds and/or the unallocated interest rate swaps at the relevant repayment dates. The Committee reviewed the accounting treatment for these instruments and concluded that it was in accordance with IFRS.
Other considerations	With the reduction in property valuations in the year, the Audit Committee has been monitoring closely both borrowing power limits as set by the Company's articles of association as well as the Company's distributable reserves. **Borrowing power limits** Under the articles of association, the directors are permitted to raise total borrowings of 4x the Group's adjusted total capital and reserves. At 31 December 2019, this ratio was 3.0x. The Committee will continue monitoring this ratio and will propose corrective action be taken if required. **Distributable reserves** Following losses in the year, the Company no longer has any distributable reserves. The Committee will continue to monitor the Company's distributable reserves to ensure no future distribution is made unless there are sufficient distributable reserves.
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-by-line basis of the Group's attributable share of net assets and not on a post-tax profit/loss or net investment basis. The figures and commentary presented in the strategic report have therefore been presented consistent with management's approach. Management also present other Alternative Performance Measures (APMs) within the annual report, which provide users with the most relevant information to enable them to have a comprehensive understanding of the business. In the year, management have simplified their use of APMs by adopting EPRA NAV (EPRA), an industry standard comparable measure, as the primary measure to report the Group's NAV, as opposed to the Group's previous EPRA adjusted measure. Details of and the rationale for APMs used, together with reconciliations between the respective APM and the statutory equivalent are provided in presentation of information on pages 157 to 161. 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.

1 Identified as a significant risk in Deloitte's 2019 audit plan.

Internal control, risk management and compliance

The Group's approach to risk management is detailed on pages 40 and 41, which includes its assessment of emerging risks, as well as the principal risks detailed on pages 42 to 44.

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.

This year the key subjects discussed by the Audit Committee include:

- reviews of cash flow and short-term liquidity forecasts, with particular focus on ensuring robust going concern and viability disclosures given the material uncertainty the business faces as well as compliance with financial covenants on the Group's debt facilities
- the internal audit plan and audit charter for 2019 and 2020
- cyber risks facing the Group

The Audit Committee oversees the Board's annual review of the effectiveness of the risk management and internal control systems. During this review the Board has not identified or been made aware of any failing or weakness that 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
- the Group's controls over its financing and financial reporting procedures including the comprehensive system for reporting results to the Board for review and consideration; the review process underlying the production of the consolidated financial statements; and the experience and quality of the team involved in the financial reporting processes.

In addition, the Audit Committee has oversight of the half-yearly management attestation process facilitated by the internal audit function to confirm whether key controls were in place for the relevant six-month period. The process includes staff controls which relate to an appropriate understanding of gifts and hospitality recording obligations and completion of all mandatory e-learning modules, including the anti-bribery and corruption, Criminal Finances Act and GDPR courses. The mandatory e-learning courses are taken by relevant employees and the Board is directly advised of completion rates by the company secretary.

Internal audit

The Group has an internal audit function which reports to the Audit Committee. The 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 the entire Group, including joint ventures.

During the year, the Group appointed a new head of internal audit and risk who is working closely with the Audit Committee to redefine the department's role in the business and ensure that the risk management and internal audit programmes are aligned with the Group's approach to risk management.

The internal audit function has a rolling programme of reviews ensuring that all centres, functions and areas of the business are reviewed on a regular basis. The programme is determined with reference to the Group's principal risks. The most significant areas covered in 2019 included shopping centre health checks, direct retailing innovation projects and cybersecurity.

The Audit Committee regularly reviews the effectiveness of the 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 internal audit function is carried out every five years with the last review

Fair, balanced and understandable

At the request of the Board, the Audit Committee considered whether the 2019 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 Audit Committee took into account the preparation process detailed below which, together with opinions of senior management involved in the process and the external auditor, has been designed to assist the Audit Committee in reaching its view:

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

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

performed in early 2019, the results of which were reported to the Audit Committee in March 2019. The key finding from the review was the need to increase the use of data analytics within the function.

External auditor

Transition of external auditor

Deloitte was appointed as intu's external auditor for the 2019 audit following approval at the 2019 AGM, succeeding PwC. Although it is still early into Deloitte's tenure as intu's external auditor, I am pleased that the transition of the external audit process has gone well. The Audit Committee has recommended that Deloitte be reappointed as external auditor at the 2020 AGM.

A key area of focus for the Audit Committee in 2019 was the effective transition of the external audit process from PwC to Deloitte. For this to be achieved, a detailed transition plan was put in place between management and Deloitte with the aim of familiarising Deloitte with intu. In addition to regular communication between the Group finance team and Deloitte, the key areas of the transition plan included:

- Deloitte shadowing PwC through the 2018 audit and attending the November 2018 and February 2019 Audit Committee meetings
- regular communication between management, Deloitte and PwC to agree and facilitate the handover process
- Deloitte's review of PwC's 2018 audit files
- meetings with senior management across intu to familiarise Deloitte with key business processes
- site visits to shopping centres to see how the assets are operated as well as meeting with centre management and leasing teams
- meetings with the Group's third-party valuers to understand the valuation process
- detailed reviews of the Group's cash flow, financing and covenant projections

External auditor effectiveness

The Audit Committee has assessed the effectiveness of the external auditor, Deloitte, in line with the approach set out in the FRC's Audit Quality Practice Aid tailored to the fact that it is Deloitte's first year as intu's external auditor. In carrying out the evaluation for 2019 the Audit Committee has reviewed and challenged with the external auditor:

- the 2019 audit plan presented by Deloitte, including the risks identified and its audit approach
- the FRC's audit quality inspection review of Deloitte
- the output of the audit, including reports to the Audit Committee and management
- performance of the audit team at meetings

The above was assessed through internal feedback, direct meetings, reviews of internal as well as independent reports.

Following this review, the Audit Committee has concluded that Deloitte has been effective in its role as external auditor for the 2019 audit. The Audit Committee will continue to review the effectiveness and independence of the external auditor each year.

Non-audit services

On 1 January 2017 the Group implemented the FRC's Ethical Standard for Auditors which imposes restrictions on certain non-audit services. The FRC's Revised Ethical Standard will become effective for the Group from 15 March 2020. The majority of non-audit related services are prohibited and others require approval by the Audit Committee. There is a statutory overall fee limit of 70 per cent of the average of audit fees charged in the past three years.

The Audit Committee has sole authority to approve contracts for non-audit services with the external auditor, subject to observing certain guidelines. In order to ensure that external auditor independence and objectivity is maintained, the Audit Committee considers whether the proposed arrangements will maintain external auditor independence. The external auditor must also satisfy the Company that it is acting independently.

The table below summarises the fees paid to the external auditor over the last three years (with 2019 being attributable to Deloitte, and 2018 and 2017 attributable to PwC).

Audit Committee effectiveness

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

Steve Barber
Chairman of the Audit Committee
12 March 2020

	2019 £000	2018 £000	2017 £000
Audit fees	**1,092**	823	789
Non-audit fees	**598**	281	49
Total fees paid to auditor	**1,690**	1,104	838
Ratio of non-audit fees to audit fees	**55%**	34%	6%

The Committee met twice in 2019, with its main focus on the composition of the Board and succession planning

John Strachan
Chairman of the Nomination and Review Committee

Highlights of 2019

— appointment of new chief executive
— appointment of new chief financial officer
— appointment of two new non-executive directors

Members in 2019

Chairman
John Strachan
Chairman of the Board

Members
Adèle Anderson (to 25 October 2019)
Senior Independent Director

Steve Barber (from 9 September 2019)
Independent Non-Executive Director

Ian Burke
Senior Independent Director, effective 25 October 2019

Rakhi Goss-Custard (to 3 May 2019)
Independent Non-Executive Director

Cheryl Millington (from 3 May 2019)
Independent Non-Executive Director

Louise Patten (to 18 February 2019)
Independent Non-Executive Director

Steven Underwood
Alternate Director to John Whittaker

Areas of focus in 2020

— ensure smooth succession of the chief executive
— ensure smooth induction of the chief financial officer
— ensure smooth induction of non-executive directors to ensure optimal Board composition

Dear shareholder

2019 was an important and busy year for the Nomination and Review Committee.

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

Responsibilities and how they were discharged in 2019

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 on appointments to the Board, including the induction programme for newly appointed directors, and on succession planning.

The Committee carried out a formal Board performance evaluation process, by way of an externally facilitated questionnaire. The outcome of the review is summarised on page 71.

The Committee met twice in 2019 with its main focus on the composition of the Board and succession planning, in particular in relation to the succession of the chief executive, the chief financial officer and planned non-executive director changes. The Committee also considered the succession for senior management positions and oversaw the development of the diverse talent pipeline.

A sub-committee of the Committee was established to lead the process to find a successor to the chief executive and chief financial officer and to find successors to retiring non-executive directors. The sub-committee met frequently to progress matters.

This resulted in the appointment of Matthew Roberts as chief executive; Robert Allen as chief financial officer; and both Cheryl Millington and Steve Barber as non-executive directors.

Statement on diversity policy

The Nomination and Review Committee and the Board have always recognised the importance of boardroom diversity and providing a wide range of perspectives. The Committee's policy is to seek to ensure that a range of suitable candidates is taken into account when drawing up longlists and 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. A description of intu's approach to diversity can be found on page 46.

Board composition

The Committee is satisfied that the balance of skills, knowledge and experience on the Board and its committees continues to be appropriate.

As intu is now classified as a constituent of the FTSE All Share index, it meets the current guidelines for diversity and complies with the Code in relation to the diversity provisions. The Board remains supportive of the aspirational target of 33 per cent female Board representation by 2020 recommended by both Lord Davies and the Hampton-Alexander review. intu has demonstrated strong commitment to gender diversity on its Board in prior years, with four women serving in non-executive director roles on the Board over the course of the past year alone.

continues on page 72

Performance evaluation

Every year, the Board conducts a performance 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 areas identified for attention during 2019 were as shown in the table below:

Areas identified for attention	Action taken
Balance between presentations and discussion at meetings	Fewer presentations are made at Board meetings so that the Board has more time for discussion
Time discussing strategic topics	A significant amount of time is spent discussing strategic topics, particularly given the challenging market conditions

2019 performance evaluation

The 2019 Board Review involved an external independent facilitator, Lintstock, engaging with the Chairman and company secretary to set the context for the evaluation and tailor surveys for all directors to the specific circumstances of intu. Lintstock is a specialist corporate governance consultancy and has no commercial dealings with the Group, or any of its individual directors other than for the provision of corporate governance services to the Board. The anonymity of all respondents was ensured throughout the process in order to promote the open and frank exchange of views.

Beyond focusing on core aspects of Board performance, the 2019 review also considered:

— value of the Board away day held in October 2019, including the quality of individual sessions during the day and the clarity of conclusions reached
— quality of the Board packs and the reporting provided to the Board
— effectiveness of the induction programme for new directors
— Board's oversight of specific aspects of risk facing the organisation, and the appetite for risk among members of the Board

As a result of the review, the Board will continue to make improvements to the structure of future away days; keep under review the quality of Board packs, providing feedback to management as necessary; and review areas in which further support, training or advice would benefit Board members.

continued from page 70

intu still aims to meet FTSE 100 governance standards and would normally recommend the appointment of a second female non-executive director but a period of stability and settling in for Board members is considered prudent, given that there have been several Board departures and appointments during 2019 and as the urgent priority for the Board is to fix the balance sheet and to reduce debt. The Board will keep the position under review and will take the first opportunity to appoint a second female non-executive director, in response to returning to the FTSE 350 index or replacing an existing non-executive director, should a change arise. Further information regarding our diversity policy is set out page 70.

Board appointment process and succession planning

Following the announcement in 2018 that David Fischel would be standing down as chief executive, the Committee engaged Heidrich & Struggles in the search for his successor. The process was deferred pending the outcome of the potential offer for intu by the consortium comprising the Peel Group, the Olayan Group and Brookfield Property Group.

Heidrich & Struggles has no other connection with the Group or any of its individual directors other than in connection with the chief executive appointment.

The Committee engaged Korn Ferry to assist with the appointment of Cheryl Millington and Steve Barber as independent non-executive directors.

Korn Ferry has also acted as the Remuneration Committee's independent remuneration adviser since 1 January 2019. Prior to this appointment it had no other connection with the Company other than providing input into the Board's succession planning. Apart from the above, it currently has no other commercial dealings with the Group, or any of its individual directors.

An effective succession plan is maintained for Board and Executive Committee which promotes the development of a diverse succession pipeline.

Talent, training and development

Talent development is a key focus of the Committee and a comprehensive talent and leadership programme, including succession planning, has been implemented for senior management across the 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.

As Chairman, with the assistance of the Nomination and Review Committee, I regularly consider 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, 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.

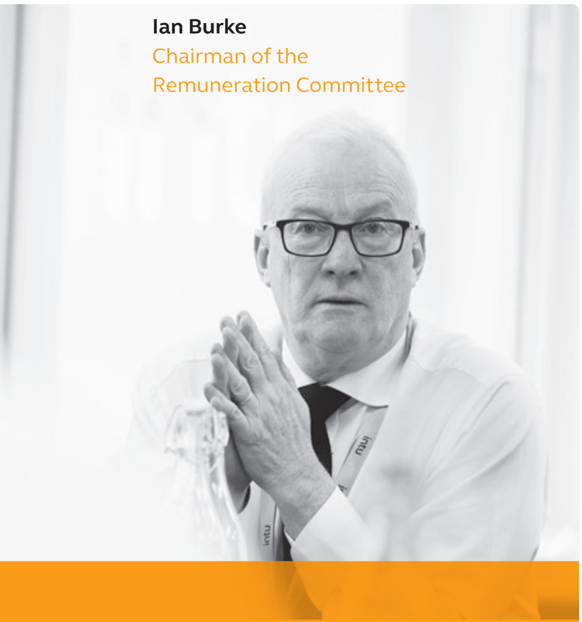
Re-election of directors

All directors will submit themselves for re-election at the forthcoming AGM in 2020.

John Strachan
Chairman
12 March 2020

Directors' remuneration report

2019 was another challenging year for the Company



Ian Burke
Chairman of the Remuneration Committee

Members and meetings in 2019

	Remuneration Committee (4 meetings) A	B
Ian Burke (Chairman from 18 February 2019) (Senior independent non-executive director)	4	4
Cheryl Millington (appointed 3 May 2019) (Independent non-executive director)	3	3
Steve Barber (appointed 9 September 2019) (Independent non-executive director)	2	2
Louise Patten (resigned 18 February 2019) (Independent non-executive director)	1	1
Rakhi Goss-Custard (resigned 3 May 2019) (Independent non-executive director)	1	1
Adèle Anderson (resigned 25 October 2019) (Independent non-executive director)	2	2

A Maximum number of meetings eligible to attend
B Number of meetings actually attended

The Chairman of the Board, the chief executive, the company secretary and the HR director normally attend scheduled meetings at the invitation of the Committee (with the chief financial officer also attending on occasion). No individual director decides their own remuneration.

Dear shareholder

Introduction

The following pages set out intu's 2019 Directors' remuneration report, which has been prepared by the Remuneration Committee and approved by the Board.

2019 was another challenging year for the Company, with ongoing structural changes in the retail sector and difficult market conditions faced by the whole real estate sector, against a backdrop of continued political and economic uncertainty in the UK.

It is in this context that the Remuneration Committee has undertaken a review of the Company's existing remuneration policy, which expires at the 2020 AGM, while also undertaking its other activities. Following this review, and in light of the circumstances prevailing at the present time, the Committee does not believe that material changes should be made to the existing policy. However, the new policy may be reviewed again during the course of 2020 to ensure that it remains appropriate as intu moves forward.

Further explanation of our proposed new policy is set out below, with any changes highlighted and explained.

Incentive outcomes in 2019

The 2019 bonus for the executive directors was linked to the achievement of challenging absolute EPS growth targets vs prior year (33.3 per cent of the overall bonus opportunity), EPS vs budget (33.3 per cent of bonus opportunity), with the balance relating to strategic and operational targets. The threshold targets for the two EPS elements were not met, resulting in no bonus payout under these elements. Based on performance against their strategic and operational targets, bonuses of 34 per cent and 36 per cent of salary were payable to Matthew Roberts and Robert Allen, respectively. However, given intu's current circumstances, the executive directors agreed to waive their entitlement to receive these bonuses. David Fischel was entitled to a bonus for the period of the year in office. However, in light of business performance and the chief executive and chief financial officer voluntarily waiving their bonus entitlement, the Committee determined it would not be appropriate to award a bonus to a former director. Accordingly, David Fischel will not receive a bonus for 2019.

The relevant tranches of the 2015, 2016 and 2017 Performance Share Plan (PSP) awards, with performance periods ending 31 December 2019, were tested against the performance targets. Nil vesting resulted.

These bonus and PSP outturns reflect how the Committee envisages these incentive plans (and the remuneration policy more generally) operating in terms of the link between reward and performance.

Management changes during 2019

As mentioned in last year's directors' remuneration report, it was announced that David Fischel would stand down as chief executive once a suitable successor had been appointed. Following a rigorous search process, Matthew Roberts, former chief financial officer, was appointed chief executive in April 2019. On appointment, Matthew Roberts' package comprised a base salary of £617,916 in line with the salary of his predecessor. Matthew's annual bonus opportunity remained 120 per cent of salary and he received a PSP opportunity of 200 per cent of salary (reflecting a scale back from the normal policy grant level of 250 per cent of salary as explained in last year's report). Matthew's pension was not increased on his appointment and will reduce to 10 per cent of salary in May 2020 to reflect that of the majority of the workforce.

We were also pleased to announce the appointment of Robert Allen to the Board as chief financial officer in June 2019. Robert's package on appointment comprised a base salary of £400,000 (for context Matthew Roberts received a salary of £487,713 as chief financial officer), a pension contribution of 10 per cent of salary (aligned to that of the majority of the workforce), an annual bonus opportunity of 120 per cent of salary and a PSP award of 200 per cent of salary (which is below the normal policy 250 per cent grant level).

David Fischel gave formal notice on 31 December 2018 and stepped down from the Board in April 2019. Further details relating to his remuneration arrangements on leaving can be found on pages 93 and 94.

Remuneration policy

As noted above, the 2020 AGM will be the third anniversary of shareholders approving our existing remuneration policy and as such the Committee undertook a review of the policy during 2019. The policy was reviewed in the context of intu's current circumstances and challenges and the recent developments in corporate governance and best practice. Following the review, the Committee concluded that no fundamental changes were appropriate at this time. The new directors' remuneration policy, which will be subject to a binding shareholder vote at the 2020 AGM, is set out in full on pages 76 to 84 of this report. A summary of the key changes is set out below.

- in light of the updated Code, pension provision for new executive directors will be aligned to those available to the general workforce. Current pension provision for the majority of the workforce is 10 per cent of salary. From May 2020, the pension provision for incumbent executive directors will also be aligned as (i) Matthew Roberts' pension is reducing to this level in May 2020 (resulting in a reduction in his pension of approximately £55,000) and (ii) the pension provision for Robert Allen was aligned from his appointment in June 2019
- the operation of the PSP has been simplified and aligned to typical practice such that 100 per cent of performance will be measured over a single three-year period, instead of performance measured over three, four and five years. A two-year holding period applies to the net of tax number of shares which vest, which retains the five-year nature of the plan. Should awards be made in 2020 prior to the AGM, it is currently intended that they will reflect this new approach (conditional on shareholder approval being obtained for the new policy at the forthcoming AGM)
- the malus and clawback provisions have been reviewed to ensure the provisions are robust and enforceable (in line with the updated Code)
- the policy now clarifies the Committee's discretion to adjust the formulaic outcome of incentives where they are not reflective of broader performance and/or other circumstances, and ensures that the Committee has appropriate (and market standard) flexibility in determining the performance metrics to be used in the annual bonus
- post-cessation shareholding requirements will be introduced, requiring executives to retain, for two years post-cessation of employment, shares equal in value to the lower of either 200 per cent of salary (being the current normal guideline holding) or their actual holding on cessation. Shares acquired from the executive's own funds are excluded from this holding requirement
- standard flexibility will be provided for the Company to pay the tax liability that may arise on the provision of benefits (eg relocation allowances and any business-related expenses incurred) to all directors.

How we will apply the new policy in 2020

Executive directors' base salaries will remain unchanged for 2020.

The pension contribution for Matthew Roberts will reduce to 10 per cent of salary from May 2020. Robert Allen's pension contribution will remain 10 per cent of salary. Both are in line with the pension provision offered to the general workforce.

The maximum annual bonus opportunity will remain at 120 per cent of salary for the executive directors, with 50 per cent of any bonus earned continuing to be deferred into shares which are released after two and three years. During the consultation exercise undertaken with investors as part of the policy review process, the Committee explained the approach that at the time it envisaged adopting in relation to the performance metrics to be used for the 2020 bonus. However, circumstances have changed materially since the consultation exercise was undertaken. Consequently, the Committee is reviewing its approach to the 2020 bonus metrics, which will be set in accordance with our policy (which requires that key financial, operational and strategic objectives are employed, with at least two thirds of the bonus opportunity based on Group financial measures, key strategic objectives or quantitative key performance indicators). Full details will be disclosed in next year's report.

Similarly, during the shareholder consultation exercise the Committee explained the approach that at the time it envisaged adopting in relation to the 2020 PSP awards. However, given the changing circumstances, the Committee is also reviewing how to approach these PSP awards, both in terms of quantum and performance metrics, to ensure that the awards are aligned to shareholder interests and intu's situation/strategic challenges. Full details of the approach adopted (including the targets to which the awards will be made subject) will be set out in the Stock Exchange announcement that is issued in relation to these awards and in next year's report.

Remuneration governance aligned features

Pension rates aligned to workforce for new executive directors and incumbent directors (from May 2020 for chief executive)	✔
Malus and clawback provisions for both the annual bonus and PSP	✔
Total vesting period of three years and holding period for a minimum of five years for the PSP	✔
Full retrospective disclosure of annual bonus financial targets including minimum and maximum target range	✔
Shareholding requirement of 200 per cent of salary	✔
Post-cessation shareholding requirements for two years post-cessation of employment	✔

Overall, the Committee strives to ensure that our remuneration philosophy and incentive policy is aligned with the long-term success of the Company. Our long-term incentive plan is subject to a minimum five-year holding requirement on the net of tax number of shares that vest and 50 per cent of our annual bonus continues to be deferred into shares. Both executive directors are required to build up a shareholding in intu shares worth 200 per cent of salary. Furthermore, taking into account the provisions of the Code, the Committee has introduced post-cessation shareholding requirements, further enhancing this long-term alignment.

An overview of the key remuneration elements in place for executive directors in 2020 is set out below.

Ian Burke
Chairman of the Remuneration Committee

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). The Company also complies with the requirements of the UK Corporate Governance Code.

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

Overview of executive director remuneration

An overview of the key remuneration elements in place for executive directors in 2020 is set out below:

Key elements	Time horizon 2020	2021	2022	2023	2024	Summary of policy for 2020
Salary						— Salaries for 2020 are unchanged from 2019: – Matthew Roberts, chief executive: £617,916 – Robert Allen, chief financial officer: £400,000
Pension and benefits						— The Company operates a defined contribution pension or salary supplement. The pension contribution is 10% of salary for both executive directors (from May 2020 for the chief executive). Benefits include a car allowance (up to £18,000), private medical insurance, life assurance and long-term sickness insurance.
Annual bonus						— Annual bonus structure unchanged from 2019: – Maximum opportunity of 120% of salary – 50% of the award earned will be deferred into intu shares, which normally vest over two and three years subject to continued employment (with standard 'good' and 'bad' leaver provisions applying) – Approach to 2020 metrics and targets under review
Long-term incentives						— Approach to 2020 awards under review — Performance will be measured over a single three year period, vested awards (net of tax) must be retained for a further two years (retaining five year nature of the plan)
Shareholding requirement						— Executive directors must build up a holding with a value equivalent to 200% of salary — On cessation of employment, executive directors must retain, for two years post-cessation of employment, shares equal in value to the lower of either; 200% of salary, or, their actual holding on cessation. Shares acquired from the executive's own funds are excluded from this holding requirement.

Directors' remuneration policy

This section sets out the Directors' remuneration policy which has been prepared in accordance with section 439A of the Companies Act. Shareholders will be asked to approve this policy, subject to a binding shareholder vote at the 2020 AGM. If approved, the policy will then apply for a three-year period, unless shareholder approval is sought for earlier changes.

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 the executive directors with the performance of the Company and the interests of its shareholders. Our incentive arrangements are designed to reward performance against our key performance indicators. Our aim is to focus management on delivering sustainable long-term performance and support the retention of critical talent in a manner that is aligned to the Company's purpose and values.

Furthermore, the Committee is satisfied that the remuneration policies and practices take due account of the six factors listed in the Corporate Governance Code:

Factor	How this is taken into account
Clarity	The Committee endeavours to ensure that intu's remuneration policies and practices are transparently disclosed and well understood by both our executive directors and our shareholders.
Simplicity	Remuneration structures which can be misunderstood and deliver unintended outcomes, whether due to being overly complex or otherwise, are avoided. One of the core objectives of the Committee is to ensure that intu's executive remuneration policies and practices are simple to communicate and operate, while also supporting the Company's strategy.
Risk	The operation of both short and long-term incentive plans which can employ a blend of financial and non-financial targets ensure that a balanced approach to performance-related pay is adopted. In addition, equity plays a significant role in the Company's incentive plans, with robust shareholding guidelines (which apply post cessation) also applying. Robust malus and clawback provisions also operate to provide the Committee with the ability to take action in certain circumstances. Consequently, inappropriate risk-taking is neither encouraged nor rewarded.
Predictability	Incentive plans are subject to individual caps. The Company's share plans operate subject to market standard dilution limits. Therefore, while the rewards potentially receivable by our executive directors under the incentive plans vary based on performance delivered and share price growth, there are appropriate controls over the quantum of rewards deliverable.
Proportionality	A strong link between individual awards, delivery of strategy and our long-term performance can be seen and is demonstrated throughout this report. Furthermore, "at-risk" pay, in the form of the annual bonus and PSP, comprises a significant portion of executive directors' packages, with the structure of the executive directors' service contracts ensuring that "rewards for failure" are avoided.
Alignment to culture	The Company's primary focus is on creating the best shopping centres. Our culture is driven by a single-minded purpose to make our visitors smile and help our customers flourish. We are focused on employee wellbeing and making a positive difference to our environment, society and our governance standards (ESG). That means doing the right thing by all our stakeholders – visitors, customers, investors, suppliers and communities. Our executive pay policies are designed and operated with these core values in mind. For example, the Committee believes that strong financial performance and sustainable long-term above market returns to investors which underpin the incentive plans will only be delivered by promoting these objectives.

The main changes from the existing policy are as follows:

- In light of the updated Code, pension provision for new executive directors will be aligned to those available to the general workforce. Current pension provision for the majority of the workforce is 10 per cent of salary. From May 2020, the pension provision for incumbent executive directors will also be aligned.
- The operation of the PSP has been simplified and aligned to typical practice such that, for the awards made in 2020 prior to the AGM and onwards, 100 per cent of performance will be measured over a single three-year period, instead of performance measured over three, four and five years. A two-year holding period applies to the number of shares which vest (net of tax), which retains the five-year nature of the plan.
- The malus and clawback provisions have been reviewed to ensure the provisions are robust and enforceable in line with the updated Code.
- The policy now clarifies the Committee's discretion to adjust the formulaic outcome of incentives where they are not reflective of broader performance and/or other circumstances and ensures that the Committee has appropriate (and market standard) flexibility in determining the performance metrics to be used in the annual bonus.
- Post-cessation shareholding requirements will be introduced, requiring executives to retain, for two years post-cessation of employment, shares equal in value to the lower of either 200 per cent of salary (the current normal guideline holding) or their actual holding on cessation. Shares acquired from the executive's own funds are excluded from this holding requirement.

— Standard flexibility will be provided for the Company to pay the tax liability that may arise on the provision of benefits to all directors.
— The flexibility to pay the Chairman and non-executive directors additional fees on a per diem basis to reflect additional time commitment has been removed.

Element and link to strategy	Operation	Maximum potential value	Performance metrics
Executive directors			
Base salary To provide an appropriately competitive level of base pay to attract and retain talent.	Reviewed annually. Salary levels take account of: — size and nature of the responsibilities of each role — market pay levels for the role — increases for the rest of the Group — the executive's experience — changes to the size and complexity of the Group — implications for total remuneration — overall affordability — individual and Company performance 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. 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 To help provide for an appropriate retirement benefit.	The Company operates an approved defined contribution pension arrangement. A cash alternative may be offered in certain circumstances, for example where HMRC statutory limits have been reached.	Company pension contribution (or cash alternative) is up to 10 per cent of base salary (from May 2020 in the case of the chief executive), in line with the pension contribution for the general workforce.	None.
Other benefits 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. 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. The Company may pay any tax that arises on the provision of benefits.	Car allowance of up to £18,000 per annum. The cost of insurance benefits may vary from year to year depending on the individual's circumstances. There is no overall maximum benefit value but the Committee aims to ensure that the total value of benefits remains proportionate.	None.

Element and link to strategy	Operation	Maximum potential value	Performance metrics
Executive directors (continued)			
Short-term incentive 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. A proportion of any earned bonus is normally deferred in intu shares, vesting over two years and three years, subject to continued employment. The Committee awards dividend equivalents in respect of dividends over the deferral period which may assume reinvestment on a cumulative basis. The Committee has discretion to apply malus to unvested deferred bonus awards in certain circumstances and annual bonus payments may be subject to clawback. The Committee has discretion to adjust the bonus payable if it considers the formulaic outcome is not representative of broader performance and/or other circumstances.	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. 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, key strategic objectives or quantitative key performance indicators. Entry award level for financial measures is normally between 0 and 25 per cent of maximum.
Long-term incentives To reward good long-term decisions which help grow the value of intu over a longer-term horizon and support the retention of critical executives.	intu operates a PSP, which was approved by shareholders at the 2013 AGM. Grants are made to eligible employees at the discretion of the Committee. Awards can be made as performance shares or nil-cost options. Awards normally vest based on performance measured over a period of at least three years. Awards from 2019 have a two-year post vesting holding period in respect of the tranche subject to the three-year performance period, and a one-year holding period in respect of the tranche subject to the four-year performance period. Awards granted with a three-year performance period (including the awards made in 2020 prior to the 2020 AGM) will be subject to a full two-year post vesting holding period. The Committee awards dividend equivalents in respect of dividends over the vesting period, which may assume reinvestment on a cumulative basis. The Committee has discretion to apply malus and clawback to awards in certain circumstances. The Committee has discretion to adjust the vesting level if it considers the formulaic outcome is not representative of broader performance and/or other circumstances.	Normal maximum grant size of 250 per cent of salary per annum. In exceptional circumstances opportunity of up to 375 per cent of salary. The intention is that this flexibility would only be contemplated in recruitment circumstances.	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. Entry vesting is no higher than 25 per cent of maximum.
All employee share plans To align interests of employees with intu's performance.	Executive directors may participate in HMRC-approved share incentive plans on the same basis as all employees.	Participants can contribute up to the relevant HMRC limit.	None.

Element and link to strategy	Operation	Performance metrics
Non-executive directors		
Fees To remunerate non-executive directors.	**Independent non-executive directors** The Chairman's fees are determined by the Remuneration Committee. The non-executive directors' fees are determined by the Board. The level of fees takes into account the time commitment, responsibilities, market levels and the skills and experience required. Non-executive directors normally receive a basic fee and an additional fee for specific Board responsibilities, including membership and chairmanship of committees. The Chairman is entitled to receive certain benefits in addition to fees. 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. Non-executive directors do not currently receive any benefits however these may be provided in the future if in the view of the Board this was considered appropriate.	None.
	Other non-executive directors 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). 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. Such an agreement is currently in place with the Peel Group for the provision of non-executive director services (including alternative director services).	None.

Remuneration Committee discretions

As noted above, the Committee has discretion to adjust the annual bonus outturn and vesting level of PSP awards if it considers the formulaic outcome is not representative of broader performance and/or other circumstances.

More generally, the PSP shall be operated in accordance with the rules of the plan as approved by shareholders in 2013 and amended from time to time in accordance with those rules. In accordance with the rules of the PSP, the performance conditions may be replaced or varied if an event occurs or circumstances arise which cause the Committee to determine that the performance conditions have ceased to be appropriate, in which case the Committee can vary or replace the performance condition provided that the amended performance condition is in its opinion, fair, reasonable and no more or less difficult than the original conditions when set. Similar flexibility is reserved in relation to the bonus targets. The plan rules provide for adjustments in certain circumstances. For example, awards may be adjusted in the event of any variation of the Company's share capital, any consolidation of profits or reserves or special dividend.

Further in relation to the annual bonus, the Committee may increase the proportion of bonus deferred into shares at any time, extend the deferral or performance time horizons, or introduce holding periods.

The Committee reserves the right to make any remuneration payments or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed:

(i) before the 2014 AGM (the date the Company's first shareholder-approved directors' remuneration policy came into effect);

(ii) before the policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' remuneration policy in force at the time they were agreed; or

(iii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Company.

For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

Malus and clawback

Malus and clawback apply where stated in the table on page 78. Other elements of remuneration are not subject to recovery provisions. Clawback provisions apply only for incentives made in respect of 2016 and thereafter.

Shares awarded under the deferred bonus plan and PSP are subject to malus provisions. In relation to future awards, 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
- material mistake in calculating the bonus or PSP vesting outturn
- corporate failure

Going forward, the annual bonus and PSP awards are also subject to clawback provisions which can be applied upon the occurrence of the same circumstances as listed above. Clawback provisions may be applied up to two years following the determination of the annual incentive and up to one further year following the expiry of the post vesting holding period under the PSP.

Performance measures and targets

The metrics and targets used in the annual bonus and PSP have the primary objective of supporting the successful delivery of intu's long-term strategy.

Annual bonus metrics and targets are selected to provide an appropriate balance between incentivising executive directors to meet financial objectives for the year and achieve strategic operational objectives. Annual bonus metrics and targets are chosen in line with the following principles:

- the targets set for financial measures should be incentivising and appropriately stretching
- strategic and operational objectives include quantitatively assessed financial and operational measures, and achievement against milestones, with judgement in assessing both quantitative and qualitative data
- there should be flexibility to change the measures and weightings year-on-year in line with the needs of the business.

PSP performance conditions and targets are determined by the Committee to reflect the Group's strategy and having regard to market practice within the Company's business sector.

The measurement of performance against performance targets is at the Committee's discretion, which may include appropriate adjustments to financial or non-financial measures and consideration of overall performance in the round. Targets may be adjusted by the Committee to take into account significant capital transactions (or similar events) during the year.

Shareholding guidelines

Executive directors must build up over time a holding of intu shares with a value equivalent to 200 per cent of salary. The Remuneration Committee reviews shareholdings against the requirement on an annual basis to ensure they are met within an appropriate timeframe. Furthermore, following the policy review in 2019, the new policy includes a post-cessation shareholding requirement under which executive directors are required to retain, for two years post-cessation of employment, the lower of (i) 200 per cent of salary and (ii) their actual shareholding on cessation of employment. Shares acquired from the executive's own funds are excluded from this holding requirement and the Committee has the discretion to waive this requirement if exceptional circumstances make it appropriate to do so.

Remuneration arrangements throughout the Group

Differences in the policies for executive directors and other employees in the Group generally reflect differences in market practice taking into account role and seniority. The remuneration policies for executive directors and the senior executive team are consistent in terms of structure and the performance measures used. An annual bonus plan operates below the senior team for head office, asset management staff and intu centre staff management. The bonus is based on corporate and personal performance. As with the senior team, a portion of bonus is generally deferred into intu shares, including SIP shares.

The Committee oversees any significant changes to the remuneration policy for all intu employees and takes due account of broader workforce pay when setting senior executive remuneration (being abreast of employment conditions in the Company on a regular basis by management). intu also operates a number of share plans so that all of our employees have the opportunity to acquire shares in intu:

— for a number of years now we have operated a HMRC tax-advantaged Share Incentive Plan (SIP), under which employees may participate in a 'partnership' share plan
— in 2016, we introduced the intu Retail Services Save as You Earn Scheme, which is another HMRC approved plan, and provides employees with the opportunity to purchase shares at a discount following an initial savings period

The Committee reviews the key components of employee pay and benefit structures across the Group, and also reviews the structure of Group bonus provisions to ensure alignment with senior pay arrangements where appropriate.

As noted in the Governance report on page 52, John Strachan is the designated director for workforce engagement. The Committee is keen to ensure that the views of all employees are taken into account in intu's remuneration policies and practices. Two new initiatives; 'Questions for the Board' and 'Ask Matthew' were launched in the year, opening new engagement channels between employees and the Board. John and Matthew share insights received from employee engagement which informs the Committee's decision-making in respect of employee pay arrangements for the wider workforce.

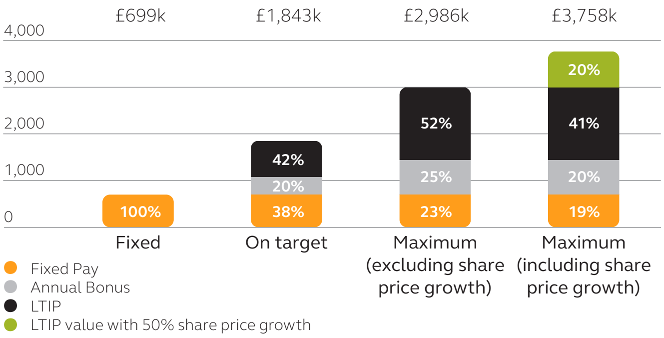
Pay for performance: scenario analysis

The charts below show the potential split between the different elements of the executive directors' remuneration under three different performance scenarios: 'Minimum', 'Target' and 'Stretch'.

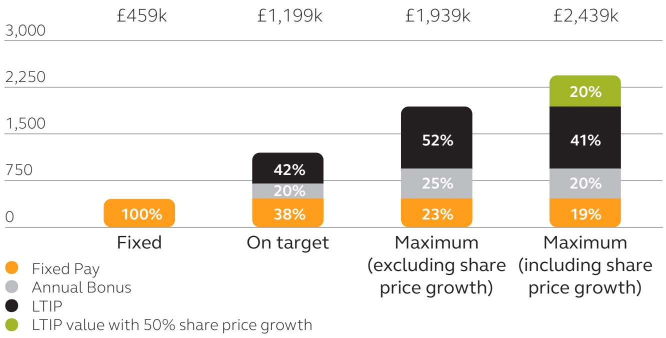
Component		Minimum	Target	Stretch
	Base salary	Annual base salary	Annual base salary	Annual base salary
	Pension	10% of salary	10% of salary	10% of salary
	Benefits	Taxable value of annual benefits provided in 2019	Taxable value of annual benefits provided in 2019	Taxable value of annual benefits provided in 2019
Annual bonus (cash and deferred shares*)		0% of salary	60% of salary	120% of salary
Performance Share Plan**		0% of max	25% of max vesting	100% of max vesting

* Excludes share price growth and dividends
** The graph also shows the impact of a 50 per cent share price increase to the PSP awards under the maximum scenario. As noted above, no decision has been taken as to the size of PSP awards to be made in 2020. Therefore, for the purposes of these charts only, an award of 250% of salary has been used which reflects the normal policy award level

Chief executive officer – Matthew Roberts (£'000)



Chief financial officer – Robert Allen (£'000)



Approach to recruitment remuneration

In the event that the Group appointed a new executive director, remuneration would be determined in line with the following principles:

- the Committee will take into account all relevant factors, including the calibre and experience of the individual and the market from which they are recruited, while being mindful of the best interests of the Group and its shareholders and seeking not to pay more than is necessary
- so far as practical the Committee will look to align the remuneration package for any new appointment with the remuneration policy set out in the table on pages 76 to 84
- salaries may be higher or lower than the previous incumbent but will be set taking into account the review principles set out in the policy table. Where appropriate the salaries may be set at an initially lower level with the intention of increasing salary at a higher than usual rate as the executive gains experience in the role. For interim positions, a cash supplement may be paid rather than salary (for example a non-executive director taking on an executive function on a short-term basis). Pension arrangements for new executive directors will be in line with the policy and therefore will not exceed that of the majority of the workforce
- to facilitate recruitment the Committee may need to 'buy out' remuneration arrangements forfeited on joining the Company. Any buy-out would take into account the terms of the arrangements forfeited, in particular any performance conditions and the time over which they would vest. The overriding principle would be that the value of any replacement buy-out awards should be no more than the commercial value of awards which have been forfeited. The form of any award would be determined at the time and the Committee may make buy-out awards under LR 9.4.2 of the Listing Rules (for buy-out awards only)
- PSP opportunity will be no more than the plan rules maximum set out in the policy table. The exceptional maximum may be used for the purpose of recruitment
- the maximum variable pay opportunity on recruitment (excluding buy-outs) is in line with the policy table, comprising a maximum annual bonus of 120 per cent of salary and a maximum initial PSP grant not exceeding 375 per cent of salary. The Committee retains the flexibility to determine that for the first year of appointment any annual incentive award will be subject to such terms as it may determine.

Where an executive is appointed from within the Company, the normal policy would be to honour any legacy arrangements in line with the original terms and conditions. Where an executive is appointed following corporate activity/reorganisation (for example a merger with another company) legacy terms and conditions would also be honoured. Where the recruitment requires relocation of the individual, the Committee may provide additional costs and benefits.

Fees payable to a newly-appointed chairman or non-executive director will be in line with the fee policy in place at the time of appointment.

Details of directors' service contracts

Executive directors

Executive directors have rolling service contracts which are terminable on no more than 12-months' notice on either side and have no fixed term. Service contracts for executive directors make no provision for termination payments, other than for payment of salary, pension and benefits in lieu of notice.

The executive directors' service contracts may contain provisions relating to salary, car allowance, pension arrangements, salary continuance in the event of extended absence due to illness, holiday and sick pay, life insurance, personal accident, medical insurance, dependants' pensions, and the reimbursement of reasonable out-of-pocket expenses incurred by the executive directors while on Company business.

Chairman

The terms of the Chairman's appointment broadly reflect the terms of the three-year appointments of the non-executive directors. However, the Chairman's appointment is subject to a 12-month notice period. The Chairman may be entitled to office accommodation and secretarial support for Company business. The Chairman may also receive independent professional advice of a value of up to £25,000 when such expenditures are authorised by the chief executive.

Non-executive directors
All non-executive directors have been appointed on fixed terms of two or three years, subject to renewal thereafter. All are subject to annual re-election by shareholders. The non-executive directors have letters of appointment which include provisions for early termination in specified circumstances. Non-executive directors currently receive no benefits from their office other than fees and reimbursement of expenses incurred in performance of their duties, including any tax due on the expenses, although the policy provides flexibility to offer such benefits in the future. They are not eligible to participate in Group pension arrangements.

Directors' service contracts are kept available for inspection at the Company's registered office.

Loss of office
General
In the event that the employment of an executive director is terminated, any compensation payable will be determined by reference to the terms of the service contract between the Company and the employee, as well as the rules of any incentive plans. The Committee may structure any compensation payments in such a way as it deems appropriate taking into account the circumstances of departure. In the event of the Company terminating an executive director's contract, the level of compensation would be subject to mitigation and phasing of payments if considered appropriate.

The Committee reserves the right to make any other payments in connection with a director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of a compromise or settlement of any claim arising in connection with the cessation of a director's office or employment. Any such payments may include amounts in respect of accrued leave, paying any fees for outplacement assistance and/or the director's legal or professional advice fees in connection with his or her cessation of office or employment.

Payment in lieu of notice
The Company may at its discretion make termination payments in lieu of notice based on base salary and benefits (including pension) only.

Bonus
There is no automatic entitlement to annual bonus. The Committee retains discretion to award bonuses for leavers taking into account the circumstances of departure. Any bonus would normally be subject to performance and time pro-rating.

Deferred bonus
Deferred bonus awards will lapse if the executive ceases to be employed before the normal vesting date except in good leaver circumstances, which include retirement, redundancy, a transfer of the business or company by which the individual is employed, ill-health, death or any other reason at the discretion of the Committee. The Committee will determine the most appropriate approach to adopt to the vesting of awards in good leaver circumstances.

Performance Share Plan
In the event an executive is a good leaver, any outstanding PSP awards will be pro-rated for time and will vest on the normal vesting date, based on performance to the end of the performance period, unless the Committee determines to adopt another approach in its discretion. Good leaver circumstances are reasons of injury, disability, ill-health, redundancy, retirement, the sale of the individual's employing company or businesses out of the Group or for any other reason at the discretion of the Committee. For jointly owned equity ('JSOP') awards made in the past under the PSP, time and pro-rating applies below the threshold only. The Committee may adjust the number of shares vesting below the threshold in order to apply an appropriate overall pro-rating for the award. In the event of death, early vesting is permitted, based either on the Committee's assessment of performance against the performance condition to date of death, or 50 per cent vesting. The award would also be subject to time pro-rating. However, the Committee has discretion to adjust the level of vesting (both upwards and downwards).

Award under LR 9.4.2
Were a 'buyout' award to be made under LR 9.4.2 (or otherwise) then the leaver provisions may be determined at the time of award.

Other circumstances

Under the PSP, on a change-of-control or winding up of the Company, PSP awards may vest in accordance with the rules of the plan. Vesting would be subject to pro-rating for time and performance, unless the Committee determines otherwise.

Bonuses may be paid in respect of the year in which the change of control or winding up of the Company occurs, if the Committee considers this appropriate. The Committee may determine the level of bonus taking into account any factors it considers appropriate. Deferred bonus awards, which have been earned in respect of previous performance periods, will normally vest in full on a change of control or winding up.

Legacy share option plan

All awards granted under the legacy share option plan were made prior to 27 June 2012. Vesting would be in accordance with the plan rules. On voluntary resignation, awards granted less than three years before cessation lapse and other subsisting awards are exercisable within six months of cessation (subject to any performance conditions). In other leaving circumstances subsisting options may be exercised within six months of cessation (subject to any performance conditions) or 12 months in the case of death. However, in the above cases the Committee has discretion to decide alternative vesting and may impose other conditions. Both unvested and vested awards will lapse if the director leaves for reasons involving misconduct, impropriety and inefficiency (as determined by the Committee).

Consideration of conditions elsewhere in the Group

In making remuneration decisions, the Committee also considers the pay and employment conditions elsewhere in the Group, reviewing workforce remuneration and the alignment of incentives and rewards with intu's culture and strategic goals.

Prior to the annual pay review, the Committee receives a detailed report from the HR director setting out changes to broader employee pay. This forms part of the basis for determining executive director remuneration. In addition to the employee engagement activities undertaken and described more fully elsewhere in the annual report, the Company also consults with employees as part of an annual employee survey, which includes questions regarding the Company's approach to reward and recognition. The Committee also takes account of the CEO to all-employee pay ratio position as part of its deliberations.

Consideration of shareholder views

When determining remuneration, the Committee takes into account the guidelines of investor bodies and shareholder views. The current remuneration policy was developed following consultation with major shareholders and their views were taken into account during its formation. The Committee seeks to have an ongoing dialogue with shareholders on executive remuneration matters.

Minor changes

The Committee may make minor amendments to the policy set out above (for regulatory, exchange control, tax, administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Annual remuneration report

This report sets out how the Directors' remuneration policy of the Company has been applied in the year, and how the Remuneration Committee intends to apply the new policy (described more fully on pages 76 to 84) 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 2020 AGM, with the new remuneration policy subject to a binding vote. Sub-sections 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, policy and actual remuneration of the chief executive, the chief financial officer, the Chairman of the Board and other members of executive management.

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 the executive directors with the performance of the Company and the interests of its shareholders. Our incentive arrangements are designed to reward performance of our key performance indicators. Our aim is to focus management on delivering sustainable long-term performance and support the retention of critical talent in a manner that reflects the Company's purpose, culture and values.

Total remuneration in 2019 §

The table below sets out the total remuneration received by each director for the year to 31 December 2019:

Director	Salary or fees £000 2019	Salary or fees £000 2018	Benefits £000 2019	Benefits £000 2018	Annual bonus (cash and deferred shares) £000 2019	Annual bonus (cash and deferred shares) £000 2018	Long-term incentive £000 2019	Long-term incentive £000 2018	Pension £000 2019	Pension £000 2018	Total remuneration £000 2019	Total remuneration £000 2018
Executive												
Matthew Roberts (appointed chief executive on 29 April 2019)	**576**	485	**20**	20	**–**	98	**–**	–	**117**	116	**713**	719
Robert Allen (appointed 10 June 2019)	**225**	–	**11**	–	**–**	–	**–**	–	**22**	–	**258**	–
David Fischel (stepped down 26 April 2019)[1]	**201**	615	**59**	20	**–**	124	**–**	–	**60**	184	**320**	943
Chairman												
John Strachan	**275**	275	**–**	–	**–**	–	**–**	–	**–**	–	**275**	275
Current non-executive												
Ian Burke	**85**	19	**–**	–	**–**	–	**–**	–	**–**	–	**85**	19
John Whittaker[2]	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Cheryl Millington (appointed 3 May 2019)	**49**	–	**–**	–	**–**	–	**–**	–	**–**	–	**49**	–
Steve Barber (appointed 9 September 2019)	**25**	–	**–**	–	**–**	–	**–**	–	**–**	–	**25**	–
Former non-executive during 2019												
Richard Gordon (resigned 18 February 2019)	**8**	59	**–**	39[3]	**–**	–	**–**	–	**–**	–	**8**	98
Louise Patten (resigned 18 February 2019)	**11**	92	**–**	–	**–**	–	**–**	–	**–**	–	**11**	92
Rakhi Goss-Custard (resigned 3 May 2019)	**25**	87	**–**	–	**–**	–	**–**	–	**–**	–	**25**	87
Adèle Anderson (resigned 25 October 2019)	**79**	110	**–**	–	**–**	–	**–**	–	**–**	–	**79**	110
Total	**1,559**	1,794[4]	**90**	79	**–**	222	**–**	–	**199**	300	**1,848**	2,395

The figures in the table have been calculated as follows:

- base salary: amount earned for the year. For 2018 the fees for certain independent non-executive directors include additional fees payable on a per diem basis for additional time required in respect of the Hammerson transaction, as disclosed in last year's Directors' remuneration report. This amounted to £13,140 per relevant non-executive director.
- benefits: the taxable value of annual benefits received in the year. The main benefits are life assurance, long-term sickness insurance, private healthcare, company car cash allowance and occasional use of company flat. 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 David Fischel, 24 per cent SIPP contribution, part taken as a salary supplement in lieu of SIPP contributions, for Matthew Roberts and 10 per cent salary supplement in lieu of contributions for Robert Allen).
- annual bonus (cash and deferred): the value at grant of the annual incentive payable for performance over 2019 and 2018 respectively. As noted below, the executive directors waived their entitlement to receive a bonus for 2019.
- Performance Share Plan: awards shown under 2019 comprise awards made in 2017, 2016 and 2015, which have one third subject to three, four and five-year performance periods. As explained below, no portion of these awards vested.

1 Figures for David Fischel for 2019 are for the period 1 January 2019 to 26 April 2019 when he ceased to be a director. Payment in lieu of notice and other amounts owed are detailed later in the report under the 'Payments to former directors' section.
2 John Whittaker did not receive any remuneration in 2019 or 2018 in connection with his position as deputy chairman and non-executive director of the Company. John is not an independent director. A management fee of £215,000 was paid to Peel Management Limited for the provision by Peel of management and advisory services, as further described on page 156.
3 Richard Gordon's alternate, Raymond Fine, had use of a company flat the benefit of which, following a recent HMRC review, is estimated at £39,000. This is included in Mr Gordon's single total figure for 2018. Raymond Fine retired on 31 December 2018.
4 Andrew Strang retired as a non-executive director on 30 September 2018 and was paid £52,000 as disclosed in the 2018 annual report.

Salary

The table below sets out the executive director salaries for 2019 and 2020. The executives will not receive a salary increase for 2020.

Executive	2019 salary	2020 salary	Increase
Matthew Roberts	£617,916	£617,916	0%
Robert Allen	£400,000	£400,000	0%

Performance outturns and incentives

Annual bonus for 2019 §

The maximum award for executive directors in 2019 was 120 per cent of salary, of which 50 per cent is deferred into shares for two and three years.

Annual bonus payments are based on pre-determined performance measures. Given the commercial sensitivity, the Remuneration Committee provides retrospective disclosure of targets. Two-thirds of the 2019 bonus opportunity was based on adjusted EPS performance in the year, split evenly between performance versus budget and prior year figures. The remaining third was 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 the objectives include quantitatively assessed financial and operational measures and milestones.

The targets for the 2019 bonus, together with intu's performance against the targets, are set out below. As in previous years, full retrospective disclosure of the targets is given:

EPS element

		Targets				
Performance element	Weighting (% of total opportunity)	Threshold	Target	Maximum	2019 performance	Outturn (% of max element)
Adjusted EPS vs budget	33.3%	12.3p	12.9p	13.5p	9.5p	0%
Adjusted EPS vs prior year	33.3%	100%	102.5%	105%	66%	0%
Total out-turn (% of max bonus)						0%

Based on performance against the targets, no portion of this element of the bonus was payable.

Strategic and operational element

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.

For 2019, the scorecard and weightings for the chief executive were as follows:

Element	Key objectives included:	Performance	Weighting
Fix the balance sheet	— Restore financial headroom and create liquidity through disposals and refinancing	— Total disposals in 2019 amounted to over £465 million	50%
Simplify, enhance and drive efficiency	— Present update on strategy at away day and sign off the 10-year plan — Prepare cost reduction programme	— Strategy successfully launched at away day — Cost reallocation programme successfully designed and to be launched in Q1 2020	20%
Sharpen customer focus	— Appoint centre performance director — Maintain engagement with key customers	— Successful appointment of candidate — Engaged effectively with number of key customers	20%
Investor relations	— Host capital markets day and engage with investors	— Capital markets days delayed to 2020, however engaged with a significant number of investors in Q4	10%

For 2019, the scorecard and weightings for the chief financial officer were as follows:

Element	Key objectives	Performance	Weighting
Fix the balance sheet	— Address balance sheet issues — Manage the cash flow forecast model, including for risks, and revise accordingly	— Total disposals in 2019 amounted to over £465 million	50%
Strategy implementation	— Support executive team to deliver new strategy and monitor progress — Input into cost reduction programme and monitor implementation	— Effective communication both internally and externally of strategy — Cost reallocation programme successfully designed and to be launched in Q1 2020	20%
External engagement	— Build strong relationships with key intu stakeholders	— Engaged with a significant number of investors, analysts and key banks	20%
Control environment	— Effectively maintain the control environment — Agile forecasting of results and cash flows	— Effective maintenance achieved of control environment — Forecasting set to be revised in 2020	5%
People	— Transition and develop the senior leadership team in light of new strategy and business model	— Seamless transition of senior leadership team following implementation of new strategy and strong evidence of team development	5%

Based on an assessment of performance against the above targets, the Committee determined that bonuses of 34 per cent and 36 per cent of salary were payable to Matthew Roberts and Robert Allen respectively in relation to the strategic and operational element of the bonus. However, given intu's circumstances, the executive directors agreed to waive their entitlement to receive any bonus for 2019. David Fischel stepped down as chief executive on 26 April 2019. He was entitled to a bonus for the period 1 January 2019 to 26 April 2019. However, in the circumstances, where the executive directors are not receiving a bonus, the Remuneration Committee has determined that it would not be appropriate to award a bonus to a former director.

Deferred bonus awards granted in the year in respect of 2018 bonuses §

As no bonuses were payable to executive directors for performance in 2019, there will be no deferred bonus awards made. The table below summarises the deferred bonus awards granted in March 2019 in respect of the 2018 bonus. Executive directors must normally remain in employment with the Company for a period of two years (for 50 per cent of the award) and three years (for the remaining 50 per cent of the award) after the date of award before such shares are released (subject to the normal 'good' and 'bad' leaver provisions). As explained on pages 93 and 94, David Fischel's awards vested on his cessation of employment:

Individual	Type of interest	Face value of 2019 award* £
David Fischel	Deferred bonus award	61,998
Matthew Roberts	Deferred bonus award	48,770

* Face value calculated using five-day average share price prior to date of grant of £1.0495. Awards are granted in the form of nil cost options.

Annual bonus for 2020

The maximum annual bonus opportunity will remain at 120 per cent of salary for the executive directors, with 50 per cent of any bonus earned continuing to be deferred into shares which are released after two and three years. As noted previously, the Committee is reviewing its approach to the 2020 bonus metrics, which will be set in accordance with our policy (which requires that key financial, operational and strategic objectives are employed, with at least two thirds of the bonus opportunity based on Group financial measures, key strategic objectives or quantitative key performance indicators). Full details will be disclosed in next year's report.

Long-term incentives §

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

The PSP awards shown in the single figure relate to awards due to vest in 2020. These relate to the first, second and final tranche of the 2017, 2016 and 2015 PSP awards, respectively. The following table summarises vesting under these awards:

Award	Tranche	Performance period	TSR ranking	Vesting of TSR portion (% of max)	Total Financial Return (per annum)	Vesting of Total Financial Return portion (% of max)	Total vesting (% of max)
2017 PSP award	First tranche	Three years to 31 December 2019	6th	0%	–20.9%	0%	0%
2016 PSP award	Second tranche	Four years to 31 December 2019	6th	0%	–14.7%	0%	0%
2015 PSP award	Final tranche	Five years to 31 December 2019	6th	0%	–9.7%	0%	0%

The performance conditions for the above awards were 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 Total Financial 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 lapse for growth of less than 6 per cent per annum

PSP awards granted during the year §

The table below summarises PSP awards granted during the year, in April 2019 for the chief executive and June 2019 for the chief financial officer:

Individual	Type of interest	Face value of 2019 award* £	Face value of 2019 award* % of salary	% vesting at threshold	Performance period end 3 years	Performance period end 4 years	Performance period end 5 years
Matthew Roberts	PSP	£975,425	200%	25%	31 December 2021	31 December 2022	31 December 2023
Robert Allen	PSP	£800,000	200%	25%	31 December 2021	31 December 2022	31 December 2023

* Face value calculated using a five day average share price prior to date of grant of £1.0617 for Matthew Roberts and £0.8803 for Robert Allen.

Half of these awards vest by reference to TSR (measured over the relevant three, four or five-year period) 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.

The remaining half of these awards vest by reference to the achievement of absolute share return measures which are calculated by reference to the average share price over the last three months of the relevant performance period, with the value of any dividends declared over the vesting period added to the end share price to calculate the final share return. The actual share return targets are as follows:

Tranche	Performance period end	Threshold[1] (25% vests)	Maximum[1] (100% vests)
First tranche	31 December 2021	150p	180p
Second tranche	31 December 2022	160p	210p
Final tranche	31 December 2023	175p	240p

1. Pro-rata between target points based on absolute share price of intu.

Awards for 2020
As noted above, the Committee is reviewing its approach to the 2020 PSP awards, both in terms of quantum and performance metrics, to ensure that the awards are aligned to shareholder interests and intu's situation/strategic challenges. Full details of the approach adopted including the targets to which the awards will be made subject will be set out in the Stock Exchange announcement that is issued in relation to these awards (and in next year's report).

In the interests of simplicity and to reflect typical practice, it is currently intended that performance will be measured over a single three-year period, compared to past awards where performance was measured over three, four and five years. However, the net of tax number of shares that vest based on performance over the three-year period must be retained for a further two years, thereby retaining the overall five-year nature of the Plan and also reflecting best practice.

Other share scheme information
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 (HMRC) regulations.

In 2016, intu implemented an HMRC-approved Save as You Earn scheme (the intu Retail Services Sharesave Plan), offering a potential savings contract of up to £500 a month for a period of three to five years. Participants are granted an option to acquire ordinary shares in intu using the proceeds of their saving contract. The exercise price is set at the time of invitation to apply for the plan, with a discount of 10 per cent of the market value.

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.

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 Matthew Roberts, Robert Allen nor David Fischel received a season ticket or other loan from the Group during 2019.

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 the chief executive and the average for all of intu's staff:

	Percentage change in remuneration from 31 December 2018 to 31 December 2019		
	Percentage change in base salary	Percentage change in benefits[1]	Percentage change in annual bonus
Chief executive	0%	65%	–100%
All employees	2%	–6.7%	–100%

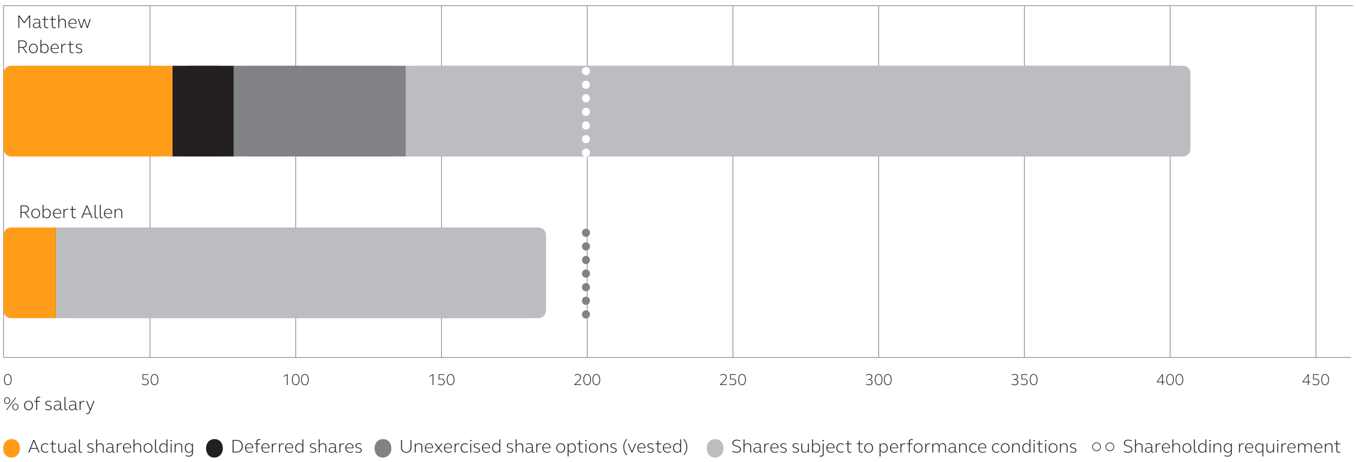
1. The increase in chief executive benefits reflects the payment of accrued but untaken holiday pay for David Fischel in 2019 prior to his cessation of employment.

Shareholding and share interests §
Executive directors must build up over time a holding of intu shares with a value equivalent to 200 per cent of salary. The Remuneration Committee reviews shareholdings against the requirement on an annual basis to ensure they are met within an appropriate timeframe.

Following the policy review in 2019, a post-cessation shareholding requirement forms part of the new policy. Executive directors are required to retain, for two years post cessation of employment, the lower of (i) 200 per cent of salary and (ii) their actual shareholding on cessation of employment. Shares acquired from the executive's own funds are excluded from this holding requirement and the Committee has the discretion to waive this requirement if exceptional circumstances make it appropriate to do so.

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 or performance conditions have also been shown for reference.

Shareholding of intu ordinary shares as at 31 December 2019 (% of salary)*



* Value of shareholding calculated based on 12-month average share price to 31 December 2019.
Shareholdings of non-executive directors are shown below.

As shown above, Matthew Roberts has not met his requirement. Matthew was close to meeting the requirement at the end of 2018, however as a result of the fall in share price over 2019 and his salary increase due to his promotion to chief executive, the 200 per cent of salary requirement has not been achieved. Robert Allen does not meet the requirement, noting his appointment during the year.

The table below sets out the directors' interests in shares as at 31 December 2019:

	Number of shares owned (including connected persons)		Unvested awards				Vested awards		
			Conditional shares not subject to performance conditions						
	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	Options subject to performance conditions	Unexercised unapproved options[1]	Unexercised approved options	Options exercised in the year
Executive									
Matthew Roberts	487,513	6,806	174,833	10,428	2,250,942	–	481,387[1]	11,203	–
Robert Allen	100,000	–	–	–	908,781	–	–	–	–
John Strachan	117,794	–	–	–	–	–	–	–	–
Ian Burke	200,753	–	–	–	–	–	–	–	–
John Whittaker[2]	370,224,572	–	–	–	–	–	–	–	–
Cheryl Millington (appointed 3 May 2019)	–	–	–	–	–	–	–	–	–
Steve Barber (appointed 9 September 2019)	–	–	–	–	–	–	–	–	–

1 Held as JSOP shares. The outstanding options represent the unexercised 2010 unapproved options held as JSOP shares.
2 Total beneficial interest includes shares held by subsidiaries of the Peel Group of which John Whittaker is the chairman.

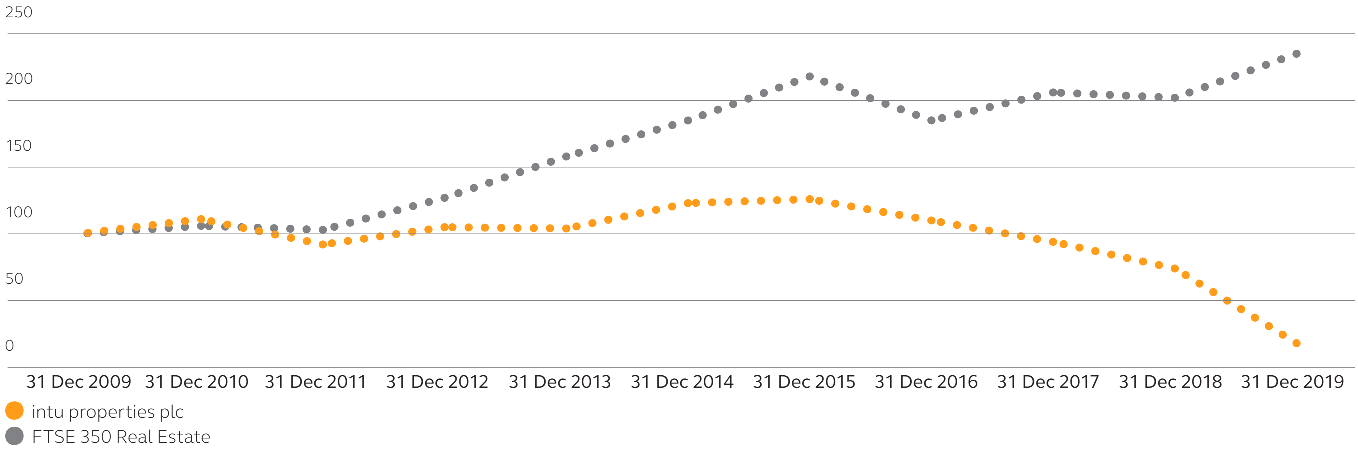
David Fischel stepped down from the Board during the year and Richard Gordon, Louise Patten, Rakhi Goss-Custard and Adèle Anderson resigned during the year. These directors are therefore not included in the table.
No changes in the interests of directors have occurred between 31 December 2019 and 12 March 2020.

Vested	
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	
2015 PSP (third tranche)	Awards of performance shares, granted on 11 March 2015. Vesting is based on TSR (relative to the top five UK-listed REITs) and Total Financial Return performance (ranging from 6 per cent per annum to 10 per cent per annum), in three equal tranches over three, four and five years. Any awards that vest may be exercised until 11 March 2025.
2016 PSP (second and third tranche)	Awards of performance shares, granted on 7 March 2016. Vesting is based on TSR (relative to the top five UK-listed REITs) and Total Financial Return performance (ranging from 6 per cent per annum to 10 per cent per annum), in three equal tranches over three, four and five years. Any awards that vest may be exercised until 7 March 2026.
2017 PSP	Awards of performance shares, granted on 10 March 2017. Vesting is based on TSR (relative to the top five UK-listed REITs) and Total Financial Return performance (ranging from 6 per cent per annum to 10 per cent per annum), in three equal tranches over three, four and five years. Any awards that vest may be exercised until 10 March 2027.
2018 PSP	Awards of performance shares, granted on 9 March 2018. Vesting is based on TSR (relative to the top five UK-listed REITs) and Total Financial Return performance (ranging from 6 per cent per annum to 10 per cent per annum), in three equal tranches over three, four and five years. Any awards that vest may be exercised until 10 March 2028.
2019 PSP	Awards of performance shares, granted on 9 April 2019 and 12 June 2019 for Robert Allen. Vesting is based on TSR (relative to the top five UK-listed REITs and absolute share price growth (ranging from 150p to 180p, 160p to 210p and 175p to 240p), in three equal tranches over three, four and five years. A two-year post vesting holding period will apply to the portion of the PSP award vesting after three years, and a one-year holding period would apply for the portion vesting after four years. Any awards that vest may be exercised until 9 April 2029 and 12 June 2029, respectively.

Ten-year TSR chart

The following graph shows the TSR for intu properties plc over the ten-year period ended 31 December 2019, compared with our closest comparator group for this purpose, the FTSE 350 Real Estate. TSR is defined as share price growth plus reinvested dividends:

Ten-year Total Shareholder Return (TSR) performance



Chief executive remuneration history

The table below sets out historical details of chief executive pay:

	2010	2011	2012	2013	2014	2015	2016	2017	2018	**2019[1]**
CEO single figure of total remuneration	£1,350k	£1,275k	£1,810k	£1,081k	£1,154k	£1,653k	£1,814k	£1,493k	£943k	£830k
Annual bonus payout (% maximum)	100%	83%	70%	55%	65%	95.3%	95.3%	60%	16.6%	0%
Long-term incentive plan vesting in year (% maximum)	0%	0%	100%	0%	0%	37.6%	36.4%	23%	0%	0%

1. David Fischel to 26 April 2019 and Matthew Roberts from 29 April 2019.

Chief executive to employee pay ratio

New legislation requires companies with more than 250 employees to publish the pay ratio between the chief executive and employees at the 25th, 50th and 75th percentile of all UK staff.

The chief executive to employee pay ratio for 2019 is set out in the table below:

Financial year	Method	25th percentile	50th percentile	75th percentile
2019	**A**	**1:47**	**1:41**	**1:27**

The pay for the individuals for 2019 is set out in the table below:

	Chief executive	25th percentile	50th percentile	75th percentile
Salary	£617,916	£17,743	£20,335	£30,383
Total pay	£830,076	£17,743	£20,439	£30,483

The Company has calculated the ratio in line with Option A which is considered the most appropriate approach and the one preferred by investors. The chief executive pay used reflects both David Fischel and Matthew Roberts undertaking this role in the year. The Remuneration Committee considers that the median pay ratio is consistent with the Company's wider pay, reward and progression policies effecting its UK employees. The chief executive's pay comprises a higher portion of incentive pay to that of our employees (although no incentive pay was actually delivered in respect of 2019), ensuring a strong link between pay and performance. Our pay policy also ensures that the experience, responsibility and market rates of pay for each employee (including the chief executive) are taken into account when their remuneration is determined.

Shareholder context

The table below shows the advisory vote on the 2018 Annual remuneration report (including the Committee Chairman's statement) at the 2019 annual general meeting and the binding vote on the Directors' remuneration policy at the 2017 annual general meeting. 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
2018 Annual remuneration report (2019 AGM)	90.1%	9.9%	1.3m
Directors' remuneration policy (2017 AGM)	99.5%	0.5%	0.8m

Additional disclosures

Other directorships

Executive directors are not generally encouraged to hold external directorships unless the Chairman of the Board 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.

Matthew Roberts is a non-executive director of Marston's PLC and Chairman of its Audit Committee. He received and retained an aggregate fee of £61,500 per annum in respect of this role.

Payments to former directors and payments for loss of office §

A life-presidency fee of £75,000 (2018: £150,000) was paid to Sir Donald Gordon, the Group's Life President and former Chairman who founded the Company in 1980 until he sadly died on 21 November 2019. 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.

As detailed in last year's report, David Fischel formally gave notice on 31 December 2018. Following the appointment of Matthew Roberts as chief executive, David stepped down from the chief executive role on 26 April 2019. In accordance with David's service contract and the Directors' remuneration policy, he was eligible to receive payments in lieu of notice comprising salary, pension and benefits. David was eligible to participate in the 2019 annual bonus, with his opportunity pro-rated to reflect the period of the financial year worked to 26 April 2019 (although, as noted earlier in this report, no bonus was payable). David did not receive a 2019 PSP award.

David was treated as a good leaver in respect of his unvested incentive awards. Consequently, deferred share awards vested shortly after cessation of employment and the total value of David's unvested deferred share awards was £223,386. Any unvested PSP awards will vest on the normal vesting date, subject to performance and any time pro-rating where applicable. The vesting level for the PSP awards will be confirmed in the Annual Reports for each respective year.

The Company terminated David's employment on 26 April 2019. Payments made from 1 January 2019 to 26 April 2019 are set out in the single total figure of remuneration table. Payments made to David since this date are set out in the table below:

Element of payment in lieu of notice	Period 27 April 2019 to 31 December 2019
Salary	£416,625
Pension	£124,980
Benefits	£13,255

Alternate directors §
Steven Underwood serves as alternate director to John Whittaker. Steven Underwood did not receive a fee in 2019 in respect of his services as an alternate director.

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. All are subject to annual re-election by shareholders.

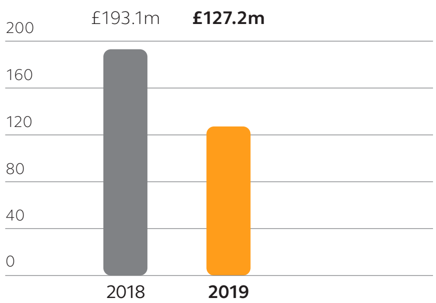
	Notice period
Matthew Roberts	12 months
Robert Allen	12 months
John Strachan	12 months

	Contract term expires
Steve Barber (appointed 9 September 2019)	2023 AGM
Ian Burke	2022 AGM
Cheryl Millington (appointed 3 May 2019)	2022 AGM
John Whittaker	2020 AGM

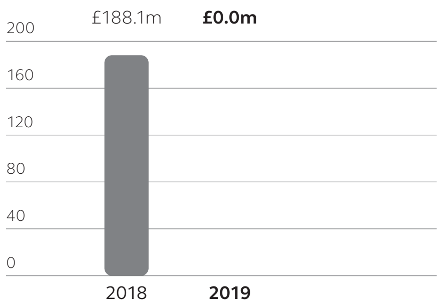
Distribution statement

The charts below show the percentage change in dividends and total employee compensation spend from the financial year ended 31 December 2018 to the financial year ended 31 December 2019. A similar comparison has been made in relation to underlying earnings to provide further context:

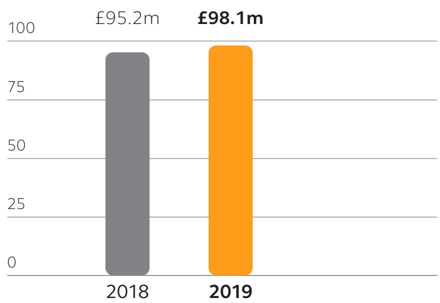
Underlying earnings (£m) -34.1%



Dividend paid (£m) -100%



Total employee pay expenditure (£m) +3.1%



The average number of staff employed by the Group during the financial year to 31 December 2019 was 2,559 (2018: 2,570).

Chairman and non-executive director fees for 2020§
The Chairman receives a fee of £275,000 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. Remuneration Committee and Audit 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 2020.

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 £215,000 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. This payment is disclosed in the related party transactions note on pages 155 and 156.

Remuneration Committee membership in 2019
The principal responsibilities of the Committee include:

- determining the remuneration policy for the Company's executive directors and senior executives
- determining individual remuneration packages for the chairman of the Board, 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 of the Committee are set out in its terms of reference which are available on the Group's website, intugroup.co.uk.

The Remuneration Committee currently comprises three independent non-executive directors. I became Chairman of the Committee on 12 February 2019, Cheryl Millington was appointed to the Committee on 3 May 2019 and Steve Barber was appointed to the Committee on 9 September 2019. Throughout the year the Committee also consisted of Louise Patten (former Chairman of the Committee), who stepped down on 18 February 2019, Adèle Anderson, who stepped down on 25 October 2019 and Rakhi Goss-Custard, who stepped down on 3 May 2019.

The Chairman of the Board, 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 had four scheduled meetings in 2019. A summary of attendance is set out on page 73.

Advisers to the Committee
Korn Ferry was appointed as the Committee's independent remuneration adviser in January 2019, following a competitive tender process. Korn Ferry is a member of the Remuneration Consultants Group and adheres to the Code of Conduct in relation to executive remuneration consulting in the UK. During the year, Korn Ferry provided advice on remuneration governance developments, corporate reporting and investor engagement, market data and other remuneration matters that materially assisted the Committee. Korn Ferry also provides other consulting services to the Board relating to the recruitment of two non-executive directors and services relating to leadership development. This advice was provided by entirely separate teams independent from the team advising the Committee. As a result, the advice to the Committee is therefore considered independent, objective and impartial.

The fees paid to Korn Ferry as remuneration adviser to the Committee in 2019 totalled £154,127, on a time and materials basis.

The Committee also makes use of various published surveys to help determine appropriate remuneration levels.

The new Directors' remuneration policy will be put to a binding shareholder vote and the annual remuneration report, including my letter, will be put to an advisory shareholder vote at our 2020 annual general meeting. We look forward to receiving your views and support.

On behalf of the Board

Ian Burke
Chairman of the Remuneration Committee
12 March 2020

The directors present their annual report and the audited financial statements of the Group and Company for the year ended 31 December 2019. Pages 1 to 98 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 30 to 37, accounting policies on pages 118 to 121 and note 27 contain information on the use of financial instruments.

Dividends

The directors declared no interim ordinary dividend in 2019 (2018: 4.6 pence) and are not recommending a final dividend for 2019. A UK REIT is expected to pay dividends (PIDs) of at least 90 per cent of its taxable profits from its UK property rental business by the first anniversary of each accounting date. In view of the announced short-term reduction of dividends there will be an underpayment of the minimum PID, and therefore the Group will incur UK corporation tax payable at 19 per cent. The Group intends to remain a UK REIT for the foreseeable future.

Share capital and control of the Company

Details of the Company's share capital and details of the rights attaching to the Company's ordinary shares are set out in note 28.

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 £375 million 2.875 per cent Guaranteed Convertible Bonds issued on 1 November 2016 by Intu (Jersey) 2 Limited, which are 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 (i.e. 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.

Under the £351.8 million term facility (£141.8 million outstanding at 31 December 2019) agreement dated 19 March 2013 (as amended and restated on 19 June 2015) between, among others, Intu (SGS) Finco Limited (SGS Finco) and HSBC Bank plc (as Facility Agent), on a change of control of the Company, if directed by a lender, the Facility Agent may by notice to SGS Finco declare all outstanding loans of that lender, together with accrued interest and all other amounts accrued and owing to that lender under the finance documents, immediately due and payable.

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 specific 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.

Internal control

The statement on corporate governance on pages 52 to 62 includes the Board's assessment following a review of internal controls and consideration of the FRC Guidance on risk management, internal control and related financial and business reporting.

Directors

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

Chairman	Non-executive
John Strachan	Adèle Anderson[1]
	Steve Barber[6]
Deputy chairman	Ian Burke
John Whittaker[2]	Richard Gordon[3]
Executive	Rakhi Goss-Custard[4]
	Cheryl Millington[8]
David Fischel[5]	Louise Patten[3]
Matthew Roberts[5]	
Robert Allen[7]	

1 Adèle Anderson resigned from the Board on 25 October 2019.
2 John Whittaker appointed Steven Underwood as his alternate under the terms of the Company's articles of association.
3 Richard Gordon and Louise Patten resigned from the Board on 18 February 2019.
4 Rakhi Goss-Custard resigned from the Board on 3 May 2019.
5 David Fischel resigned from intu on 26 April 2019. Matthew Roberts was appointed chief executive on 29 April 2019.
6 Steve Barber was appointed to the Board on 9 September 2019.
7 Robert Allen was appointed intu chief financial officer on 10 June 2019.
8 Cheryl Millington was appointed to the Board on 3 May 2019.

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 on pages 54 and 55 in the governance section, and in the Directors' remuneration report on pages 73 to 95.

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 28.

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 accordance with the Disclosure Guidance and Transparency Rules of the FCA at 31 December 2019 and 9 March 2020.

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. Details of the intu all-employee survey are provided in our people on pages 45 to 47.

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 73 to 95. Note 7 contains information on 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 45 to 47 and in note 7. The Group provides retirement benefits for the majority of its employees. Details of the Group pension arrangements are set out in note 7.

The environment

Details of our sustainability policies, the Group's aims and the latest version of our annual sustainability report can be found on the Company's website. An overview of the Group's sustainability activity, which includes disclosures relating to greenhouse gas emissions, is on pages 48 to 50.

The Company recognises the importance of minimising the adverse impact on the environment of its operations and the obligation to carefully manage energy, 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 £6.7 million (2018: £10.5 million) (see note 9). 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.

	At 31 December 2019		At 9 March 2020	
Shareholder	Number of shares notified	% interest in share capital	Number of shares notified	% interest in share capital
The Peel Group	370,224,572	27.32%	370,224,572	27.32%
Coronation Asset Management (Pty) Limited	176,066,140	12.99%	149,050,629	11.00%
Auriga V Lux Sarl[1]	124,866,152	9.21%	124,866,152	9.21%
JPMorgan Chase & Co[2]	n/a	n/a	69,828,333	5.15%
Investec Ltd	68,056,447	5.02%	68,056,447	5.02%
Public Investment Corporation SOC Limited	66,310,891	4.89%	66,310,891	4.89%
Contrarius Investment Management	43,647,555	3.22%	43,647,555	3.22%
Tameside MBC re Greater Manchester Pension Fund	42,157,711	3.11%	42,157,711	3.11%

1 Represents the holding of Orion Capital Managers.
2 As at 31 December 2019, the position was below the minimum disclosure threshold. As at 9 March 2020, 1.67 per cent of the voting rights were attached to shares, the remaining voting rights were through financial instruments.

Auditors

Deloitte LLP succeeded PricewaterhouseCoopers LLP as intu's auditor for the financial year commencing 1 January 2019, further to the resolution passed at the AGM on 3 May 2019.

Annual general meeting

The notice convening the 2020 AGM 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
12 March 2020

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the Company's financial statements in accordance with the FRS 101 Reduced Disclosure Framework. 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 the FRS 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements and
(d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

In preparing the Group and Company's financial statements, International Accounting Standard 1 requires that directors:

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

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

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

Directors' confirmations

We confirm that to the best of our knowledge:

(a) the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets liabilities, financial position and profit or loss of the Group and Company and the undertakings included in the consolidation taken as a whole
(b) the strategic report includes a fair review of the development and performance of the business and the position of the Group and Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face and
(c) the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

Signed on behalf of the Board on 12 March 2020

Matthew Roberts
Chief Executive

Robert Allen
Chief Financial Officer

Contents

Report on the audit of the financial statements

Opinion

In our opinion:

— the financial statements of intu properties plc (the Company) and its subsidiaries (the Group) give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2019 and of the Group's loss 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 United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; 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.

We have audited the financial statements which comprise:

— the consolidated income statement;
— the consolidated statement of comprehensive income;
— the balance sheets;
— the statements of changes in equity;
— the consolidated statement of cash flows; and
— the related notes 1 to 36.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the FRC's) Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Company for the year are disclosed in note 8 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to note 1 in the financial statements which indicates that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

The Group has a number of secured financing facilities that contain covenants requiring the Group to maintain specified financial ratios and comply with certain other financial covenants. These include loan to value ratios, debt service ratios and, in the case of the Revolving Credit Facility (RCF), a net worth covenant and gearing ratio. These are generally tested quarterly or semi-annually, or otherwise at the direction of the lender in certain circumstances.

In addition to maintaining compliance with its financial covenants, the Group is required to repay or refinance amounts under its financing arrangements when they come due, which will be significant over the next two years. £331.5 million of borrowings are due to be repaid or refinanced prior to 31 March 2021 with a total of £1,116.7 million by 31 December 2021, including £573.2 million outstanding under its RCF, based on the amounts drawn down under the Group's borrowings as at the date of these results. In addition, for unallocated swap breaks up to 31 March 2021, there could be a £93.0 million settlement related cash outflow.

We identified the following areas which we considered to be the key risks giving rise to a material uncertainty in relation to the directors' going concern assessment and detail the procedures we have performed on those risks:

Risk area	Procedures performed
Financing and covenant compliance *Covenant compliance* Due to continuing uncertainties in the retail environment and the additional potential impact of Covid-19, there is a risk that both property valuations and rental income decline more than Management has forecast. See Management's illustrative sensitivity analysis in note 1 which describes the level of payments which would be required to cure covenant breaches depending on the level of future valuation and rental income declines. Should mitigating actions, as set out below and in note 1, not be successful, the Group may be unable to make all payments as they fall due. Additionally, the Group could be in breach of its existing RCF covenants when tested in July. Breaches under the RCF facility could result in wider cross defaults in relation to the convertible bonds and unallocated swaps, causing amounts outstanding under those arrangements to become immediately due and payable in full. *Financing* The Group may not be able to refinance its borrowings at the same level as currently outstanding. At 31 December 2019, a reduction in net external debt of over £1.1 billion would be required in order to reduce the debt to assets ratio to the directors' preferred level of 50 per cent. In the current unpredictable retail environment, the Group's liquidity position and available resources are impacted by a reduced ability to refinance debt facilities on maturity at the same amount as this will be dependent on asset valuations at the refinancing date.	— With assistance from our specialist debt advisory team, we reviewed key loan and bond documentation to understand the principal terms, including financial covenants, and performed a review of the Group's existing and forecast compliance with debt covenants and any associated equity cures/cash traps. — We challenged the forecast cash flows and assumptions made by Management with particular regard to the current market conditions with assistance from our industry specialists, including in respect of Company Voluntary Arrangements (CVAs). — We assessed Management's forecast property valuations and challenged the assumptions made by Management with assistance from our industry and valuation specialists. — We assessed external retail and real estate industry reports in order to assess the completeness and reasonableness of Management's sensitivity analysis.
intu Puerto Venecia disposal The directors have included the net proceeds of £95 million from the intu Puerto Venecia disposal, which has not yet completed, within their cash flow forecasts. The key condition is in relation to certain regulatory approvals outside the control of the Company.	— We have inspected the sales and purchase agreement in relation to the disposal and understood any conditional factors within these legal agreements.
Mitigating actions The directors have identified mitigating actions available to the Group: — Alternative equity structures or solutions including the feasibility of a substantial equity raise. Some of these solutions could require shareholder or certain other approvals, which would be outside of the control of the Group and Company; — Sales and/or part sales of additional assets, however these may be at lower valuations than the current market valuation and may not be achievable in the timescales required; — Seeking waivers from, or amendments to, financial covenants; and — Other self-help measures including a reduced level of capital expenditure in the short term. Should the Group be unable to successfully execute the mitigations, or complete them in a timely manner, it may be unable to cure some or all of its covenant breaches or be able to refinance the amounts coming due.	— We reviewed Management's assessment of the options available to the Group and the reasonableness of the mitigating actions identified, including input from its financial advisers. — We involved our restructuring specialists in conducting our evaluation, specifically in relation to challenging the reasonableness of the alternative equity structures and covenant waiver/amendment proposals. — We made enquiries of the Company's brokers and financial advisers in relation to a potential equity raise. — We involved our real estate specialists in considering the timelines for further disposals and the proceeds that could be expected to be achieved.

As stated in note 1, the events or conditions described above indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: — Going concern (see material uncertainty relating to going concern section); — Valuation of the property portfolio; and — Accounting for the part disposal of intu Derby. In the prior year only ‘Valuation of the property portfolio’ was reported as a key audit matter.
Materiality	The materiality that we used for the Group financial statements was £38.4 million which was determined on the basis of approximately 2 per cent of net assets.
Scoping	Our Group audit scope comprises the audit of intu properties plc as well as the subsidiaries and certain joint ventures. The Group team perform full scope audit procedures on the UK subsidiaries and certain joint ventures and specified audit procedures on the Spanish subsidiaries and joint ventures are performed by a component audit team.

Conclusions relating to principal risks and viability statement

Based solely on reading the directors’ statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors’ assessment of the Group’s and the Company’s ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

— the disclosures on pages 42 to 44 that describe the principal risks and explain how they are being managed or mitigated;

— the directors' confirmation on page 40 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; or

— the directors’ explanation on page 63 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 are also required to report whether the directors’ statement relating to going concern and the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

As set out in the material uncertainty relating to going concern section, there is uncertainty as to whether the Group will have sufficient liquidity or available headroom in the going concern period.

There is also uncertainty beyond that period, with further refinancing required, the outcome of which is dependent on future property valuations and lender appetite which are uncertain in the current market as set out in the directors’ viability statement on page 63.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty relating to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Valuation of the property portfolio

Key audit matter description

The Group's investment and development properties are a portfolio of super-prime and prime shopping centres in the UK and Spain. The portfolio is valued at £5,947 million as at 31 December 2019 (2018: £8,058 million). During the year a revaluation deficit of £1,797 million (2018: £1,302.0 million deficit) was recorded (excluding acquisitions, disposals and foreign exchange gains).

The portfolio valuation was carried out by four independent external valuers. The external valuers were engaged by the directors and were instructed to perform their work in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards 2017. The external valuers have extensive experience of the market in which the Group operates. The external valuers use factual information, such as lease agreements and data from the tenancy schedule, and apply their professional judgement relating to market conditions and factors impacting individual properties.

The valuation of the portfolio is inherently subjective due to key unobservable inputs in the valuation requiring a significant level of estimation. These include property yields, forecast estimated rental values and void assumptions.

In the UK there is an elevated level of risk in the property valuation due to the ongoing deterioration in the retail market. In addition, there has been a lack of comparable property transactions in 2019 to use as market evidence. Therefore the external valuers have had to exercise a greater level of judgment in the key estimates used in the valuation. This is particularly applicable to property yields, due to the limited transactional activity for super-prime and prime retail properties.

Please see critical accounting judgements and key sources of estimation uncertainty accounting policy in note 1 to the financial statements and discussion in the report of the Audit Committee on page 66.

How the scope of our audit responded to the key audit matter

Understanding

We obtained an understanding of key controls in the valuation process.

We visited six of the largest properties to further develop our understanding of the portfolio to enhance our challenge of the assumptions made by the valuers.

We met with the Asset Directors and Regional Directors, to enhance our knowledge of the portfolio and to assist in our ability to identify specific key assumptions for certain properties including property vacancies, leases nearing maturity or break clauses, and significant ongoing tenant negotiations with existing and prospective tenants.

Data provided to the valuers and Management process

We assessed Management's process for providing data to the external valuers and their evaluation of the output. We attended and observed Management's meetings with the external valuers to assess the nature of their communications and evaluation.

We verified the integrity of the tenancy schedule, a key input in the property valuations. This included verifying a sample of data to underlying lease agreements.

Valuations – Investment and Development Property

We assessed the competence, capabilities and objectivity of the external valuers.

We obtained the external valuation certificates and assessed the overall approach to the valuation. We confirmed with the external valuer that the valuations had been prepared in accordance with RICS Valuation – Global Standards 2017. Our analysis included input from our internal valuation specialists who are chartered surveyors. We challenged the valuation process, portfolio performance and the significant estimates and assumptions applied, focusing on property yields, estimated rental values and voids assumptions. This included the impact of CVAs. Our challenge further included benchmarking the key assumptions to external industry data and comparable (albeit limited) transactional market evidence.

Additionally we benchmarked the yields applied across the three UK external valuers.

	We have verified the costs to complete for development properties. *Industry and market challenge* We challenged both the external valuers and Management to explain and assess the property valuation in the context of the Group's significant share price discount to its net asset value (NAV). Additionally, we have also assessed the Group's discount to NAV to other comparable companies. We have involved both restructuring and retail specialists to understand the potential impact that further CVAs and future tenant administrations will have on the overall property valuation. Our internal valuation specialist has performed a 'deep-dive' on three shopping centres and focused on the rent rolls of each centre by testing the market rents being applied by the valuers. This has included assessing the rent reductions under CVAs and administrations in these specific centres.
Key observations	We conclude that the valuation approach and methodology adopted by the external valuers is appropriate and aligned with standard market practice. We found the UK external valuers to have consistently reflected the ongoing structural issues in the retail sector in the estimations and assumptions used. We recognise the disconnect between the investment property valuation and the Group's share price is significant, however in our view, this is no longer meaningful given the wider issues facing the Group. All other procedures performed were completed without error.

Accounting for the part disposal of intu Derby

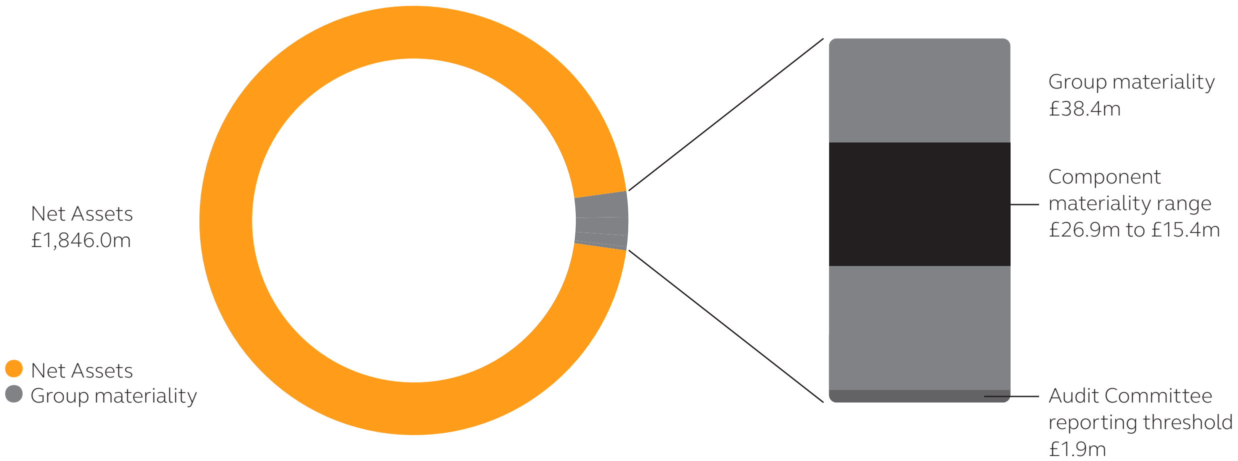
Key audit matter description	On 8 July 2019 intu completed the part disposal of its investment in intu Derby to Cale Street Investments LP (Cale Street) for £113 million. The transaction took the form of a structured equity arrangement, whereby Cale Street's investment receives a preferred return and ranks above intu's on liquidation of the structure. Additionally, the shareholder agreement grants intu the option to buy out Cale Street's investment after the third anniversary of the transaction. The transaction resulted in intu losing control of a subsidiary and a joint venture being recognised as per the guidance in IAS 28 *Investments in Joint Ventures and Associates*. While there was complexity in all elements of the transaction, the critical judgement made related to whether the consideration received from Cale Street was debt or equity in nature as this determined whether the transaction resulted in a disposal of equity or a financing arrangement. IAS 32 *Financial Instruments: Presentation* determines the debt or equity classification. In order for a financial instrument to be classified as a liability it must create a contractual and enforceable obligation for the issuer to deliver cash to the holder. In this case, the fact that the joint venture board retains the right to decide the timing and amount of dividends to be paid means that there is no contractual obligation to deliver cash. Therefore the instruments cannot be classified as a liability and must be equity instruments. Please see critical accounting judgements and key sources of estimation uncertainty accounting policy in note 1 to the financial statements and discussion in the report of the Audit Committee on page 66.
How the scope of our audit responded to the key audit matter	We reviewed the sale and purchase agreement and shareholders agreement and assessed whether both parties' shares in the structure meet the definition of equity under IAS 32 *Financial Instruments: Presentation*. We assessed whether it is appropriate to derecognise the investment in a subsidiary under IFRS 10 *Consolidated Financial Statements* and tested the loss on disposal.
Key observations	We concur with Management's conclusion that the investments should be treated as equity and the accounting treatment used for the intu Derby transaction is appropriate.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Materiality	£38.4 million (2018: £94.4 million)	£36.5 million (2018: £34.6 million)
Basis for determining materiality	Approximately 2% of net assets (2018: 1% of total assets)	2% of net assets, capped at 95% of Group materiality (2018: 1% of total assets)
Rationale for the benchmark applied	We consider net assets to be a critical financial performance measure for the Group on the basis that it is a key metric used by management, investors, analysts and lenders and given intu's high levels of leverage. In addition to net assets, we consider underlying earnings to be a critical financial performance measure for the Group and we applied a lower threshold of £6.4 million based on 5% of that measure for testing of all balances impacting this financial performance measure (2018: the previous auditor used £9.5 million, determined on the same basis).	We consider net assets to be a critical performance measure for the Group on the basis that the Company holds all the investments therefore making the balance sheet the relevant primary statement for management and lenders.



We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 65 per cent of Group materiality for the 2019 audit. In determining performance materiality we consider factors including our risk assessment and our assessment of the Group's overall control environment. While we were able to rely on controls in a number of areas, as this is our first year as auditor and given the heightened risk due to the material uncertainty relating to going concern detailed above, we determined that setting it at 65 per cent of Group materiality appropriately reflected these matters.

We agreed with the Audit Committee that we would report to the Audit Committee all audit differences in excess of £1.9 million (2018: £9.4 million was used by the previous auditors), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

The Group audit team performed full scope audit procedures on the UK subsidiaries (UK Component) and UK joint ventures (JV Component) to component materialities. This work was performed centrally by the Group audit team led by the Senior Statutory Auditor. Component materiality levels ranged from £15.4 million to £26.9 million. These components account for approximately 100 per cent of the Group's net assets and 100 per cent of underlying earnings.

Our component audit team performed an audit of specified balances on the Spanish subsidiaries and joint venture entities (Spanish component). Senior members of the Group audit team visited the Spanish component during the year to attend the local audit close meeting and review of their audit file. Additionally we joined the Spanish valuation meetings.

Other than the Spanish component audit, the audit is performed centrally at the Group's London head office, as the books and records for each entity within the UK components are maintained at this location.

We also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

From our understanding of the entity and after evaluating the design and determining the implementation and operating effectiveness of the key controls, for the UK components, we relied on controls in performing our audit of rent receivable and payroll. No controls reliance was taken by the Spanish component.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

— *Fair, balanced and understandable* – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

— *Audit Committee reporting* – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or

— *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud, are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- considering the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- enquiring of management, internal audit, and the Audit Committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team including significant component audit teams and involving relevant internal specialists, including tax, valuations, IT, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas: valuation of the property portfolio relating to the level of estimation required in determining the valuation; and
- obtaining an understanding of the legal and regulatory frameworks that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements. The key laws and regulations we considered in this context included the relevant provisions of the UK Companies Act and Listing Rules as well as relevant provisions of tax legislation, including the REIT rules. In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

Audit response to risks identified

As a result of performing the above, we identified the valuation of the property portfolio as the key audit matter. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements
Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

— the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
— the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records 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 are not in agreement with the accounting records and returns.	We have nothing to report in respect of these matters.
Directors' remuneration Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.	We have nothing to report in respect of these matters.

Other matters
Auditor tenure
Following the recommendation of the Audit Committee, we were appointed by the Board on 2 April 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is one year, covering the year ending 31 December 2019.

Consistency of the audit report with the additional report to the Audit Committee
Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

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

Claire Faulkner FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
12 March 2020

Consolidated income statement
for the year ended 31 December 2019

£m	Notes	2019	Re-presented[1] 2018
Revenue	3	**542.3**	581.1
Net rental income	3	**348.1**	398.5
Net other income		**6.2**	5.3
Revaluation of investment and development property	13	**(1,796.8)**	(1,332.8)
Loss on disposal of subsidiaries	4	**(6.3)**	(8.5)
Gain on sale of investment and development property		**3.9**	1.4
Write-down on recognition of joint ventures and other assets classified as held for sale	32	**(38.0)**	–
Impairment of goodwill		**(4.0)**	–
Impairment of investment in associates	18	**(7.4)**	–
Impairment of loan to associate		**(5.5)**	–
Administration expenses – ongoing		**(39.5)**	(42.9)
Administration expenses – exceptional	5	**(3.4)**	(13.1)
Operating loss	6	**(1,542.7)**	(992.1)
Finance costs	9	**(220.9)**	(216.7)
Finance income	9	**16.6**	14.8
Other finance charges – exceptional	9	**(36.9)**	(32.9)
Change in fair value of financial instruments	9	**(72.9)**	87.3
Net finance costs	9	**(314.1)**	(147.5)
Loss before tax, joint ventures and associates		**(1,856.8)**	(1,139.6)
Share of post-tax loss of joint ventures	16	**(158.9)**	(42.1)
Share of post-tax (loss)/profit of associates	18	**(0.3)**	2.3
Loss before tax		**(2,016.0)**	(1,179.4)
Current tax – ongoing	10	**(16.0)**	(0.1)
Current tax – exceptional	10	**(6.4)**	–
Deferred tax	10	**16.6**	5.8
Taxation	10	**(5.8)**	5.7
Loss for the year		**(2,021.8)**	(1,173.7)
Attributable to:			
Owners of intu properties plc		**(1,950.9)**	(1,132.2)
Non-controlling interests		**(70.9)**	(41.5)
		(2,021.8)	(1,173.7)
Basic loss per share	12	**(145.1)p**	(84.3)p
Diluted loss per share	12	**(145.1)p**	(84.3)p

1 See note 1 for details of re-presented amounts.

Consolidated statement of comprehensive income
for the year ended 31 December 2019

£m	Notes	2019	2018
Loss for the year		**(2,021.8)**	(1,173.7)
Other comprehensive income			
Items that may be reclassified subsequently to the income statement:			
Exchange differences		**(30.7)**	4.1
Total items that may be reclassified subsequently to the income statement		**(30.7)**	4.1
Items that will not be reclassified subsequently to the income statement:			
Revaluation of other investments		**(2.6)**	(6.4)
Change in fair value of financial instruments	25	**75.0**	43.4
Total items that will not be reclassified subsequently to the income statement		**72.4**	37.0
Other comprehensive income for the year		**41.7**	41.1
Total comprehensive loss for the year		**(1,980.1)**	(1,132.6)
Attributable to:			
Owners of intu properties plc		**(1,909.2)**	(1,091.1)
Non-controlling interests		**(70.9)**	(41.5)
		(1,980.1)	(1,132.6)

Balance sheets
at 31 December 2019

£m	Notes	Group 2019	Re-presented[1] Group 2018	Company 2019	Company 2018
Non-current assets					
Investment and development property	13	**6,026.7**	8,138.3	**–**	–
Property, plant and equipment		**14.3**	11.8	**10.4**	9.3
Investment in Group companies	15	**–**	–	**1,842.7**	2,719.1
Investment in joint ventures	16	**326.6**	487.9	**–**	–
Loans to joint ventures	16	**197.5**	336.0	**–**	–
Investment in associates	18	**53.7**	65.6	**–**	–
Derivative financial instruments	21	**–**	4.3	**–**	–
Other non-current assets		**1.1**	20.7	**–**	–
		6,619.9	9,064.6	**1,853.1**	2,728.4
Current assets					
Joint ventures and other assets classified as held for sale	32	**163.7**	–	**–**	–
Derivative financial instruments	21	**–**	0.4	**–**	–
Trade and other receivables	19	**130.0**	138.0	**855.3**	727.4
Cash and cash equivalents	20	**203.5**	239.5	**0.2**	0.4
		497.2	377.9	**855.5**	727.8
Total assets		**7,117.1**	9,442.5	**2,708.6**	3,456.2
Current liabilities					
Trade and other payables	22	**(243.3)**	(278.4)	**(376.7)**	(387.9)
Current tax liabilities		**(5.9)**	–	**(5.3)**	–
Borrowings	23	**(71.1)**	(51.1)	**(0.4)**	–
Derivative financial instruments	21	**(48.4)**	(39.0)	**–**	–
		(368.7)	(368.5)	**(382.4)**	(387.9)
Non-current liabilities					
Borrowings	23	**(4,663.2)**	(4,984.2)	**(421.5)**	(393.9)
Derivative financial instruments	21	**(237.1)**	(246.2)	**(0.8)**	(4.6)
Deferred tax liabilities	10	**(0.9)**	(18.0)	**–**	–
Other payables		**(1.2)**	(1.2)	**–**	–
		(4,902.4)	(5,249.6)	**(422.3)**	(398.5)
Total liabilities		**(5,271.1)**	(5,618.1)	**(804.7)**	(786.4)
Net assets		**1,846.0**	3,824.4	**1,903.9**	2,669.8
Equity					
Share capital	28	**677.5**	677.5	**677.5**	677.5
Share premium	28	**1,327.4**	1,327.4	**1,327.4**	1,327.4
ESOP shares	29	**(33.6)**	(37.0)	**(33.6)**	(37.0)
Other reserves	30	**443.9**	402.2	**61.4**	61.4
(Accumulated losses)/retained earnings		**(511.0)**	1,441.6	**(128.8)**	640.5
Attributable to owners of intu properties plc		**1,904.2**	3,811.7	**1,903.9**	2,669.8
Non-controlling interests		**(58.2)**	12.7	**–**	–
Total equity		**1,846.0**	3,824.4	**1,903.9**	2,669.8

1 See note 1 for details of re-presented amounts.

A loss of £767.6 million is recorded in the financial statements of the Company in respect of the year (2018: loss of £187.0 million). No income statement or statement of comprehensive income is presented for the Company as permitted by Section 408 of the Companies Act 2006.

These consolidated financial statements of intu properties plc (registration number: 3685527) have been approved for issue by the Board of directors on 12 March 2020.

Matthew Roberts
Chief Executive

Robert Allen
Chief Financial Officer

The notes on pages 115 to 156 form part of these consolidated financial statements.

Statements of changes in equity
for the year ended 31 December 2019

Group (£m)	Share capital	Share premium	ESOP shares	Other reserves	Retained earnings/ (accumulated losses)	Total	Non-controlling interests	Total equity
	Attributable to owners of intu properties plc							
At 1 January 2019	677.5	1,327.4	(37.0)	402.2	1,441.6	3,811.7	12.7	3,824.4
Loss for the year	–	–	–	–	(1,950.9)	(1,950.9)	(70.9)	(2,021.8)
Other comprehensive income:								
Revaluation of other investments	–	–	–	(2.6)	–	(2.6)	–	(2.6)
Change in fair value of financial instruments (note 25)	–	–	–	75.0	–	75.0	–	75.0
Exchange differences	–	–	–	(30.7)	–	(30.7)	–	(30.7)
Total comprehensive loss for the year	**–**	**–**	**–**	**41.7**	**(1,950.9)**	**(1,909.2)**	**(70.9)**	**(1,980.1)**
Share-based payments (note 7)	–	–	–	–	1.8	1.8	–	1.8
Acquisition of ESOP shares (note 29)	–	–	(0.1)	–	–	(0.1)	–	(0.1)
Disposal of ESOP shares (note 29)	–	–	3.5	–	(3.5)	–	–	–
	–	–	3.4	–	(1.7)	1.7	–	1.7
At 31 December 2019	**677.5**	**1,327.4**	**(33.6)**	**443.9**	**(511.0)**	**1,904.2**	**(58.2)**	**1,846.0**

Group (£m)	Share capital	Share premium	ESOP shares	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to owners of intu properties plc							
At 1 January 2018	677.5	1,327.4	(39.1)	361.1	2,748.1	5,075.0	54.2	5,129.2
Adjustment on adoption of new accounting standard (note 1)	–	–	–	–	14.0	14.0	–	14.0
Adjusted 1 January 2018	677.5	1,327.4	(39.1)	361.1	2,762.1	5,089.0	54.2	5,143.2
Loss for the year	–	–	–	–	(1,132.2)	(1,132.2)	(41.5)	(1,173.7)
Other comprehensive income:								
Revaluation of other investments	–	–	–	(6.4)	–	(6.4)	–	(6.4)
Change in fair value of financial instruments (note 25)	–	–	–	43.4	–	43.4	–	43.4
Exchange differences	–	–	–	4.1	–	4.1	–	4.1
Total comprehensive loss for the year	–	–	–	41.1	(1,132.2)	(1,091.1)	(41.5)	(1,132.6)
Dividends (note 11)	–	–	–	–	(188.1)	(188.1)	–	(188.1)
Share-based payments (note 7)	–	–	–	–	2.8	2.8	–	2.8
Acquisition of ESOP shares (note 29)	–	–	(0.9)	–	–	(0.9)	–	(0.9)
Disposal of ESOP shares (note 29)	–	–	3.0	–	(3.0)	–	–	–
	–	–	2.1	–	(188.3)	(186.2)	–	(186.2)
At 31 December 2018	677.5	1,327.4	(37.0)	402.2	1,441.6	3,811.7	12.7	3,824.4

Company (£m)	Share capital	Share premium	ESOP shares	Other reserves	Retained earnings/ (accumulated losses)	Total equity
	Attributable to owners of intu properties plc					
At 1 January 2019	677.5	1,327.4	(37.0)	61.4	640.5	2,669.8
Loss for the year	–	–	–	–	(767.6)	(767.6)
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(767.6)**	**(767.6)**
Share-based payments (note 7)	–	–	–	–	1.8	1.8
Acquisition of ESOP shares (note 29)	–	–	(0.1)	–	–	(0.1)
Disposal of ESOP shares (note 29)	–	–	3.5	–	(3.5)	–
	–	–	3.4	–	(1.7)	1.7
At 31 December 2019	**677.5**	**1,327.4**	**(33.6)**	**61.4**	**(128.8)**	**1,903.9**

Company (£m)	Share capital	Share premium	ESOP shares	Other reserves	Retained earnings	Total equity
	Attributable to owners of intu properties plc					
At 1 January 2018	677.5	1,327.4	(39.1)	61.4	1,015.8	3,043.0
Loss for the year	–	–	–	–	(187.0)	(187.0)
Total comprehensive loss for the year	–	–	–	–	(187.0)	(187.0)
Dividends (note 11)	–	–	–	–	(188.1)	(188.1)
Share-based payments (note 7)	–	–	–	–	2.8	2.8
Acquisition of ESOP shares (note 29)	–	–	(0.9)	–	–	(0.9)
Disposal of ESOP shares (note 29)	–	–	3.0	–	(3.0)	–
	–	–	2.1	–	(188.3)	(186.2)
At 31 December 2018	677.5	1,327.4	(37.0)	61.4	640.5	2,669.8

Consolidated statement of cash flows

for the year ended 31 December 2019

£m	Notes	2019	Re-presented[1] 2018
Cash generated from operations	33	**321.4**	319.7
Interest paid		**(255.4)**	(236.1)
Payments on termination of interest rate swaps		**(52.4)**	–
Interest received		**14.1**	19.3
Taxation		**(16.6)**	(0.3)
Cash flows from operating activities		**11.1**	102.6
Cash flows from investing activities			
Purchase and development of property, plant and equipment		**(127.7)**	(193.5)
Sale of investment and development property		**75.3**	24.4
Additions to other investments		**(0.1)**	(0.1)
Sale of other investments		**8.0**	–
Disposal of subsidiaries net of cash sold	31, 35	**100.7**	143.2
Investment of capital in joint ventures		**(4.4)**	(7.7)
Repayments of capital by joint ventures	16	**7.7**	7.1
Loan advances to joint ventures	16	**(4.8)**	(2.0)
Loan repayments by joint ventures	16	**16.2**	25.3
Distributions from joint ventures	16	**4.6**	2.9
Cash flows from investing activities		**75.5**	(0.4)
Cash flows from financing activities			
Acquisition of ESOP shares		**(0.1)**	(0.9)
Borrowings drawn		**208.0**	302.0
Borrowings repaid		**(322.1)**	(204.3)
Equity dividends paid	11	**(8.2)**	(187.6)
Cash flows from financing activities		**(122.4)**	(90.8)
Net (decrease)/increase in cash and cash equivalents		**(35.8)**	11.4
Cash and cash equivalents at 1 January	20	**239.5**	228.0
Effects of exchange rate changes on cash and cash equivalents		**(0.2)**	0.1
Cash and cash equivalents at 31 December	20	**203.5**	239.5

1 See note 1 for details of re-presented amounts.

1 Accounting convention and basis of preparation

Group consolidated financial statements

The Group 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 Group consolidated financial statements have been prepared under the historical cost convention as modified by investment and development property, derivative financial instruments and certain other assets and liabilities that have been measured at fair value. A summary of the significant accounting policies as applied to the Group is set out in note 2.

Company financial statements

The Company financial statements have been prepared in accordance with Financial Reporting Standard 101 (FRS 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. The Company transitioned from IFRS to FRS 101 at 1 January 2019.

In preparing the Company financial statements the Company has taken advantage of the following disclosure exemptions available under FRS 101, and therefore the Company financial statements do not include:

- certain comparative information as otherwise required by IFRS
- disclosures regarding the Company's management of capital
- a statement of cash flows
- disclosures in respect of financial instruments
- disclosure of related party transactions with wholly owned members of the Group
- the effect of future accounting standards not yet adopted

The above disclosure exemptions have been adopted because equivalent disclosures are included in the Group consolidated financial statements into which the Company is consolidated. A summary of the significant accounting policies as applied to the Company is set out in note 2.

Accounting standard changes

The accounting policies are consistent with those applied in the last annual financial statements, as amended when relevant to reflect the adoption of new standards, amendments and interpretations which became effective in the year (see detail as follows). These changes have not had a material impact on the financial statements.

This is the Group and Company's first set of annual financial statements where IFRS 16 Leases has been applied. The impact on the financial statements on adoption of this standard is set out below:

IFRS 16 Leases – the standard requires lessees to recognise a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Revaluation of the right-of-use asset and finance costs on the lease liability will be recognised in the income statement. The application of this standard does not result in material changes to lessor accounting including current accounting for rental income earned or related disclosures. The standard allows for different transition options and the Group has adopted the modified retrospective approach. On adoption the Group recognised a right-of-use asset and lease liability of £3.5 million. Of this, £1.7 million related to the Company. See note 2 for the revised accounting policy.

A number of standards and amendments to standards have been issued but are not yet effective for the current year. These are not expected to have a material impact on the Group financial statements.

2018 was the Group and Company's first set of annual financial statements where IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers were applied. The impact on the financial statements on adoption of these standards is set out below:

IFRS 9 Financial Instruments – the standard applies to classification and measurement of financial assets and financial liabilities, impairment provisioning and hedge accounting.

The standard did not have a material impact on the financial statements, with an opening adjustment to retained earnings of £14.0 million being made by the Group on adoption and no adjustment made to the Company.

IFRS 15 Revenue from Contracts with Customers – the standard is applicable to service charge income and facilities management income but excludes lease rental income arising from contracts with the Group's tenants. The adoption of this standard did not have a material impact on the financial statements.

1 Accounting convention and basis of preparation (continued)

Re-presentation of information

The Group has re-presented the following during the year in order to add clarity and simplify the primary statements. None of these re-presentations have had any impact on reported basic or diluted earnings per share.

– consolidated income statement

The underlying component of other finance charges, being the amortisation of Metrocentre compound financial instrument, has been re-presented to finance costs. As a result, other finance charges now only include exceptional items. These amounts have been classified as exceptional based on their nature. Following the change in presentation, at 31 December 2019 finance costs include £5.9 million relating to this amortisation charge. For the year ended 31 December 2018 finance costs have increased by £5.9 million, while other finance charges – exceptional have decreased by the same amount. See note 9 for disclosure details.

– group balance sheet

Amounts attributable to tenant lease incentives previously classified as trade and other receivables have been re-presented to investment and development property. Following the change in presentation, at 31 December 2019 investment and development property includes £117.4 million relating to tenant lease incentives. At 31 December 2018 investment and development property has increased by £116.5 million, non-current trade and other receivables (now presented within other non-current assets) have decreased by £99.3 million and current trade and other receivables have decreased by £17.2 million.

As a result of the above change, total current assets at 31 December 2018 decreased by £17.2 million and total non-current assets increased by the same amount.

Other non-current assets at 31 December 2018 of £20.7 million contains the following amounts presented individually in the 2018 annual report and financial statements: other investments of £10.5 million; goodwill of £4.0 million; and non-current trade and other receivables of £6.2 million which remains from the initial £105.5 million after the tenant lease incentives re-classification of £99.3 million (as above).

Amounts attributable to loans to joint ventures previously classified within investment in joint ventures has been re-presented to a separate line, loans to joint ventures. Following the change in presentation, at 31 December 2019 £197.5 million has been separately classified as loans to joint ventures. At 31 December 2018, investment in joint ventures has decreased by £336.0 million, and loans to joint ventures has increased by the same amount.

– consolidated statement of cash flows

The 2018 consolidated statement of cash flows has been re-presented to reconcile to total cash and cash equivalents on the balance sheet as opposed to unrestricted cash. The impact of this is a £2.9 million increase in cash and cash equivalents at 1 January 2018, a £1.8 million decrease in the cash outflows from financing activities and resultant £1.1 million increase in cash and cash equivalents at 31 December 2018.

As a result of these changes, cash flows from financing activities at 31 December 2018 which was originally an outflow of £89.0 million is now an outflow of £90.8 million, cash and cash equivalents at 1 January 2018 which was originally £225.1 million is now £228.0 million, cash and cash equivalents at 31 December 2018 which was originally £238.4 million is now £239.5 million, and net increase in cash and cash equivalents which was originally £13.3 million is now £11.4 million.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with the Group and Company's accounting policies requires management to make judgements and use estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these judgements and estimates are based on management's best knowledge of the amount, event or action, the actual result ultimately may differ from those judgements and estimates.

– key sources of estimation uncertainty

Valuation of investment and development property – see investment and development property accounting policy in note 2 as well as note 13 for details on estimates and assumptions used in the valuation process and sensitivities.

Recoverable amount of investment in subsidiaries (Company only) – see note 15 for details on estimates and assumptions used in determining the recoverable amount of subsidiaries in the Company.

– critical accounting judgements

Accounting for the part disposal of intu Derby – management applied significant judgement to determine that the part disposal of intu Derby should be accounted for as an equity arrangement as opposed to a financing arrangement. See further detail on judgements made in note 31.

Going concern – when preparing the financial statements, management is required to make an assessment of the entity's ability to continue as a going concern and prepare the financial statements on this basis unless it either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. As set out in going concern, there are a number of events or conditions that indicate a material uncertainty exists in relation to going concern.

After reviewing the most recent projections and the sensitivity analysis and having carefully considered the material uncertainty, and the mitigating actions available, the directors have formed the judgement that it is appropriate to prepare the financial statements on the going concern basis.

1 Accounting convention and basis of preparation (continued)

Going concern

- introduction

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. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial review on pages 30 to 37. The principal risks of the Group are set out on pages 42 to 44. In addition, note 27 includes the Group's financial risk management objectives, details of its financial instruments and hedging activities, its exposure to liquidity risk and details of its capital structure. The directors have considered these areas alongside the principal risks and how they may impact going concern, the assessment of which is considered to be a critical accounting judgement as set out earlier in this note.

The most recent forecast used to assess going concern includes trading and property valuations as at and for the period ended 31 December 2019 as well as 2020 budget assumptions. Included in these forecasts are assumptions in respect of like-for-like net rental income, giving particular consideration to the impact of company voluntary arrangements (CVAs) and administrations and property valuations (see note 13 for illustrative sensitivities in respect of estimated rental values (ERVs) and nominal equivalent yields and the corresponding impact on property valuations). The Group has considered sensitivities for what are believed to be reasonably possible adverse variations in performance and property valuations, reflecting the ongoing volatility in the UK retail market as well as the resulting impact of these changes on the Group's debt structure, facilities and related financial covenants.

– material uncertainty

Due to the factors described below, a material uncertainty exists which may cast significant doubt on the Group and Company's ability to continue as a going concern.

At 31 December 2019 the Group had immediately available cash and facilities of £241.5 million. At 10 March 2020, immediately available cash and facilities was £200.3 million.

The Group expects further short-term falls in net rental income and property valuations due to the ongoing challenges facing retail and retail property. In addition, the Covid-19 situation is rapidly evolving and the impact on intu's centres is being closely monitored (see further details on pages 40 and 41).

– financing and covenant compliance

The Group has a number of secured financing facilities that contain covenants requiring the Group to maintain specified financial ratios and comply with certain other financial covenants. These include loan to value ratios, debt service ratios and, in the case of the Revolving Credit Facility (RCF), net worth and borrowings-to-net-worth covenants. These financial covenants are generally tested quarterly or semi-annually, depending on the relevant financing arrangement, or otherwise at the direction of the lender in certain circumstances.

The Group is currently in compliance with its financial covenants (see details in financial covenants on pages 165 and 166). At 31 December 2019, the Group's debt to asset ratio was 67.8 per cent, which is higher than the directors would want, and a key driver for the current strategy of fixing its balance sheet as set out in the Chief Executive's review on pages 6 to 8. Since 31 December 2019, the Group utilised approximately £50 million from available cash resources to reduce the leverage levels in a small number of its facilities in order to meet the relevant loan to value covenants. While the Group is in compliance with all its covenants, in certain of the Group's financing arrangements additional operational and financial restrictions (including limitations on making distributions of excess cash to other intu group companies by way of repayment of intra-group debt or otherwise) have been imposed as the Group approaches the maximum loan to value ratios under those arrangements.

The Group has experienced a significant reduction in the valuation of its property portfolio over recent years, with an approximately 33 per cent like-for-like valuation decline between 31 December 2017 and 31 December 2019 including a 22 per cent like-for-like valuation decline in 2019, which has contributed to a significant increase in the Group's debt to asset ratio from 53.1 per cent to 67.8 per cent in 2019. The Group has considered the impact of further reductions in property valuations on the loan to value ratios contained in its financing arrangements in the near term. A further 10 per cent decline in property valuations from 31 December 2019, equivalent to a reduction of 40 per cent from the December 2017 valuation peak, would (after taking into account the net proceeds from the intu Asturias disposal and the net proceeds from the intu Puerto Venecia disposal, which is expected following certain regulatory approvals):

- create a covenant cure requirement of £113.0 million under the Group's asset-level borrowings
- require cures on the RCF's net worth and borrowings-to-net-worth covenants, involving repayment of £161.0 million of net borrowings on this facility

The Group has also experienced a reduction in net rental income over recent years, with an 8 per cent decline in like-for-like net rental income between 2017 and 2019, which included a 9.1 per cent decline in like-for-like net rental income in 2019. The Group has considered the impact of any further reductions in net rental income on the debt service ratios contained in its asset-level financing arrangements in the near term. A further 10 per cent decline from 2019 net rental income would create a covenant cure requirement of £34.0 million.

In addition to maintaining compliance with its financial covenants, the Group is required to repay or refinance amounts under its financing arrangements when they come due, which will be significant over the next two years. £331.5 million of borrowings are due to be repaid or refinanced prior to 31 March 2021 (£1,116.7 million by 31 December 2021, including £573.2 million outstanding under its RCF), based on the amounts drawn under the Group's borrowings as at the date of these results.

1 Accounting convention and basis of preparation (continued)

Going concern (continued)

Settlement amounts could also become payable on termination of some of the Group's interest rate swap contracts which are not actively used as hedges against Group borrowings (unallocated swaps). At 31 December 2019, for unallocated swaps with break options occurring up to 31 March 2021 the settlement amounts would have been approximately £93.0 million.

– mitigating actions

The options available to the Company and the Group to address the material uncertainty in relation to going concern include:

- engaging with stakeholders and other potential investors to explore alternative capital structures or solutions, including those investors which have expressed an interest in such transactions. The Group will also continue to keep under review the feasibility of a substantial equity raise. Some of these solutions could require shareholder or certain other approvals, which would be outside of the control of the Group and Company
- the sale and/or part sale of additional assets, which may be at lower valuations than the valuations at which the relevant investment was previously recorded and/or the current market valuation. The asset sales may also not be achievable in the timescales required in order to ensure sufficient liquidity
- seeking waivers from, or amendments to, the financial covenants contained in the Group's existing financing arrangements with lenders (including the lenders under its RCF). These are likely to be required prior to the covenants being tested in July 2020
- other self-help measures including a reduced level of capital expenditure in the short term

The successful execution of some or all of these mitigating actions described above would mean the Group is likely to have cash available to reduce net external debt in order to provide appropriate financial covenant headroom, or refinance amounts coming due under, the borrowings secured by some of the Group's assets or other Group-wide borrowings. The Group would also likely be able to fund potential settlement costs in respect of certain unallocated swaps with break options occurring up to 31 March 2021.

If, however, the Group was unable to complete some or all of these mitigating actions described above or unable to complete them in a timely manner it may be unable to cure some or all covenant breaches that could arise in respect of, or refinance amounts coming due under, the borrowings secured by some of the Group's assets or other Group-wide borrowings. This could occur when the covenants are scheduled to be tested in July 2020. The Group may also be unable to fund potential settlement costs in respect of certain unallocated swaps.

In the event of a covenant breach or liquidity shortfall, amounts outstanding under the relevant financing arrangement would become due and payable in full (following any relevant cure periods), and lenders may take possession of one or more secured assets, which may be sold at a value which leaves no residual value for the Group. These circumstances could, depending on the materiality of the relevant financing arrangement, result in a cross-default in relation to intu's other Group-wide financing arrangements, including its RCF and/or the 2.875 per cent convertible bonds, causing amounts outstanding under those arrangements to become immediately due and payable in full.

- conclusion

The events or conditions described above indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

After reviewing the most recent projections and the sensitivity analysis and having carefully considered the material uncertainty and the mitigating actions available, the directors have formed the judgement that it is appropriate to prepare the financial statements on the going concern basis.

The auditors' report on page 100 refers to this material uncertainty surrounding going concern.

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 that the Company controls. Control exists when the Company 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.

– 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 arrangement is recognised either through a joint operation or joint venture.

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 opposite.

2 Accounting policies – Group and Company (continued)

Basis of consolidation (continued)

– 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 in which settlement is not explicitly planned or likely to occur in the foreseeable future are presented on the face of the balance sheet as loans to joint ventures.

– 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 are 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 recorded 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 if they relate to hedging of net investments in a foreign operation or for loans to foreign subsidiary entities considered to be part of the net investment in those entities, in which case these amounts are recorded in other comprehensive income.

Revenue

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

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

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

Service charge income and facilities management income are recorded as income over time in the year in which the services are rendered and the performance obligations are satisfied.

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. Underlying earnings is considered to be a key measure in understanding the Group's financial performance and excludes exceptional items. Additional information including a reconciliation to the profit/loss attributable to owners of intu properties plc, is provided in presentation of information on pages 157 to 161.

Employee benefits

– pensions

The Group operates defined contribution group pension plans for its staff. All contributions are invested in funds administered outside of the Group. The Group has no defined benefit schemes.

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.

– share-based payments

The cost of granting share awards 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.

For share awards 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 market-related performance criteria the Group has used the Monte Carlo simulation valuation model to establish the relevant fair values.

2 Accounting policies – Group and Company (continued)

Taxation

Current tax is the expected tax payable on the taxable income for the year and any adjustment in respect of prior years. It is calculated using rates applicable at the balance sheet date.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts used for tax purposes. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the asset is realised, or the liability settled.

Temporary differences are not provided on goodwill not deductible for tax purposes, 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 assets are recognised only to the extent that management believes it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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 are 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 certain development land where an assessment of fair value may be made internally. External valuations are received for significant development land once required planning permissions are obtained. Valuations conform with the Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards 2017 incorporating the International Valuation Standards and the UK National Supplement 2018 (the Red Book).

The main estimates and assumptions underlying the valuations are described in note 13.

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 interest rate 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.

Sales and purchases of investment property are recognised when control passes on completion of the contract. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Leases

– Group as lessee

Leases of investment property are accounted for as a right-of-use asset and a lease liability. The investment property asset is included in the balance sheet at fair value, gross of the recognised lease liability. Contingent rents are recognised as they accrue.

Other right-of-use 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.

– Group as lessor

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

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

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.

For financial assets within the scope of IFRS 9 Financial Instruments, the Group applies the expected credit loss model. See note 27 credit risk section for further details.

2 Accounting policies – Group and Company (continued)

Trade receivables

Trade receivables are recognised initially at their transaction price and subsequently measured at amortised cost less loss allowance for expected credit losses.

When applying a loss allowance for expected credit losses, judgement is exercised as to the collectability of trade receivables and to determine if it is appropriate to impair these assets. When considering expected credit losses, management has taken into account days past due, credit status of the counterparty and historical evidence of collection.

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.

Borrowings

Borrowings are initially recognised at fair value taking into account attributable transaction costs and subsequently carried at amortised cost with any transaction costs, premiums or discounts recognised over the contractual life in the income statement using the effective interest method. This excludes certain financial instruments such as convertible bonds as detailed in note 25 and below.

In the event of early repayment, all unamortised transaction costs are recognised immediately in the income statement.

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 Financial Instruments Presentation.

The Group's convertible bonds currently outstanding are designated as at fair value through profit or loss and so are presented on the balance sheet at fair value. Gains and losses in respect of own credit risk are recognised in other comprehensive income and all other gains and losses are recognised in the income statement through the change in fair value of financial instruments line.

Derivative financial instruments

The Group uses derivative financial instruments to manage exposure to interest rate risk. They are initially recognised on the trade date at fair value and subsequently re-measured at fair value. In assessing fair value the Group uses its judgement to select suitable valuation techniques and make assumptions that 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 on obligations as they fall due are recognised in the income statement as finance costs (allocated swaps) or other finance charges – exceptional (unallocated swaps). 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.

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.

ESOP shares

Investments held in the Company's own shares in connection with employee share plans and other share-based payment arrangements are deducted from equity at cost. Where such shares are subsequently sold, any consideration received is recognised directly in equity.

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 approved by shareholders at the annual general meeting.

Current/non-current classification

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

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

Non-current assets and disposal groups held for sale

Non-current assets and corresponding disposal groups are classified as held for sale when their carrying amount is to be recovered principally through a sale that is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. For subsidiaries, assets and liabilities are separately grouped and presented on single lines in the balance sheet. For joint ventures, the investment is presented on a single line in the balance sheet as held for sale.

3 Segmental reporting

Operating segments are determined based on the strategic and operational management of the Group. The Group is primarily a shopping centre-focused business and has two reportable operating segments being the UK and Spain. Although certain areas of business performance are reviewed and monitored on a centre-by-centre basis, the operating segments are consistent with the strategic and operational management of the Group by the Executive Committee (the chief operating decision-makers of the Group).

Management reviews and monitors the business primarily on a proportionately consolidated basis. As such, the segmental analysis has been prepared on a proportionately consolidated basis. Additional information is provided in presentation of information on pages 157 to 161.

The key driver used to measure performance is net rental income. An analysis of net rental income is provided below:

					2019
	Group including share of joint ventures				
£m	**UK**	**Spain**	**Total**	**Less share of joint ventures**	**Group total**
Rent receivable	456.0	32.1	**488.1**	(64.1)	**424.0**
Service charge income	116.4	7.6	**124.0**	(16.7)	**107.3**
Facilities management income from joint ventures	7.0	–	**7.0**	4.0	**11.0**
Revenue	579.4	39.7	**619.1**	(76.8)	**542.3**
Rent payable	(16.2)	–	**(16.2)**	1.0	**(15.2)**
Service charge costs	(134.0)	(7.9)	**(141.9)**	18.4	**(123.5)**
Facilities management costs recharged to joint ventures	(7.0)	–	**(7.0)**	(4.0)	**(11.0)**
Other non-recoverable costs	(48.0)	(4.4)	**(52.4)**	7.9	**(44.5)**
Net rental income	**374.2**	**27.4**	**401.6**	**(53.5)**	**348.1**
Loss for the year	**(1,942.1)**	**(80.2)**	**(2,022.3)**	**0.5**[1]	**(2,021.8)**

					2018
	Group including share of joint ventures				
£m	UK	Spain	Total	Less share of joint ventures	Group total
Rent receivable	494.6	33.4	528.0	(60.7)	467.3
Service charge income	113.2	7.3	120.5	(13.5)	107.0
Facilities management income from joint ventures	4.5	–	4.5	2.3	6.8
Revenue	612.3	40.7	653.0	(71.9)	581.1
Rent payable	(14.6)	–	(14.6)	1.1	(13.5)
Service charge costs	(131.0)	(8.0)	(139.0)	15.0	(124.0)
Facilities management costs recharged to joint ventures	(4.5)	–	(4.5)	(2.3)	(6.8)
Other non-recoverable costs	(40.0)	(4.4)	(44.4)	6.1	(38.3)
Net rental income	422.2	28.3	450.5	(52.0)	398.5
(Loss)/profit for the year	(1,175.1)	1.9	(1,173.2)	(0.5)[1]	(1,173.7)

1 Relates to the loss/(profit) attributable to non-controlling interests within the Group's investment in joint ventures.

There were no transactions within net rental income between operating segments.

The Group's geographical analysis of non-current assets is presented 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.

£m	**2019**	Re-presented[1] 2018
UK	**6,261.8**	8,399.0
Spain	**304.4**	599.6
India	**53.7**	66.0
	6,619.9	9,064.6

1 See note 1 for details of re-presented amounts.

3 Segmental reporting (continued)

An analysis of investment and development property, capital expenditure and revaluation (deficit)/surplus are presented below:

£m	Investment and development property 2019	Investment and development property Re-presented[1] 2018	Capital expenditure 2019	Capital expenditure 2018	Revaluation (deficit)/surplus 2019	Revaluation (deficit)/surplus 2018
UK	**6,315.8**	8,394.6	**108.4**	171.8	**(1,899.8)**	(1,406.6)
Spain	**405.8**	861.1	**20.8**	29.2	**(79.9)**	1.6
Group including share of joint ventures	**6,721.6**	9,255.7	**129.2**	201.0	**(1,979.7)**	(1,405.0)
Less share of joint ventures	**(694.9)**	(1,117.4)	**(3.1)**	(5.8)	**182.9**	72.2
Group	**6,026.7**	8,138.3	**126.1**	195.2	**(1,796.8)**	(1,332.8)

1 See note 1 for details of re-presented amounts.

4 Loss on disposal of subsidiaries

The loss on disposal of subsidiaries of £6.3 million includes a loss in respect of the part disposal of intu Derby to a joint venture of £6.5 million (see note 31) offset by a £0.2 million gain on disposal of a wholly owned subsidiary, which holds a plot of sundry land near intu Xanadú, to the intu Xanadú joint venture. The 2018 loss of £8.5 million includes a loss in respect of the part disposal of intu Chapelfield to a joint venture of £9.0 million (see note 31) offset by an adjustment in respect of the part disposal of intu Xanadú in 2017 of £0.5 million.

5 Administration expenses – exceptional

Exceptional administration expenses in the year total £3.4 million and relate principally to costs incurred in respect of the revised strategy work undertaken by the Group. The 2018 costs of £13.1 million related principally to costs associated with the aborted offers for the Group made by Hammerson plc and the consortium (comprised of the Peel Group, the Olayan Group and Brookfield Property Group). These amounts have been classified as exceptional (see accounting policy in note 2) based on their incidence.

6 Operating loss

£m	2019	2018
Operating loss is arrived at after charging:		
Impairment of goodwill	**4.0**	–
Staff costs (note 7)	**98.1**	95.2
Depreciation	**5.5**	4.3

7 Employees' information

Employees' costs

£m	2019	2018
Wages and salaries	**82.0**	79.2
Social security costs	**8.6**	8.2
Pension costs	**5.7**	5.0
Share-based payments	**1.8**	2.8
	98.1	95.2

Employees' numbers

At 31 December 2019 the number of persons employed by the Group was 2,556 (2018: 2,654). The Company had no employees during the year (2018: none). The monthly average number of persons employed by the Group during the year is provided below:

Number	2019	2018
Head office	**421**	422
Shopping centres	**2,138**	2,148
	2,559	2,570

7 Employees' information (continued)

Share based payments

Details of share options outstanding under each of the Group's schemes is set out below:

	Note	Outstanding 1 January 2019	Granted during the year	Exercised during the year	Expired/forfeited during the year	**Outstanding 31 December 2019**	**Exercisable 31 December 2019**
Share Option Schemes	A	7,938,601	–	–	(801,528)	**7,137,073**	**5,687,073**
Performance Share Plan[1]	B	7,008,260	3,734,410	–	(2,228,278)	**8,514,392**	**n/a**
Bonus Share Scheme	C	1,827,366	556,840	(996,503)[1]	(16,632)	**1,371,071**	**n/a**
Share Incentive Plan[2]	D	243,127	88,027	(41,116)[1]	(80,736)	**209,302**	**n/a**
Save As You Earn Scheme	E	219,136	448,368	–	(121,172)	**546,332**	**60,443**
Joint Share Ownership Plan	F	4,345,305	–	–	(1,382,972)	**2,962,333**	**2,962,333**

1 Shares ordinarily exercised immediately on vested date.

2 Relates to non-vested SIP free shares, partnership shares and matching shares granted.

The weighted average exercise prices of the outstanding options and outstanding options exercisable at 31 December 2019 for the Share Option Schemes were 304 pence and 309 pence respectively (2018: 302 pence and 309 pence respectively) and for the Save As You Earn Scheme were 77 pence and 278 respectively (2018: 224 pence and nil respectively).

A Share Option Schemes

Options to subscribe for ordinary shares may be awarded under the intu properties plc Company Share Option Plan and the intu properties plc Non-approved Executive Share Option Scheme.

Such options may not be exercised within three years of grant or before the satisfaction or waiver of any applicable performance conditions and will be forfeited if the employee leaves the Group before their options become capable of exercise, except in certain circumstances. The options will lapse if not exercised within 10 years of the date of grant.

B Performance Share Plan (PSP)

The Company operates a PSP for eligible employees at the discretion of the Remuneration Committee.

Awards may be made in the form of nil cost options, a conditional share award or prior to April 2019, 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.

The 2020 PSP awards will vest based on (i) 50 per cent of each award – relative Total Shareholder Return vs a bespoke real estate sector peer group (this group being expanded from the very small groups used previously) and (ii) 50 per cent of each award – intu's Total Property Return vs the MSCI UK Shopping Centre benchmark. This mix of metrics represents a change from the 2019 awards which were based 50 per cent each on relative and absolute TSR targets subject to a Remuneration Committee-operated discretionary assessment of underlying financial performance. It is intended that awards will vest three years following grant (with an additional two year post vesting holding period applying to the net number of shares that vest if the Remuneration Committee considers it appropriate to apply such additional condition).

C Bonus Share Scheme (Bonus Scheme)

Under the Company's Bonus Scheme, shares may be awarded on a deferred basis as part of a bonus award (Deferred Share Awards).

Deferred Share Awards comprise Restricted Shares and Additional Shares (prior to July 2019). Restricted Shares will vest two or three years after the date of their award and Additional Shares will vest four or five years after the date of award. Vesting is subject, under normal circumstances, to continued employment during the vesting or 'restricted' period. There are no further performance conditions applicable to either Restricted Shares or Additional Shares.

Where awarded, the number of Additional Shares would be equal to 50 per cent of the combined total of shares awarded as Restricted Shares and under the Share Incentive Plan (see section D). No Additional Shares were outstanding at 1 January 2014 and no awards of Additional Shares have been made since this time.

7 Employees' information (continued)

D Share Incentive Plan (SIP)

The Company operates a SIP for all eligible employees, who may receive up to £3,600 worth of shares (Free Shares) as part of their annual bonus. The SIP is an HMRC tax-advantaged scheme.

Any Free Shares awarded under the SIP will be held in trust on behalf of each employee for at least three years following grant, after which time they may be withdrawn, provided the individual employee has remained in employment with the Company. If the Free Shares are held in trust for a further two years, they will qualify for HMRC-approved tax advantages.

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 invest up to £1,800 of pre-tax salary (or, if less, 10 per cent of salary) in any tax year, which will be used to purchase ordinary shares in the Company (Partnership Shares) at the end of a 12-month period. The Group will give each employee one ordinary share (a Matching Share) for every two Partnership Shares purchased by the employee. Matching Shares will be forfeited if the employee leaves the Group within three years of the date of award and will qualify for HMRC-approved tax advantages if they are held in the SIP for five years.

E Save As You Earn Scheme (SAYE)

The Group operates a SAYE under which all eligible UK employees may save up to a maximum of £500 per month for a period of three or five years and use the proceeds at the end of their saving period to purchase shares in the Company. At the start of the saving period, each SAYE participant will be granted an option to purchase such shares at a price usually determined as the average mid-market closing share price of an ordinary share in the Company over the three consecutive dealing days preceding the SAYE invitation date, discounted by up to 20 per cent. Options may normally be exercised within six months following the end of the savings period.

F Joint Share Ownership Plan (JSOP)

Eligible employees were invited to participate in the JSOP which formed part of the intu properties plc Unapproved Share Option Scheme (which was replaced by the Non-approved Executive Share Option Scheme upon its expiry in April 2018) 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 under which JSOP interests may be exercised (including applicable performance conditions) are the same as those for the Non-approved Executive Share Option Scheme as outlined in section A.

8 Auditor's remuneration

	2019 £000	2018 £000
Fees payable to the Company's auditor and its associates for:		
The audit of the Company's annual financial statements	**559**	382
The audit of the Company's subsidiaries	**533**	441
Fees related to the audit of the Company and its subsidiaries	**1,092**	823
Audit-related assurance services[1]	**64**	51
Total fees for audit and audit-related services	**1,156**	874
Other non-audit assurance services[2]	**534**	230
Total fees	**1,690**	1,104

1 Relates to the interim report review of the Group, and interim reviews of certain subsidiary undertakings.

2 2019 other non-audit assurance services relate primarily to reporting accountants' work associated with the potential equity raise not completed.

The reporting accountants' work surrounding the potential equity raise not completed includes a working capital report that requires the accountant to have detailed knowledge of the Group. If a firm other than the audit firm were to undertake this work, they would require a significant amount of additional time to become familiar with the Group. Deloitte was therefore chosen to undertake this work as it was considered to be sensible and more efficient both in terms of time and costs.

2018 other non-audit assurance services included £40,000 related to reporting accountants' work associated with a year end significant change report and £190,000 related to reporting accountants' work in connection with the Group's Q3 profit estimate which was required at the time due to Takeover Code rules.

The work surrounding a significant change report and a profit estimate requires the accountant to have detailed knowledge of the Group. If a firm other than the audit firm were to undertake this work, they would require a significant amount of additional time to become familiar with the Group. 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.

As for all 2019 and 2018 non-audit work, consideration was given as to whether Deloitte's (2019) and PwC's (2018) independence could be affected by undertaking this work. It was concluded by the Audit Committee that this would not be the case.

Fees payable by the Group's joint ventures in respect of 2019 were £156,000 (Group's share), all of which relates to audit and audit-related services (2018: £121,000, all of which related to audit and audit-related services).

9 Net finance costs

£m	2019	2018
Interest on bank loans, overdrafts and allocated interest rate swaps	**206.4**	203.1
Less: finance costs capitalised to developments[3]	**(6.7)**	(10.5)
On convertible bonds (note 25)	**10.8**	13.8
On lease liabilities	**4.5**	4.4
Amortisation of Metrocentre compound financial instrument[1]	**5.9**	5.9
Finance costs[1]	**220.9**	216.7
Interest receivable on loans to joint ventures	**(13.7)**	(12.2)
Other finance income	**(2.9)**	(2.6)
Finance income	**(16.6)**	(14.8)
Interest on unallocated interest rate swaps and other costs	**36.9**	31.8
Foreign currency movements	**–**	1.1
Other finance charges – exceptional[1/2]	**36.9**	32.9
Loss/(gain) on derivative financial instruments[4]	**57.9**	(67.5)
Loss/(gain) on convertible bonds designated as at fair value through profit or loss (note 25)	**15.0**	(19.8)
Change in fair value of financial instruments	**72.9**	(87.3)
Net finance costs	**314.1**	147.5

1 See note 1 for details of re-presented amounts.
2 Exceptional finance costs include interest on unallocated interest rate swaps, amounts associated with modifications and extinguishments of borrowings, foreign currency movements and other fees. These amounts have been classified as exceptional (see accounting policy in note 2) based on their nature.
3 Finance costs are capitalised to developments at interest rates that are specific to the development and are between 4.2 and 4.5 per cent.
4 Included within the loss/(gain) on derivative financial instruments are gains totalling £36.6 million (2018: £40.1 million) resulting from interest payments on interest rate swaps during the year. Of these £27.0 million (2018: £28.1 million) relate to unallocated interest rate swaps.
The cash flow statement also includes payments on termination of interest rate swaps of £52.4 million in 2019, of which £52.2 million relates to unallocated interest rate swaps.

10 Taxation

Income statement

Taxation for the year:

£m	2019	2018
Current tax:		
UK taxation	**15.7**	–
Overseas taxation	**0.3**	0.1
Current tax – ongoing	**16.0**	0.1
Current tax – exceptional	**6.4**	–
Deferred tax:		
On investment and development property	**(16.4)**	(5.5)
On other temporary differences	**(0.2)**	(0.3)
Deferred tax	**(16.6)**	(5.8)
Total tax expense/(credit)	**5.8**	(5.7)

10 Taxation (continued)

The tax expense for 2019 is higher and the tax credit for 2018 is lower than the standard rate of corporation tax in the UK. The differences are explained below:

£m	2019	2018
Loss before tax, joint ventures and associates	**(1,856.8)**	(1,139.6)
Loss before tax multiplied by the standard rate of tax in the UK of 19% (2018: 19%)	**(352.8)**	(216.6)
Exempt property rental profits and revaluations	**307.0**	214.9
	(45.8)	(1.7)
Tax on shortfall of minimum PID	**22.1**	–
Additions and disposals of property and investments	**7.1**	0.3
Non-deductible and other items	**3.4**	3.4
Overseas taxation	**(3.4)**	(0.4)
Unprovided deferred tax[1]	**22.4**	(7.3)
Total tax expense/(credit)	**5.8**	(5.7)

1 The unprovided deferred tax predominantly relates to revenue losses, property fair values and derivative fair values.

Factors that may affect future current and total tax charges

Management uses judgement in assessing compliance with REIT legislation.

The Group believes it continued to operate as a UK REIT throughout the year, under which any profits and gains from the UK property investment business are exempt from corporation tax, provided certain conditions continue to be met. The Group believes that these UK REIT conditions have been fulfilled throughout the year.

In view of the announced short-term reduction of dividends there will be an underpayment of the minimum PID, and therefore under REIT legislation, the Group will incur UK corporation tax payable at 19 per cent while remaining a REIT.

The ongoing current tax expense in the year of £16.0 million includes £15.7 million relating to corporation tax on the estimated current period underpayment of the minimum PID. This amount has been included within the Group's measure of underlying earnings as it relates to a tax expense on current year UK rental income.

The UK exceptional current tax expense in the year of £6.4 million represents in full the corporation tax arising in the current year in respect of the prior year underpayment of the minimum PID. This one-off tax expense in respect of prior year profits has been classified as exceptional (see accounting policy in note 2) based on its incidence, and so is excluded from the Group's measure of underlying earnings.

Balance sheet

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 benefiting from REIT exemption the relevant tax rate will be 0 per cent (2018: 0 per cent), and for other UK assets and liabilities the relevant rate will be 19 per cent if the temporary difference is expected to be realised before 1 April 2020 and 17 per cent if it is expected to be realised on or after 1 April 2020 (2018: 19 per cent before 1 April 2020, 17 per cent thereafter). For Spanish assets and liabilities the relevant tax rate will be 25 per cent (2018: 25 per cent).

Movements in the provision for deferred tax:

£m	Investment and development property	Other temporary differences	Total
Provided deferred tax provision/(asset):			
At 1 January 2018	24.6	(0.9)	23.7
Recognised in the income statement	(5.5)	(0.3)	(5.8)
Foreign exchange movements	0.1	–	0.1
At 31 December 2018	19.2	(1.2)	18.0
Recognised in the income statement	(16.4)	(0.2)	(16.6)
Foreign exchange movements	(0.5)	–	(0.5)
At 31 December 2019	**2.3**	**(1.4)**	**0.9**

The net deferred tax provision of £0.9 million predominantly arises in respect of the revaluation of development property at intu Costa del Sol, partially offset by associated tax losses.

10 Taxation (continued)

There are unrecognised deferred tax assets on the following temporary differences (presented below before the application of the relevant tax rate) due to uncertainty over the level of profits in the non-REIT elements of the Group in future periods:

£m	2019	2018
Revenue losses – UK	**398.4**	300.8
Capital losses – UK	**34.5**	34.2
Derivative financial instruments	**172.7**	184.9
Other temporary differences	**20.1**	9.7
Total unrecognised temporary differences	**625.7**	529.6

The Company recognises no deferred tax asset or liability (2018: nil).

11 Dividends

£m	2019	2018
Ordinary shares:		
2017 final dividend paid of 9.4 pence per share	**–**	126.3
2018 interim dividend paid of 4.6 pence per share	**–**	61.8
Dividends paid	**–**	188.1

The directors are not recommending a final dividend for 2019. See note 10 for further information on the associated tax consequences of not declaring and paying dividends in accordance with REIT legislation.

Details of the shares in issue and dividends waived are given in notes 28 and 29 respectively.

Additional information on distributable reserves is provided in the financial review on page 37.

The 2019 cash flow statement outflow in respect of equity dividends paid relates to £8.2 million of withholding tax paid in respect of the 2018 interim dividend.

12 Earnings per share

(a) Basic and diluted earnings per share

	2019			2018		
	Loss £m	**Shares million**	**Loss per share pence**	Loss £m	Shares million	Loss per share pence
Basic[1]	**(1,950.9)**	**1,344.5**	**(145.1)p**	(1,132.2)	1,343.7	(84.3)p
Diluted[2]	**(1,950.9)**	**1,344.5**	**(145.1)p**	(1,132.2)	1,343.7	(84.3)p

1 The weighted average number of shares used has been adjusted to remove shares held in the ESOP.

2 Diluted shares include the impact of any dilutive convertible bonds, share options and share awards.

During 2017 the Group incurred a £49.4 million share related charge in relation to its Spanish development partner Eurofund's future interests in the share capital of the intu Costa del Sol development company. The positive impact of this share related charge on equity attributable to owners of intu properties plc is a credit to retained earnings of £49.4 million. Subsequent to 31 December 2019, the Group has received the final ratifications required for full planning to become effective and therefore we expect the positive impact on retained earnings to reverse, once these arrangements are formally concluded.

12 Earnings per share (continued)

(b) Headline earnings per share

Headline earnings per share is an APM and has been calculated and presented as required by the Johannesburg Stock Exchange listing requirements.

£m	2019 Gross	2019 Net[1]	2018 Gross	2018 Net[1]
Basic loss		**(1,950.9)**		(1,132.2)
Adjusted for:				
Revaluation of investment and development property (note 13)	**1,796.8**	**1,713.0**	1,332.8	1,289.3
Loss on disposal of subsidiaries (note 4)	**6.3**	**6.3**	8.5	8.5
Gain on sale of investment and development property	**(3.9)**	**(3.9)**	(1.4)	(1.4)
Write-down on recognition of joint ventures and other assets classified as held for sale (note 32)	**38.0**	**38.0**	–	–
Impairment of goodwill	**4.0**	**4.0**	–	–
Impairment of investment in associates	**7.4**	**7.4**	–	–
Impairment of loan to associate (note 18)	**5.5**	**5.5**	–	–
Share of joint ventures' adjusted items	**182.4**	**183.7**	72.4	74.6
Share of associates' adjusted items	**1.2**	**1.2**	(2.2)	(2.2)
Headline earnings		**4.3**		236.6
Dilution[2]		**–**		–
Diluted headline earnings		**4.3**		236.6
Weighted average number of shares (million)		**1,344.5**		1,343.7
Dilution[2]		**–**		–
Diluted weighted average number of shares (million)		**1,344.5**		1,343.7
Headline earnings per share (pence)		**0.3p**		17.6p
Diluted headline earnings per share (pence)		**0.3p**		17.6p

1 Net of tax and non-controlling interests.
2 The same dilution impact is required to be included as calculated in note 12(a) even where this is dilutive for headline earnings per share.

13 Investment and development property

£m	Investment property	Development property	Total
At 1 January 2018 (re-presented[1])	8,853.7	434.9	9,288.6
Additions	64.3	130.9	195.2
Disposals	(21.7)	–	(21.7)
Disposal of development property to joint venture	–	(1.2)	(1.2)
Transfer	165.5	(165.5)	–
Deficit on revaluation	(1,268.8)	(64.0)	(1,332.8)
Effect of movement in tenant lease incentives	5.9	1.5	7.4
Foreign exchange movements	–	2.8	2.8
At 31 December 2018 (re-presented[1])	7,798.9	339.4	8,138.3
Additions	48.3	77.8	126.1
Disposals	(63.1)	(8.3)	(71.4)
Disposal of investment and development property to joint venture	(353.7)	(8.1)	(361.8)
Transfer	6.6	(6.6)	–
Deficit on revaluation	(1,699.9)	(96.9)	(1,796.8)
Transfer to assets classified as held for sale	–	(0.8)	(0.8)
Effect of movement in tenant lease incentives	4.9	0.4	5.3
Foreign exchange movements	–	(12.2)	(12.2)
At 31 December 2019	**5,742.0**	**284.7**	**6,026.7**

1 See note 1 for details of re-presented amounts.

13 Investment and development property (continued)

A reconciliation to market value is given in the table below:

£m	2019	2018
Balance sheet carrying value of investment and development property	**6,026.7**	8,138.3
Head leases on investment property (note 14)	**(80.2)**	(80.2)
Market value of investment and development property	**5,946.5**	8,058.1

Included within investment and development property are tenant lease incentive balances totalling £117.4 million (2018: £116.5 million).

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 27 for definition) as one or more significant inputs to the valuation (including rent profiles and yields) 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 and development property during the year.

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.

Capital commitments

At 31 December 2019 the Board had approved £131.6 million (2018: £233.0 million) of future expenditure for the purchase, construction, development and enhancement of investment property. Of this, £67.7 million (2018: £188.5 million) is contractually committed. The majority of this is expected to be spent during 2020.

Capital commitments in respect of joint ventures is provided in note 16.

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. These independent external valuers hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment and development property being valued. 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 management as well as the directors.

A summary of the independent external valuers and the value of property assets they have been engaged to value is presented below:

£m	2019	2018
Cushman & Wakefield	**3,054.7**	4,029.2
CBRE	**1,430.1**	2,160.6
Knight Frank	**1,292.5**	1,635.1
Jones Lang LaSalle	**169.2**	210.0
Development property not valued externally	**–**	23.2
	5,946.5	8,058.1

In addition to the above, investment properties within the Group's joint ventures were valued by CBRE, Cushman & Wakefield, Knight Frank and Jones Lang LaSalle.

Development property not valued externally relates to certain early stage development projects. These amounts have been reviewed internally and it has been concluded that the carrying amount is a reasonable approximation of its fair value and so no valuation adjustment is needed. As the developments advance these will be valued by independent external valuers. These costs will be adjusted if the developments are no longer being pursued.

In respect of the intu Costa del Sol development site near Málaga, Spain, as the General Plan of Torremolinos was approved in December 2017, with the remaining consents expected in the coming months, the Group obtained an independent external valuation at 31 December 2017 as cost was no longer an appropriate approximation of fair value. Consistent with the 31 December 2018 valuation, the 31 December 2019 valuation is based on the assumption that planning approval is in place at the valuation date. Subsequent to 31 December 2019, the Group has received the final ratifications required for full planning to become effective.

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.

13 Investment and development property (continued)

Valuation methodology

The fair value of the Group's investment and development property at 31 December 2019 was determined by independent external valuers at that date other than certain development land as detailed above. The valuations are in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards 2017 incorporating the International Valuation Standards and the UK National Supplement 2018 (the Red Book) and were arrived at by reference to market transactions for similar properties and rent profiles. 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 in place at the valuation date to market rent (ERV) 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 ERV 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 property valuation. The nominal equivalent yield applied is assessed by reference to market transactions for similar properties and takes into account, among other things, any risks associated with the rent uplift assumptions.

In respect of development valuations, deductions are made for anticipated costs, including an allowance for developer's profit and any other assumptions before arriving at a valuation.

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 ERV, nominal equivalent yield and net initial yield are provided in the glossary.

The valuation output, inputs and assumptions are reviewed by management as well as the directors to ensure that they are in line with those of market participants.

The table below provides details of the assumptions used in the valuation of the core portfolio and key unobservable inputs being nominal equivalent yield and ERV:

	2019				2018			
	Market value £m	Net initial yield (EPRA)	Nominal equivalent yield	ERV £m	Market value £m	Net initial yield (EPRA)	Nominal equivalent yield	ERV £m
UK super-regional centres[2]	**4,382.1**	**4.8% – 8.5%**	**5.3% – 7.8%**	**295.2**	5,613.5	3.9% – 6.1%	4.7% – 6.3%	342.6
UK major city centres[3]	**1,261.5**	**4.0% – 6.7%**	**5.8% – 7.4%**	**94.7**	1,988.0	3.7% – 6.6%	5.3% – 7.2%	112.0
Other UK investment and development properties[4]	**133.7**	**0% – 10.9%**	**0% – 11.0%**	**12.8**	227.2	0% – 8.6%	0% – 9.0%	17.7
Spain development	**169.2**	**n/a**	**n/a**	**n/a**	229.4	n/a	n/a	n/a
Total[1]	**5,946.5**			**402.7**	8,058.1			472.3

1 Details on individual properties is provided in investment and development property on pages 162 and 163.
2 Includes the Group's interests in intu Trafford Centre, intu Lakeside, intu Metrocentre, intu Merry Hill, intu Braehead and Cribbs Causeway.
3 Includes the Group's interests in intu Watford, Manchester Arndale, intu Eldon Square, intu Milton Keynes and intu Victoria Centre.
4 Includes the Group's interests in intu Potteries, intu Broadmarsh and Soar at intu Braehead.

A significant change in the ERV or nominal equivalent yield of investment property in isolation would result in a significant change in the value of investment and development property. In practice, an increase in ERV or an inward shift in the nominal equivalent yield would likely cause a resulting increase in the valuation, and vice versa. The table below illustrates the change in the total value of investment and development property when applying a +/- 5 per cent sensitivity to ERV and a +/- 50 basis point sensitivity to nominal equivalent yield:

	ERV		Nominal equivalent yield	
£m	-5%	+5%	+50bp	-50bp
2019	**(161.0)**	**286.2**	**(354.7)**	**646.3**
2018	(230.0)	374.5	(669.1)	818.9

14 Right-of-use assets and lease liabilities

Head leases on investment property are included within investment and development property on the balance sheet and represent the right-of-use asset on certain investment property that has a head lease interest. In the current year total cash outflow for head leases and other lease liabilities is £19.8 million (2018: £22.0 million). A number of these leases provide for payment of contingent rent, usually a proportion of net rental income, in addition to fixed rents.

			2019			2018
£m	Head leases on investment property	Other[1]	Total	Head leases on investment property	Other[1]	Total
Minimum lease payments fall due:						
Not later than one year	**4.4**	**0.9**	**5.3**	4.4	–	4.4
Later than one year and not later than five years	**17.8**	**1.8**	**19.6**	17.8	–	17.8
Later than five years	**104.8**	**–**	**104.8**	104.8	–	104.8
	127.0	**2.7**	**129.7**	127.0	–	127.0
Future finance charges on lease liabilities	**(46.8)**	**–**	**(46.8)**	(46.8)	–	(46.8)
Present value of finance lease liabilities	**80.2**	**2.7**	**82.9**	80.2	–	80.2
Present value of lease liabilities						
Not later than one year	**4.4**	**0.9**	**5.3**	4.4	–	4.4
Later than one year and not later than five years	**17.8**	**1.8**	**19.6**	17.8	–	17.8
Later than five years	**58.0**	**–**	**58.0**	58.0	–	58.0
	80.2	**2.7**	**82.9**	80.2	–	80.2

1 On adoption of IFRS 16 Leases (see note 1 for details), at 1 January 2019 the Group recognised a right-of-use asset and lease liability of £3.5 million. The right-of-use asset is presented within property, plant and equipment on the balance sheet.

15 Investment in Group companies

			2019			2018
Company (£m)	Cost	Accumulated impairment	Net	Cost	Accumulated impairment	Net
At 1 January	**3,342.5**	**(623.4)**	**2,719.1**	3,342.5	(450.2)	2,892.3
Impairment charge in the year	**–**	**(876.4)**	**(876.4)**	–	(173.2)	(173.2)
At 31 December	**3,342.5**	**(1,499.8)**	**1,842.7**	3,342.5	(623.4)	2,719.1

During the year the Company carried out a review of the recoverable amount of its subsidiaries. The review led to the recognition of an impairment loss in the income statement of £876.4 million, largely as the result of property valuation reductions.

The recoverable amount is based on fair value less costs of disposal (reflecting the underlying assets and liabilities of the respective subsidiaries) which is Level 3 in the fair value hierarchy (see note 27). The recoverable amount of the investment in subsidiaries is a key source of estimation uncertainty, as the estimates used to measure the recoverable amount are based on the valuations of investment and development property which is also a key source of estimation uncertainty, as set out in notes 1 and 13. If property valuations were to decline by a further 10 per cent, there would be a further impairment of approximately £550 million.

16 Investment in and loans to joint ventures

The Group's principal joint ventures own and manage investment and development property.

£m	St David's, Cardiff	intu Derby	intu Chapelfield	intu Puerto Venecia	intu Xanadú	intu Asturias	Other[1]	Total
								2019
At 1 January 2019	296.4	–	134.7	145.7	125.3	91.2	30.6	823.9
Acquisition of joint venture interest (note 31)	–	93.9	–	–	–	–	–	93.9
Group's share of underlying earnings	11.6	3.2	4.6	2.5	4.8	0.8	0.4	27.9
Group's share of other net loss	(63.4)	(56.7)	(27.3)	(18.7)	(1.5)	(5.9)	(13.3)	(186.8)
Group's share of (loss)/profit	(51.8)	(53.5)	(22.7)	(16.2)	3.3	(5.1)	(12.9)	(158.9)
Investment of capital	–	–	–	–	8.7	–	–	8.7
Repayment of capital	–	–	–	–	(7.7)	–	–	(7.7)
Distributions	–	–	(3.9)	–	–	–	(0.7)	(4.6)
Loan advances	–	–	–	2.0	–	–	2.8	4.8
Loan repayments	(12.9)	–	–	–	–	(3.3)	–	(16.2)
Transfer to assets classified as held for sale (note 32)	–	–	–	(123.0)	–	(77.7)	–	(200.7)
Foreign exchange movements	–	–	–	(8.5)	(5.1)	(5.1)	(0.4)	(19.1)
At 31 December 2019	**231.7**	**40.4**	**108.1**	**–**	**124.5**	**–**	**19.4**	**524.1**
Represented by:								
Loans to joint ventures	56.7	–	74.0	–	55.0	–	11.8	197.5
Group's share of net assets	175.0	40.4	34.1	–	69.5	–	7.6	326.6

£m	St David's, Cardiff	intu Chapelfield	intu Puerto Venecia	intu Xanadú	intu Asturias	Other[1]	Total
							2018
At 1 January 2018	347.0	–	133.9	119.4	95.6	39.6	735.5
Acquisition of joint venture interest (note 31)	–	151.9	–	–	–	–	151.9
Group's share of underlying earnings	13.2	5.3	2.0	5.1	3.2	0.4	29.2
Group's share of other net (loss)/profit	(49.8)	(20.3)	9.8	(0.8)	0.5	(10.7)	(71.3)
Group's share of (loss)/profit	(36.6)	(15.0)	11.8	4.3	3.7	(10.3)	(42.1)
Investment of capital	–	–	–	7.7	–	–	7.7
Repayment of capital	–	–	–	(7.1)	–	–	(7.1)
Distributions	–	(2.2)	–	–	–	(0.7)	(2.9)
Loan advances	–	–	–	–	–	2.0	2.0
Loan repayments	(14.0)	–	(2.0)	–	(9.3)	–	(25.3)
Foreign exchange movements	–	–	2.0	1.0	1.2	–	4.2
At 31 December 2018	296.4	134.7	145.7	125.3	91.2	30.6	823.9
Represented by:							
Loans to joint ventures	69.6	74.0	98.3	58.5	26.0	9.6	336.0
Group's share of net assets	226.8	60.7	47.4	66.8	65.2	21.0	487.9

1 Other primarily includes the Group's interest in intu Uxbridge and developments in Spain.

Capital commitments

At 31 December 2019, the boards of joint ventures had approved £9.8 million (2018: £5.0 million) of future expenditure for the purchase, construction, development and enhancement of investment property. Of this, £7.3 million (2018: £2.7 million) is contractually committed. These amounts represent the Group's share.

16 Investment in and loans to joint ventures (continued)

Set out below is the summarised information of the Group's joint ventures with financial information presented at 100 per cent.

								2019
£m	St David's, Cardiff	intu Derby[1]	intu Chapelfield	intu Puerto Venecia[2]	intu Xanadú	intu Asturias[2]	Other[4]	Total
Summary information								
Group's interest	50%	26%[5]	50%	50%	50%	50%		
Principal place of business	Wales	England	England	Spain	Spain	Spain		
Summarised income statement								
Revenue	38.0	22.4	21.6	26.0	32.0	17.4	18.1	175.5
Net rental income	23.3	10.4	14.4	19.8	22.3	12.7	11.5	114.4
Revaluation of investment and development property	(126.8)	(56.2)	(54.5)	(33.6)	–	(11.9)	(53.7)	(336.7)
Administration expenses – ongoing	–	(0.1)	(0.4)	(1.8)	(2.0)	(1.2)	(2.2)	(7.7)
Finance costs	–	(2.7)	(4.9)	(12.8)	(9.6)	(7.7)	(6.0)	(43.7)
Other finance charges – exceptional	–	–	–	(1.6)	–	–	–	(1.6)
Change in fair value of financial instruments	–	(0.5)	–	(3.4)	(0.4)	(0.3)	0.3	(4.3)
Taxation	–	–	–	(0.1)	(3.7)	(1.9)	–	(5.7)
(Loss)/profit	**(103.5)**	**(49.1)**	**(45.4)**	**(33.5)**	**6.6**	**(10.3)**	**(50.1)**	**(285.3)**
Attributable to non-controlling interests[3]	–	–	–	1.1	–	0.1	–	1.2
(Loss)/profit attributable to owners	**(103.5)**	**(49.1)**	**(45.4)**	**(32.4)**	**6.6**	**(10.2)**	**(50.1)**	**(284.1)**
Group's share of (loss)/profit	**(51.8)**	**(53.5)**	**(22.7)**	**(16.2)**	**3.3**	**(5.1)**	**(12.9)**	**(158.9)**
Summarised balance sheet								
Investment and development property	465.7	297.7	212.3	–	467.0	–	167.9	1,610.6
Other non-current assets	0.1	1.6	0.6	–	81.9	–	2.9	87.1
Total non-current assets	465.8	299.3	212.9	–	548.9	–	170.8	1,697.7
Cash and cash equivalents	8.4	11.3	7.9	–	12.9	–	7.6	48.1
Other current assets	16.5	4.1	1.1	–	1.6	–	15.6	38.9
Total current assets	24.9	15.4	9.0	–	14.5	–	23.2	87.0
Current financial liabilities	(0.1)	(0.9)	(0.9)	–	(7.1)	–	(1.3)	(10.3)
Other current liabilities	(11.1)	(9.9)	(4.8)	–	(1.2)	–	(136.1)	(163.1)
Total current liabilities	(11.2)	(10.8)	(5.7)	–	(8.3)	–	(137.4)	(173.4)
Partners' loans	(113.3)	–	(148.0)	–	(110.0)	–	(23.6)	(394.9)
Non-current financial liabilities	–	(147.9)	–	–	(223.3)	–	–	(371.2)
Other non-current liabilities	(16.2)	–	–	–	(82.8)	–	–	(99.0)
Total non-current liabilities	(129.5)	(147.9)	(148.0)	–	(416.1)	–	(23.6)	(865.1)
Net assets	**350.0**	**156.0**	**68.2**	**–**	**139.0**	**–**	**33.0**	**746.2**
Group's share of net assets	**175.0**	**40.4**	**34.1**	**–**	**69.5**	**–**	**7.6**	**326.6**

1 intu Derby is presented for the period from 9 July 2019, the date at which it ceased being a 100 per cent owned subsidiary of the Group.
2 intu Puerto Venecia and intu Asturias are presented for the period to 15 December 2019, the date at which they became classified as joint ventures held for sale.
3 Represents non-controlling interests directly within the joint venture.
4 Other primarily includes the Group's interest in intu Uxbridge and developments in Spain.
5 Represents the Group's economic interest at 31 December 2019 after considering our joint venture partners' structured equity interest.

16 Investment in and loans to joint ventures (continued)

£m	St David's, Cardiff	intu Chapelfield[1]	intu Puerto Venecia	intu Xanadú	intu Asturias	Other[3]	Total
							2018
Summary information							
Group's interest	50%	50%	50%	50%	50%		
Principal place of business	Wales	England	Spain	Spain	Spain		
Summarised income statement							
Revenue	41.0	22.2	26.6	32.6	18.0	17.9	158.3
Net rental income	26.6	15.1	20.3	23.0	13.5	11.4	109.9
Revaluation of investment and development property	(99.6)	(40.7)	11.4	4.3	1.7	(50.0)	(172.9)
Administration expenses – ongoing	(0.1)	(0.1)	(2.0)	(2.0)	(1.3)	(2.6)	(8.1)
Administration expenses – exceptional	–	–	–	(0.1)	–	–	(0.1)
Finance costs	–	(4.4)	(14.2)	(9.7)	(5.7)	(5.9)	(39.9)
Other finance income – exceptional	–	–	9.4	–	–	–	9.4
Change in fair value of financial instruments	–	–	(0.5)	(1.2)	(0.8)	1.3	(1.2)
Taxation	–	–	–	(5.7)	0.1	–	(5.6)
(Loss)/profit	(73.1)	(30.1)	24.4	8.6	7.5	(45.8)	(108.5)
Attributable to non-controlling interests[2]	–	–	(0.8)	–	(0.2)	–	(1.0)
(Loss)/profit attributable to owners	(73.1)	(30.1)	23.6	8.6	7.3	(45.8)	(109.5)
Group's share of (loss)/profit	(36.6)	(15.0)	11.8	4.3	3.7	(10.3)	(42.1)
Summarised balance sheet							
Investment and development property	592.1	266.6	480.7	485.5	288.3	221.4	2,334.6
Other non-current assets	0.2	0.4	1.1	82.0	5.1	2.5	91.3
Total non-current assets	592.3	267.0	481.8	567.5	293.4	223.9	2,425.9
Cash and cash equivalents	9.7	7.0	13.4	19.8	16.7	5.9	72.5
Other current assets	19.4	2.6	2.1	1.1	0.9	13.6	39.7
Total current assets	29.1	9.6	15.5	20.9	17.6	19.5	112.2
Current financial liabilities	(0.1)	(0.9)	(10.4)	(9.5)	(4.7)	(1.8)	(27.4)
Other current liabilities	(12.4)	(6.4)	(5.4)	(7.0)	(1.7)	(7.7)	(40.6)
Total current liabilities	(12.5)	(7.3)	(15.8)	(16.5)	(6.4)	(9.5)	(68.0)
Partners' loans	(139.1)	(148.0)	(196.6)	(116.9)	(52.2)	(19.4)	(672.2)
Non-current financial liabilities	–	–	(186.1)	(236.1)	(107.5)	(130.5)	(660.2)
Other non-current liabilities	(16.2)	–	–	(85.3)	(11.4)	–	(112.9)
Total non-current liabilities	(155.3)	(148.0)	(382.7)	(438.3)	(171.1)	(149.9)	(1,445.3)
Net assets	453.6	121.3	98.8	133.6	133.5	84.0	1,024.8
Non-controlling interests[2]	–	–	(4.1)	–	(3.2)	–	(7.3)
Net assets attributable to owners	453.6	121.3	94.7	133.6	130.3	84.0	1,017.5
Group's share of net assets	226.8	60.7	47.4	66.8	65.2	21.0	487.9

1 intu Chapelfield is presented for the period from 1 February 2018, the date at which it ceased being a 100 per cent owned subsidiary of the Group.
2 Represents non-controlling interests directly within the joint venture.
3 Other primarily includes the Group's interest in intu Uxbridge and developments in Spain.

17 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.

18 Investment in associates

£m	2019	2018
At 1 January	**65.6**	64.8
Share of post-tax (loss)/profit of associates	**(0.3)**	2.3
Impairment	**(7.4)**	–
Foreign exchange movements	**(4.2)**	(1.5)
At 31 December	**53.7**	65.6

Investment in associates comprises a 32.4 per cent holding in the ordinary shares of Prozone Intu Properties Limited (Prozone), a listed Indian shopping centre developer, and a 26.8 per cent direct holding in the ordinary shares of Empire Mall Private Limited (Empire) – Empire also forms part of the Prozone group giving the Group an effective ownership of 38.0 per cent. Both companies are incorporated in India.

The equity method of accounting is applied to the Group's investments in Prozone and Empire in line with the requirements of IAS 28 Investments in Associates and Joint Ventures. 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 at 30 September 2019, by independent professionally qualified external valuers in line with the valuation methodology described in note 13.

The market price per share of Prozone at 31 December 2019 was INR19 (31 December 2018: INR29), valuing the Group's interest at £9.9 million (31 December 2018: £16.4 million) compared with the Prozone carrying value pre-impairment of £41.5 million (31 December 2018: £45.1 million). As the share price of Prozone is lower than its carrying value, a review of the carrying value of Prozone and the Group's direct interest in Empire (as it also forms part of the Prozone group) has been undertaken. Underpinning the impairment assessment (where the fair value less costs to sell was considered) were the independent third-party valuations received for the investment and development properties, representing the underlying value of the associate's net assets. Assumptions were also made for tax and other costs that would be reasonably expected if these assets were to be disposed of. Following this review, an impairment of £7.4 million was recognised.

18 Investment in associates (continued)

Set out below is the summarised information of the Group's investment in associates with financial information presented at 100 per cent:

£m	2019 Prozone	2019 Empire	2019 Total	2018 Prozone	2018 Empire	2018 Total
Summary information						
Group's interest	**32.4%**	**26.8%**		32.4%	26.8%	
Summarised income statement						
Revenue	**13.6**	**7.0**	**20.6**	14.8	10.1	24.9
Revaluation of investment and development property	**(5.6)**	**(0.1)**	**(5.7)**	8.1	3.7	11.8
Other income statement items	**(9.8)**	**(5.0)**	**(14.8)**	(13.5)	(9.2)	(22.7)
(Loss)/profit reported by associate	**(1.8)**	**1.9**	**0.1**	9.4	4.6	14.0
Attributable to non-controlling interests[1]	**(0.6)**	**–**	**(0.6)**	(5.9)	–	(5.9)
(Loss)/profit attributable to owners	**(2.4)**	**1.9**	**(0.5)**	3.5	4.6	8.1
Group's share of (loss)/profit	**(0.8)**	**0.5**	**(0.3)**	1.1	1.2	2.3
Summarised balance sheet						
Investment and development property	**252.7**	**75.8**	**328.5**	271.3	81.5	352.8
Other non-current assets	**31.6**	**3.5**	**35.1**	31.3	3.2	34.5
Current assets	**13.3**	**12.7**	**26.0**	4.0	4.0	8.0
Current liabilities	**(10.5)**	**(1.7)**	**(12.2)**	(8.7)	(1.6)	(10.3)
Non-current liabilities	**(49.3)**	**(17.2)**	**(66.5)**	(41.6)	(10.7)	(52.3)
Net assets	**237.8**	**73.1**	**310.9**	256.3	76.4	332.7
Non-controlling interests[1]	**(109.7)**	**–**	**(109.7)**	(117.2)	–	(117.2)
Net assets attributable to owners before impairment	**128.1**	**73.1**	**201.2**	139.1	76.4	215.5
Group's share of net assets attributable to owners before impairment	**41.5**	**19.6**	**61.1**	45.1	20.5	65.6
Impairment	**(6.0)**	**(1.4)**	**(7.4)**	–	–	–
Group's share of net assets attributable to owners	**35.5**	**18.2**	**53.7**	45.1	20.5	65.6

1 Represents non-controlling interests directly within the associate.

19 Trade and other receivables

£m	Group 2019	Re-presented[1] Group 2018	Company 2019	Company 2018
Trade receivables	**39.9**	35.8	**2.4**	1.3
Amounts owed by subsidiary undertakings	**–**	–	**845.6**	719.1
Amounts owed by joint ventures	**5.1**	8.5	**–**	–
Other receivables	**17.0**	16.3	**6.1**	4.5
Net investment in finance leases	**0.4**	0.4	**–**	–
Prepayments	**37.2**	46.6	**1.2**	2.5
Accrued income	**30.4**	30.4	**–**	–
Trade and other receivables	**130.0**	138.0	**855.3**	727.4

1 See note 1 for details of re-presented amounts.

Amounts owed by subsidiary undertakings are unsecured and repayable on demand.

20 Cash and cash equivalents

£m	Group 2019	Group 2018	Company 2019	Company 2018
Unrestricted cash	**185.6**	238.4	**0.2**	0.4
Restricted cash	**17.9**	1.1	**–**	–
Cash and cash equivalents	**203.5**	239.5	**0.2**	0.4

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. Excluding these amounts, at 31 December 2019 immediately available cash and facilities is £241.5 million (31 December 2018: £246.8 million).

21 Derivative financial instruments

All derivative financial instruments held by the Group at 31 December 2019 relate to interest rate swaps which are classified as fair value through profit or loss (see note 27).

22 Trade and other payables

£m	Group 2019	Group 2018	Company 2019	Company 2018
Rents received in advance	**84.8**	103.4	**–**	–
Trade payables	**8.4**	3.2	**1.3**	0.5
Amounts owed to joint ventures	**0.2**	0.4	**–**	–
Amounts owed to subsidiary undertakings	**–**	–	**369.7**	367.4
Accruals	**117.9**	141.2	**5.5**	11.9
Other payables	**6.8**	2.5	**0.2**	0.2
Other taxes and social security	**25.2**	27.7	**–**	7.9
Trade and other payables	**243.3**	278.4	**376.7**	387.9

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

23 Borrowings

£m	Secured/ unsecured	Fixed rate/ floating rate	2019 Carrying value	2019 Fair value	2018 Carrying value	2018 Fair value
Current						
Commercial mortgage backed securities (CMBS) notes	Secured	Fixed	**28.8**	**33.9**	46.7	51.1
Bank loans	Secured	Floating	**37.0**	**37.0**	–	–
Current borrowings, excluding finance leases			**65.8**	**70.9**	46.7	51.1
Lease liabilities (note 14)	Secured	Fixed	**5.3**	**5.3**	4.4	4.4
			71.1	**76.2**	51.1	55.5
Non-current						
Revolving credit facility 2021[1]	Secured	Floating	**420.6**	**420.6**	393.9	393.9
CMBS notes 2022	Secured	Fixed	**22.9**	**25.0**	33.4	37.1
CMBS notes 2024	Secured	Fixed	**88.7**	**92.5**	88.3	96.8
CMBS notes 2029	Secured	Fixed	**61.5**	**70.9**	67.5	77.0
CMBS notes 2033	Secured	Fixed	**280.5**	**354.6**	296.3	364.7
CMBS notes 2035	Secured	Floating	**197.3**	**217.4**	195.1	201.9
Bank loan 2020	Secured	Floating	**–**	**–**	25.0	25.0
Bank loans 2021	Secured	Floating	**461.5**	**461.5**	668.7	668.7
Bank loan 2022	Secured	Fixed	**248.2**	**277.9**	247.5	282.8
Bank loan 2022	Secured	Floating	**8.6**	**8.6**	–	–
Bank loan 2023	Secured	Floating	**68.3**	**68.3**	73.1	73.1
Bank loan 2024	Secured	Floating	**432.4**	**432.4**	473.8	473.8
3.875% bonds 2023	Secured	Fixed	**445.8**	**406.7**	444.6	454.7
4.125% bonds 2023	Secured	Fixed	**480.5**	**448.7**	479.5	496.9
4.625% bonds 2028	Secured	Fixed	**343.4**	**302.3**	342.9	363.0
4.250% bonds 2030	Secured	Fixed	**345.7**	**301.8**	345.3	349.7
Debenture 2027	Secured	Fixed	**229.4**	**183.5**	229.1	247.2
2.875% convertible bonds 2022 (note 25)	Unsecured	Fixed	**254.9**	**254.9**	314.9	314.9
Non-current borrowings, excluding finance leases and Metrocentre compound financial instrument			**4,390.2**	**4,327.6**	4,718.9	4,921.2
Metrocentre compound financial instrument[2]	Unsecured	Fixed	**195.4**	**195.4**	189.5	189.5
Lease liabilities (note 14)	Secured	Fixed	**77.6**	**77.6**	75.8	75.8
			4,663.2	**4,600.6**	4,984.2	5,186.5
Total borrowings			**4,734.3**	**4,676.8**	5,035.3	5,242.0
Cash and cash equivalents (note 20)			**(203.5)**	**n/a**	(239.5)	n/a
Net debt			**4,530.8**	**n/a**	4,795.8	n/a

1 Facility includes £84.6 million (2018: £89.9 million) drawn in euros.

2 Represents funding from the Group's partner to The Metrocentre Partnership equal to their 40 per cent ownership interest (intu's portion of funding to The Metrocentre Partnership equal to the Group's residual 60 per cent ownership interest has been eliminated on consolidation). The funding has been classified as a compound financial instrument due to the equity-like features of the instrument.

At 31 December 2019 the total carrying value of secured borrowings is £4,284.0 million (2018: £4,530.9 million) and the total carrying value of unsecured borrowings is £450.3 million (2018: £504.4 million). The total carrying value of fixed rate borrowings is £3,108.6 million (2018: £3,205.7 million) and the total carrying value of floating rate borrowings is £1,625.7 million (2018: £1,829.6 million).

Analysis of the Group's net external debt is provided in note 27.

The Group substantially eliminates its interest rate exposure to floating rate debt through interest rate swaps as described in note 27.

The market value of investment property secured, either directly or indirectly, as collateral against borrowings at 31 December 2019 is £6,428.7 million including £681.6 million of investment property held within joint ventures (2018: £8,774.6 million including £1,096.8 million held within joint ventures). In most circumstances the Group can dispose of up to 50 per cent of its interest in an asset without restriction providing the Group continues to manage the asset. Disposing of an interest in excess of this may trigger a change of control and mandatory repayment of the facility.

23 Borrowings (continued)

The fair values of fixed rate borrowings and CMBS are assessed based on quoted market prices, and as such are categorised as Level 1 in the fair value hierarchy (see note 27 for definition). The fair values of unlisted floating rate borrowings are equal to their carrying values and are categorised as Level 2 in the fair value hierarchy.

The maturity profile of debt (excluding lease liabilities) is as follows:

£m	2019	2018
Repayable within one year	**65.8**	46.7
Repayable in more than one year but not more than two years	**901.8**	30.5
Repayable in more than two years but not more than five years	**2,114.2**	2,722.0
Repayable in more than five years	**1,569.6**	2,155.9
	4,651.4	4,955.1

Certain borrowing agreements contain financial and other conditions that, if contravened, could alter the repayment profile (further information is provided in financial covenants on pages 165 and 166).

At 31 December 2019 the Group had committed undrawn borrowing facilities of £238.5 million (2018: £274.2 million), maturing in 2021 and 2022. This includes £42.1 million of undrawn facilities in respect of development finance.

24 Movement in net debt

					2019
		Liabilities from financing activities			
£m	**Cash and cash equivalents**	**Current borrowings**	**Non-current borrowings**	**Total borrowings**	**Net debt**
At 1 January	**239.5**	**(51.1)**	**(4,984.2)**	**(5,035.3)**	**(4,795.8)**
Disposal of subsidiaries	**100.7**	**–**	**150.0**	**150.0**	**250.7**
Borrowings drawn	**208.0**	**–**	**(208.0)**	**(208.0)**	**–**
Borrowings repaid	**(322.1)**	**22.2**	**299.9**	**322.1**	**–**
Cash flows from operating activities	**11.1**	**–**	**–**	**–**	**11.1**
Purchase and development of property, plant and equipment	**(127.7)**	**–**	**–**	**–**	**(127.7)**
Other net cash movements[1]	**94.0**	**–**	**–**	**–**	**94.0**
Other non-cash movements[2]	**–**	**(42.2)**	**79.1**	**36.9**	**36.9**
At 31 December	**203.5**	**(71.1)**	**(4,663.2)**	**(4,734.3)**	**(4,530.8)**

					2018
		Liabilities from financing activities			
£m	Cash and cash equivalents	Current borrowings	Non-current borrowings	Total borrowings	Net debt
At 1 January	228.0	(186.7)	(4,811.1)	(4,997.8)	(4,769.8)
Adjustment on adoption of new accounting standard	–	–	14.0	14.0	14.0
Adjusted at 1 January	228.0	(186.7)	(4,797.1)	(4,983.8)	(4,755.8)
Disposal of subsidiaries	143.2	–	–	–	143.2
Borrowings drawn	302.0	–	(302.0)	(302.0)	–
Borrowings repaid	(204.3)	160.4	43.9	204.3	–
Cash flows from operating activities	102.6	–	–	–	102.6
Purchase and development of property, plant and equipment	(193.5)	–	–	–	(193.5)
Equity dividends paid	(187.6)	–	–	–	(187.6)
Other cash movements[1]	49.1	–	–	–	49.1
Other non-cash movements[2]	–	(24.8)	71.0	46.2	46.2
At 31 December	239.5	(51.1)	(4,984.2)	(5,035.3)	(4,795.8)

1 Refer to statement of cash flows for details of other net cash movements.

2 Other non-cash movements predominantly relate to fair value movements on convertible bonds and amortisation of loan fees.

25 Convertible bonds

On 1 November 2016 Intu (Jersey) 2 Limited (the 'Issuer') issued £375.0 million 2.875 per cent Guaranteed Convertible Bonds (2.875 per cent bonds) due 2022 at par, all of which remain outstanding at 31 December 2019. At 31 December 2019 the exchange price was £3.7506 per ordinary share (2018: £3.7506). 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 2.875 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 2.875 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 2.875 per cent bonds can be converted at any time from the date 180 days prior to the Final Maturity Date of 1 November 2022 to the 20th dealing date prior to the Final Maturity Date.

The initial exchange price was £3.7506 per ordinary share, a conversion rate of approximately 26,662 ordinary shares for every £100,000 nominal of the 2.875 per cent bonds. Under the terms of the 2.875 per cent bonds, the exchange price is adjusted upon certain events including the payment of dividends by the Company over a certain threshold.

The 2.875 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 2.875 per cent bonds originally issued have been converted or cancelled. If not previously converted, redeemed or purchased and cancelled, the 2.875 per cent bonds will be redeemed at par of £375.0 million on 1 November 2022.

The 2.875 per cent bonds are listed on the Channel Islands Securities Exchange and the Open Market (Freiverkehr) of the Frankfurt Stock Exchange.

The 2.875 per cent bonds are designated as at fair value through profit or loss and so are presented on the balance sheet at fair value. Gains and losses in respect of own credit risk (driven by market movement in our debt rating) are recognised in other comprehensive income (2019: gain of £75.0 million; 2018: gain of £43.4 million) and all other gains and losses are recognised in the income statement through change in fair value of financial instruments line (2019: loss of £15.0 million; 2018: gain of £19.8 million).

At 31 December 2019, the fair value of the 2.875 per cent bonds was £254.9 million (2018: £314.9 million). During the year interest of £10.8 million (2018: £10.8 million) in respect of these bonds has been recognised within finance costs. 2018 finance costs also included £3.0 million of interest related to the 2.5 per cent convertible bonds, which matured in October 2018.

26 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 and recognised as income in the period in which it arises.

The Group's secure rental income profile is underpinned by long lease lengths (as mentioned above), high occupancy and upward only rent reviews.

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

£m	2019	2018
Not later than one year	**322.6**	374.6
Later than one year and not later than five years	**788.3**	987.2
Later than five years	**657.3**	973.5
	1,768.2	2,335.3

The income statement includes £12.7 million (2018: £14.4 million) recognised in respect of contingent rents calculated by reference to tenants' turnover.

27 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 floating 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. The Group is aware that LIBOR will be discontinued after 2021 and is actively monitoring the output from the various working groups on LIBOR reform. The Group will also be carrying out a review on whether the fall-back provision across its existing facilities (including bank debt, floating rate notes and interest rate swaps) is adequate, and look to implement changes as and when it is appropriate. 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 (referred to as allocated swaps) in order to establish certainty over cash flows. Such allocated swaps have the economic effect of converting borrowings from floating to fixed rates. The Group also holds interest rate swaps that are not actively used as a hedge against borrowings (referred to as unallocated swaps).

As a consequence, the Group is exposed to market price risk in respect of the fair value of its fixed rate interest rate swaps. Additional information on the Group's interest rate swaps is provided in the financial review on page 34.

The table below shows the effects of allocated swaps on the borrowings profile of the Group:

		2019		2018
£m	**Fixed**	**Floating**	Fixed	Floating
Borrowings (nominal value)[1]	**2,951.8**	**1,667.3**	2,998.3	1,884.1
Derivative impact (nominal value of allocated swaps)	**1,073.5**	**(1,073.5)**	1,112.6	(1,112.6)
Net borrowings profile	**4,025.3**	**593.8**	4,110.9	771.5
Interest rate protection		**87.1%**		84.2%

1 Borrowings as presented exclude the Metrocentre compound financial instrument (£195.4 million) and lease liabilities (£82.9 million). At 31 December 2019 they include the £420.6 million (2018: £393.9 million) drawn under the revolving credit facility (RCF) which incurs interest at a floating rate. Excluding the RCF, interest rate protection is 96 per cent (2018: 92 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 allocated swaps currently effective is 1.97 per cent (2018: 1.89 per cent).

The nominal value of unallocated swaps, which are excluded from the above table, is £483.4 million (2018: £566.7 million). Their fair value of £166.7 million (2018: £184.4 million) is included as a liability in the balance sheet. The term of each unallocated swap runs until its respective maturity date, the last of which runs until 2037, but each also has a mandatory or discretionary break clause which, unless otherwise agreed, would lead to earlier termination between 2020 and 2023. In the event of an early termination of an unallocated swap, a settlement amount is immediately payable by the Group.

The impact on the total fair value of derivatives liability and the inverse to change in fair value of financial instruments (allocated and unallocated swaps) of a 50 basis point increase in the level of interest rates would be a credit to the income statement and increase in equity of £67.8 million (2018: £78.8 million). The approximate impact of a 50-basis point reduction in the level of interest rates would be a charge to the income statement and decrease in equity of £67.8 million (2018: £78.8 million). 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 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 pounds sterling. The Group does not have significant foreign exchange risk on foreign cash balances. However, in respect of net assets attributable to shareholders of the Group, at 31 December 2019 the exposure is 23.6 per cent (31 December 2018: 15.0 per cent), the increase in the year being primarily due to the declines in UK property valuations.

27 Financial risk management (continued)

The table below summarises the Group's exposure to foreign exchange risk as well as the foreign exchange rates applied:

	2019 €m	2018 €m	2019 INRm	2018 INRm
Net exposure	**468.9**	555.7	**5,072.4**	6,274.5
Foreign exchange rate	**1.1825**	1.1126	**94.4586**	88.3432

The approximate impact of a 10 per cent appreciation in foreign exchange rates would be a positive movement of £50.0 million (2018: £63.4 million) to equity attributable to owners of the Group. The approximate impact of a 10 per cent depreciation in foreign exchange rates would be a negative movement of £40.9 million (2018: £51.9 million) to equity attributable to owners of the Group. There is no material income statement impact as these exchange differences are recognised in other comprehensive income.

As part of the strategy to mitigate the Group's exposure to foreign exchange risk, the Group is able to borrow part of its RCF in euros, up to €100 million. The RCF borrowings denominated in euros have been designated as a hedging instrument (net investment hedge) against the Group's net investment in Spain with the hedged risk being the changes in the euro/pounds sterling spot rate that will result in changes in the value of the Group's net investments in Spain. At 31 December 2019, €100 million (2018: €100 million) was drawn in euros.

Liquidity risk

Liquidity risk is managed to enable the Group to meet future payment obligations when financial liabilities fall due. Liquidity analysis is conducted to determine that sufficient headroom is available to meet the Group's operational requirements and committed investments. The Group treasury policy aims to meet this objective by maintaining adequate cash, marketable securities and committed facilities. Undrawn borrowing facilities are detailed in note 23. 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. At 31 December 2019, the maturity profile of Group debt showed an average maturity of five years (2018: six years). The Group regularly reviews the maturity profile of its borrowings and seeks to avoid concentration 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. The change in valuation of an asset used as security for a debt facility may impact the Group's ability to refinance that debt facility at the same quantum as currently outstanding.

The Group does not use supplier financing arrangements to manage liquidity risk.

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.

					2019
£m	**Within 1 year**	**1–2 years**	**2–5 years**	**Over 5 years**	**Total**
Borrowings (including interest)	**(249.5)**	**(1,091.3)**	**(2,600.9)**	**(1,716.1)**	**(5,657.8)**
Finance lease obligations	**(5.3)**	**(5.3)**	**(14.3)**	**(104.8)**	**(129.7)**
Other financial liabilities	**(15.4)**	**–**	**–**	**(1.2)**	**(16.6)**
Net derivative payments	**(34.3)**	**(28.8)**	**(78.4)**	**(222.9)**	**(364.4)**
	(304.5)	**(1,125.4)**	**(2,693.6)**	**(2,045.0)**	**(6,168.5)**

					2018
£m	Within 1 year	1–2 years	2–5 years	Over 5 years	Total
Borrowings (including interest)	(237.8)	(245.2)	(3,259.1)	(2,408.0)	(6,150.1)
Finance lease obligations	(4.4)	(4.4)	(13.4)	(104.8)	(127.0)
Other financial liabilities	(6.1)	(1.2)	–	–	(7.3)
Net derivative payments	(37.2)	(33.5)	(74.0)	(248.2)	(392.9)
	(285.5)	(284.3)	(3,346.5)	(2,761.0)	(6,677.3)

27 Financial risk management (continued)

Credit risk

Credit risk is the risk of financial loss if a tenant or counterparty fails to meet an obligation under a contract. Credit risk arises primarily from trade receivables but also from other financial assets with counterparties including loans to joint ventures, cash deposits and derivative financial instruments.

– trade receivables

Credit risk associated with trade receivables is actively managed; tenants are typically invoiced quarterly in advance and 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 2019 is £3.5 million (2018: £3.5 million).

When applying a loss allowance for expected credit losses, judgement is exercised as to the collectability of trade receivables and to determine if it is appropriate to impair these assets. When considering expected credit losses, management has taken into account days past due, credit status of the counterparty and historical evidence of collection.

The ageing analysis of trade receivables is as follows:

£m	2019	2018
Up to three months	**29.9**	32.1
Three to six months	**10.0**	3.7
Trade receivables	**39.9**	35.8

At 31 December 2019 trade receivables are shown net of a loss allowance totalling £6.1 million (2018: £4.0 million).

The Group does not use factoring to generate cash flow from trade receivables.

– other financial assets including loans to joint ventures

The Group applies the expected credit loss model in respect of other financial assets. Financial assets are individually assessed as to whether the credit risk has increased significantly in the period and therefore whether there is a need to apply the lifetime expected credit losses model as opposed to the 12-month expected credit loss model.

At 31 December 2019 there is no loss allowance recognised for other financial assets as it has been concluded as an immaterial risk of credit loss on other financial assets.

– cash deposits and derivative financial instruments

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 2019 £m	Credit rating	Authorised limit £m	Group exposure 31 December 2018 £m
Counterparty #1	**AA-**	**125.0**	**64.9**	AA-	125.0	111.9
Counterparty #2	**AAA**	**150.0**	**43.1**	A+	100.0	44.1
Counterparty #3	**A+**	**100.0**	**38.7**	A	100.0	27.2
Counterparty #4	**A**	**100.0**	**26.0**	AAA	150.0	22.3
Counterparty #5	**A**	**75.0**	**20.0**	AAA	150.0	12.3
Sum of five largest exposures			**192.7**			217.8
Sum of cash deposits and derivative financial instrument assets			**203.5**			244.2
Five largest exposures as a percentage of assets at risk			**95%**			89%

27 Financial risk management (continued)

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.

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 23.

	2019			
£m	**Carrying value**	**Fair value**	**Loss to income statement**	**(Loss)/gain to other comprehensive income**
Loans to joint ventures	**197.5**	**197.5**	**–**	**–**
Trade and other receivables	**62.0**	**62.0**	**–**	**–**
Cash and cash equivalents	**203.5**	**203.5**	**–**	**–**
Total financial assets – amortised cost	**463.0**	**463.0**	**–**	**–**
Other investments	**–**	**–**	**–**	**(2.6)**
Total financial assets – fair value through other comprehensive income	**–**	**–**	**–**	**(2.6)**
Derivative financial instruments	**(285.5)**	**(285.5)**	**(57.9)**	**–**
Total financial liabilities – fair value through profit or loss	**(285.5)**	**(285.5)**	**(57.9)**	**–**
Convertible bonds	**(254.9)**	**(254.9)**	**(15.0)**	**75.0**
Total financial liabilities – designated as at fair value through profit or loss	**(254.9)**	**(254.9)**	**(15.0)**	**75.0**
Trade and other payables	**(16.6)**	**(16.6)**	**–**	**–**
Borrowings	**(4,396.5)**	**(4,339.0)**	**–**	**–**
Total financial liabilities – amortised cost	**(4,413.1)**	**(4,355.6)**	**–**	**–**

	2018			
£m	Carrying value	Fair value	Gain to income statement	(Loss)/gain to other comprehensive income
Loans to joint ventures	336.0	336.0	–	–
Trade and other receivables	65.6	65.6	–	–
Cash and cash equivalents	239.5	239.5	–	–
Total financial assets – amortised cost	641.1	641.1	–	–
Other investments	10.5	10.5	–	(6.4)
Total financial assets – fair value through other comprehensive income	10.5	10.5	–	(6.4)
Derivative financial instruments	(280.5)	(280.5)	67.5	–
Total net financial liabilities – fair value through profit or loss	(280.5)	(280.5)	67.5	–
Convertible bonds	(314.9)	(314.9)	19.8	43.4
Total financial liabilities – designated as at fair value through profit or loss	(314.9)	(314.9)	19.8	43.4
Trade and other payables	(7.3)	(7.3)	–	–
Borrowings	(4,640.2)	(4,846.9)	–	–
Total financial liabilities – amortised cost	(4,647.5)	(4,854.2)	–	–

27 Financial risk management (continued)

The table below presents the Group's financial assets and liabilities recognised at fair value:

£m		2019	2018
Financial assets			
Level 1	Other investments – fair value through other comprehensive income	–	8.9
Level 2	Derivative financial instruments – fair value through profit or loss	–	4.7
Level 3	Other investments – fair value through other comprehensive income	–	1.6
Total financial assets		–	15.2
Financial liabilities			
Level 1	Convertible bonds – designated as at fair value through profit or loss	**(254.9)**	(314.9)
Level 2	Derivative financial instruments – fair value through profit or loss	**(285.5)**	(285.2)
Total financial liabilities		**(540.4)**	(600.1)

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 between Levels 1, 2 and 3 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 a compound financial instrument. The Group aims to access both debt and equity capital markets with maximum efficiency and flexibility.

The key metrics used to monitor the capital structure of the Group are net external debt, 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. The debt to assets ratio has increased to 67.8 per cent in the year due to the deficit on property revaluation. As part of the revised strategy, the Group is looking to reduce net external debt as well as reduce the debt to assets ratio to below 50 per cent. Additional information on the Group's revised strategy is provided in the chief executive's review on pages 6 to 8. 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 metrics are monitored for the Group including share of joint ventures. Additional information including reconciliations from the relevant IFRS amounts to those including the Group's share of joint ventures as presented below is provided in presentation of information on pages 157 to 161.

– net external debt

£m – including Group's share of joint ventures	Group 2019	Group 2018
Total borrowings	**4,916.8**	5,331.0
Cash and cash equivalents	**(223.0)**	(274.3)
Net debt	**4,693.8**	5,056.7
Less Metrocentre compound financial instrument	**(195.4)**	(189.5)
Net external debt	**4,498.4**	4,867.2
Analysed as:		
Debt including Group's share of joint ventures	**4,721.4**	5,141.5
Cash including Group's share of joint ventures	**(223.0)**	(274.3)
Net external debt	**4,498.4**	4,867.2

27 Financial risk management (continued)

– debt to assets ratio

£m – including Group's share of joint ventures	Group 2019	Group 2018
Market value of investment and development property	**6,633.3**	9,167.4
Net external debt	**(4,498.4)**	(4,867.2)
Debt to assets ratio	**67.8%**	53.1%

Taking into account the net proceeds from the sale of intu Asturias and intu Puerto Venecia of £163.7 million (see note 32), the debt to assets ratio would be 65.3 per cent.

– interest cover

£m – including Group's share of joint ventures	Group 2019	Group 2018
Finance costs	**(227.5)**	(223.0)
Less amortisation of Metrocentre compound financial instrument	**5.9**	5.9
Finance income	**2.9**	2.6
	(218.7)	(214.5)
Underlying operating profit	**364.7**	409.4
Interest cover	**1.67x**	1.91x

28 Share capital and share premium

£m	Share capital	Share premium
Authorised, issued and fully paid:		
At 31 December 2019 and 31 December 2018: 1,355,040,243 ordinary shares of 50 pence each	677.5	1,327.4

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 annual 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 2019 the Company had an unexpired authority to repurchase shares up to a maximum of 135,504,024 shares with a nominal value of £67.8 million, and the directors have an unexpired authority to allot up to a maximum of 451,608,081 shares with a nominal value of £225.8 million.

Included within the issued share capital at 31 December 2019 are 10,325,626 ordinary shares (2018: 11,216,115) held by the Trustee of the ESOP which is operated by the Company (see note 29). The nominal value of these shares at 31 December 2019 is £5.2 million (2018: £5.6 million).

29 Employee Share Ownership Plan (ESOP)

The cost of shares in intu properties plc held by the Trustee of the ESOP 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 7 including joint ownership of shares in its role as Trustee of the Joint Share Ownership Plan. During 2019, no dividends in respect of these shares have been waived by agreement (2018: £1.6 million).

	2019		2018	
	Shares million	£m	Shares million	£m
At 1 January	**11.2**	**37.0**	11.6	39.1
Acquisitions	**0.2**	**0.1**	0.6	0.9
Disposals	**(1.1)**	**(3.5)**	(1.0)	(3.0)
At 31 December	**10.3**	**33.6**	11.2	37.0

30 Other reserves

£m	Capital redemption	Translation	Other[1]	Total
At 1 January 2018	61.4	42.8	256.9	361.1
Revaluation of other investments	–	–	(6.4)	(6.4)
Change in fair value of financial instruments (note 25)	–	–	43.4	43.4
Exchange differences	–	4.1	–	4.1
At 31 December 2018	61.4	46.9	293.9	402.2
Revaluation of other investments	–	–	(2.6)	(2.6)
Change in fair value of financial instruments (note 25)	–	–	75.0	75.0
Exchange differences	–	(30.7)	–	(30.7)
At 31 December 2019	**61.4**	**16.2**	**366.3**	**443.9**

1 Other includes fair value movements in respect of own credit risk for financial instruments designated as at fair value through profit or loss as well as a merger reserve.

Other reserves in respect of the Company relate to the capital redemption reserve of £61.4 million (2018: £61.4 million).

31 Disposal of subsidiaries

Disposal during 2019

On 8 July 2019 the Group completed the part disposal of a structured equity interest in intu Derby, a wholly owned subsidiary, to Cale Street Investments LP (Cale Street) for final cash consideration of £113.3 million before expenses of £6.5 million. Following this transaction intu Derby ceased to be accounted for as a subsidiary and is now a joint venture. Therefore the assets and liabilities of intu Derby are no longer recorded at 100 per cent in the Group's balance sheet but the remaining interest is included in investment in joint ventures at an initial value of £93.9 million. As a result of this transaction the Group has recorded a loss on disposal of £6.5 million in the income statement. The cash flow statement records a net inflow of £96.7 million (included within disposal of subsidiaries net of cash sold) comprising the cash consideration received of £113.3 million less cash in the business of £10.1 million reclassified to investment in joint ventures and expenses of £6.5 million.

The accounting for the part disposal of intu Derby in the year is a critical judgement as referenced in note 1. Due to the complexity caused by Cale Street's structured equity interest, the Group has assessed the key terms set out in the shareholders agreement, including joint venture board discretion over any payment of distributions. As a result, the part disposal has been accounted for as an equity arrangement as opposed to a financing arrangement following completion.

The assets and liabilities of the subsidiaries disposed of, at 100 per cent, are set out below:

	£m
Assets	
Investment and development property	350.1
Cash and cash equivalents	10.1
Trade and other receivables	8.0
Total assets	**368.2**
Liabilities	
Trade and other payables	(13.3)
Borrowings	(147.7)
Total liabilities	**(161.0)**
Net assets	**207.2**
Net assets (at share disposed)	**113.3**
Fair value of consideration received	106.8
Loss on disposal of subsidiaries	**6.5**

31 Disposal of subsidiaries (continued)

Disposal during 2018

On 31 January 2018 the Group sold 50 per cent of its interest in intu Chapelfield, a wholly owned subsidiary, to LaSalle Investment Management (acting on behalf of Greater Manchester Pension Fund and West Yorkshire Pension Fund) for final cash consideration of £145.1 million before expenses of £1.6 million. Following this transaction intu Chapelfield ceased to be accounted for as a subsidiary and is now a joint venture. Therefore the assets and liabilities of intu Chapelfield are no longer recorded at 100 per cent in the Group's balance sheet but the remaining 50 per cent interest is included in investment in joint ventures at an initial value of £151.9 million. As a result of this transaction the Group has recorded a loss on disposal of £9.0 million in the income statement. The cash flow statement records a net inflow of £143.2 million comprising the net consideration received of £143.5 million less cash in the business of £0.8 million reclassified to investment in joint venture, net of cash classified as held for sale at 31 December 2017 of £0.5 million.

The assets and liabilities of the subsidiaries disposed of, at 100 per cent, are set out below:

	£m
Assets	
Investment and development property	302.0
Cash and cash equivalents	0.8
Trade and other receivables	6.6
Total assets	**309.4**
Liabilities	
Trade and other payables	(5.0)
Total liabilities	**(5.0)**
Net assets	**304.4**
Net assets (at 50 per cent)	**152.2**
Fair value of consideration received (including fair value adjustments of £0.3 million)	143.2
Loss on disposal of subsidiaries	**9.0**

32 Joint ventures and other assets classified as held for sale

intu Puerto Venecia

In December 2019 the Group announced the disposal of its joint venture interest in intu Puerto Venecia to Generali Shopping Centre Fund S.C.S. SICAV-SIF and Union Investment Real Estate GMBH for consideration of €475.3 million (intu share €237.7 million) and will deliver net proceeds to intu of around €115.0 million after repaying asset-level debt, working capital adjustments and taxation.

The transaction is expected to complete in the first half of 2020 following the successful conclusion of certain regulatory approvals. As a result, from 15 December 2019, being the date the Board approved the transaction, the Group classified its joint venture interest in intu Puerto Venecia (which is part of the Spain operating segment) as held for sale.

The joint venture interest has been recognised at its expected net proceeds of £95.4 million, as opposed to its carrying amount of £123.0 million (see note 16).

intu Asturias

In January 2020 the Group announced and subsequently completed the disposal of its joint venture interest in intu Asturias to the ECE European Prime Shopping Centre Fund II for €290.0 million (intu share €145.0 million) and has delivered initial net proceeds to intu of £68.3 million after repaying asset-level debt, working capital adjustments, fees and taxation.

As a result, at 15 December 2019, being the date the Board approved the transaction, the Group classified its joint venture interest in intu Asturias (which is part of the Spain operating segment) as held for sale.

The joint venture interest has been recognised at its expected net proceeds of £67.3 million, as opposed to its carrying amount of £77.7 million (see note 16) alongside land and other assets totalling £1.0 million within a wholly owned subsidiary also being sold as part of the transaction.

33 Cash generated from operations

£m	Notes	Group 2019	Group 2018
Loss before tax, joint ventures and associates		**(1,856.8)**	(1,139.6)
Adjusted for:			
Revaluation of investment and development property	13	**1,796.8**	1,332.8
Loss on disposal of subsidiaries	4	**6.3**	8.5
Gain on sale of investment and development property		**(3.9)**	(1.4)
Write-down on recognition of joint ventures and other assets classified as held for sale	32	**38.0**	–
Impairment of goodwill		**4.0**	–
Impairment of investment in associates	18	**7.4**	–
Impairment of loan to associate		**5.5**	–
Depreciation		**5.5**	4.3
Share-based payments	7	**1.8**	2.8
Lease incentives and letting costs		**(3.6)**	(9.3)
Net finance costs	9	**314.1**	147.5
Changes in working capital:			
Change in trade and other receivables		**(0.5)**	(5.3)
Change in trade and other payables		**6.8**	(20.6)
Cash generated from operations		**321.4**	319.7

34 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 and the registered office is 40 Broadway, London SW1H 0BT 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 based at 40 Broadway, London, SW1H 0BT	
Barton Square Holdco Limited (holding company)	Ordinary shares
Barton Square Investments Limited (holding company)	Ordinary shares
Barton Square Limited (property)	Ordinary shares
Birdhouse Retail Limited (retail)	Ordinary shares
Braehead Glasgow Limited (property)	'A' Ordinary shares
	'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 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 (dormant)	Ordinary shares
Chapelfield LP Limited (limited partner)	Ordinary shares
Chapelfield Property Management Limited (dormant)	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 Uxbridge Limited (dormant)	Ordinary shares
Fortheath (No.3) Limited (dormant)	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 Bridlesmith Gate Limited (property)	Ordinary shares
Intu Broadmarsh Limited (dormant)	Ordinary shares
Intu Cardiff Holdco Limited (holding company)	Ordinary shares
Intu Cardiff Limited (dormant)	Ordinary shares
Intu Centaurus Retail Limited (limited partner)	Ordinary shares
Intu Chapelfield Limited (holding company)	Ordinary shares
Intu Debenture plc (finance, holding company)[3]	Ordinary shares
Intu Eldon Square Limited (property)	Ordinary shares
Intu Energy Limited (energy procurement)	Ordinary shares
Intu Experiences Limited (mall commercialisation)	Ordinary shares
Intu Finance MH Limited (finance)	Ordinary shares
Intu FM Limited (dormant)	Ordinary shares
Intu India (Direct) Limited (dormant)[3]	Ordinary shares
Intu India (Portfolio) Limited (holding company)[3]	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 Management Services Limited (management services)[3]	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 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 (dormant)	Ordinary shares
Intu MH Parking Limited (limited partner)	Ordinary shares
Intu MH Participations Limited (holding company)	Ordinary shares
Intu MH Phase 1 Limited (limited partner)	Ordinary shares
Intu MH Properties Limited (dormant)	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 Property Management Limited (property management)	Ordinary shares
Intu Property Services Limited (holding company)	Ordinary shares
Intu Retail Services Limited (facilities management)	Ordinary shares
Intu RS Limited (facilities management)	Ordinary shares
Intu Secretariat Limited (dormant)[3]	Ordinary shares
Intu Shelfco 3 plc (dormant)	Ordinary shares
Intu Shopping Centres plc (holding company)[3]	Ordinary shares
Intu Spain Limited (holding company)	Ordinary shares

34 Subsidiaries, joint ventures and associates (continued)

Name of entity	Class of capital
Intu The Hayes Limited (limited partner)	Ordinary shares
Intu Trafford Centre Group (UK) Limited (holding company)	Ordinary shares
Intu Trafford Centre Limited (dormant)	Ordinary shares
Intu Ventures Limited (dormant)	Ordinary shares
Intu Victoria Centre Limited (limited partner)	Ordinary shares
Intu Watford Holdco Limited (dormant)	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
Manchester Nominee (2) Limited (dormant)	Ordinary shares
Merry Hill Management Services Limited (dormant)	Ordinary shares
Merry Hill Services Limited (dormant)	Ordinary shares
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 (limited partner)	Ordinary shares
Metrocentre Lancaster No.2 Limited (dormant)	Ordinary shares
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 (dormant)	n/a
MH (No.8) Nominee A Limited (dormant)	Ordinary shares
MH (No.8) Nominee B Limited (dormant)	Ordinary shares
Middleford Property Investments Limited (dormant)	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
Runic Nominees Limited (dormant)	Ordinary shares
Sandal Investments Limited (dormant)	Ordinary shares
Staffordshire Property Management Limited (property)	Ordinary shares
TAI Investments Limited (holding company)[2]	'B' Deferred shares Ordinary shares
TAI Nominees Limited (dormant)	Ordinary shares
The Broadmarsh Retail Limited Partnership (property)	n/a
The Bullfinch Company Limited (dormant)	Ordinary shares
The Metrocentre Partnership (property)[4]	n/a
The Potteries Shopping Centre Limited Partnership (property)	n/a
The Trafford Centre Holdings Limited (holding company)	Ordinary shares
The Trafford Centre Investments Limited (holding company)	Ordinary shares
The Trafford Centre Limited (property)	'A' Preference shares 'B' Preference shares Ordinary shares
The Victoria Centre Partnership (property)	n/a
TransAtlantic Holdings Limited (dormant)	Ordinary shares
Transol Investments Limited (dormant)	Ordinary shares

34 Subsidiaries, joint ventures and associates (continued)

Name of entity	Class of capital
VCP (GP) Limited (general partner)	Ordinary shares
VCP Nominees No.1 Limited (dormant)	Ordinary shares
VCP Nominees No.2 Limited (dormant)	Ordinary shares
Westgate Oxford Investments Limited (dormant)	Ordinary shares
Whitesun Limited (dormant)	Ordinary shares
WRP Management Limited (property)	Ordinary shares
Subsidiaries based at 27 Esplanade, St Helier, Jersey, JE1 1SG	
Belside Limited (property)	Ordinary shares
Curley Limited (property)	Ordinary shares
Steventon Limited (property)	Ordinary shares
Subsidiaries based at 22 Grenville Street, St Helier, Jersey, JR4 8PX	
Intu (Jersey) 2 Limited (finance)[3]	Ordinary shares
Intu (Jersey) Limited (finance)[3]	Ordinary shares
Intu Derby 2 Limited (holding company)	Ordinary shares
Intu Derby Limited (holding company)	Ordinary shares
Intu Merry Hill 2 Limited (holding company)	Ordinary shares
Intu Merry Hill Limited (holding company)	Ordinary shares
Intu MH (No.1) Jersey Unit Trust (limited partner)	Units
Intu MH (No.1) Sub-Trust (limited partner)	Units
Intu MH (No.2) Jersey Unit Trust (limited partner)	Units
Intu MH (No.2) Sub-Trust (limited partner)	Units
Intu MH (No.3) Jersey Unit Trust (limited partner)	Units
Intu MH (No.3) Sub-Trust (limited partner)	Units
Intu MH (No.4) Jersey Unit Trust (limited partner)	Units
Intu MH (No.4) Sub-Trust (limited partner)	Units
Intu MH (No.5) Jersey Unit Trust (limited partner)	Units
Intu MH (No.5) Sub-Trust (limited partner)	Units
Intu MH (No.6) Jersey Unit Trust (limited partner)	Units
Intu MH (No.6) Sub-Trust (limited partner)	Units
Intu MH (No.7) Jersey Unit Trust (limited partner)	Units
Intu MH (No.7) Sub-Trust (limited partner)	Units
Intu MH (No.8) Jersey Unit Trust (limited partner)	Units
Intu Sprucefield 2 Limited (holding company)	Ordinary shares
Intu Sprucefield Limited (holding company)	Ordinary shares
Intu Uxbridge Holdco Limited (holding company)	Ordinary shares
Sprucefield No.1 Nominee Limited (dormant)	Ordinary shares
Sprucefield No.2 General Partner Limited (general partner)	Ordinary shares
Sprucefield No.2 Limited Partnership (property)	n/a
Sprucefield No.2 Nominee Limited (dormant)	Ordinary shares
Sprucefield Unit Trust (limited partner)	Units
Subsidiaries based at 7 Rue Robert Stumper, L-2557, Luxembourg	
ICS Holding S.à r.l. (holding company)	Ordinary shares
ICS InvestCo S.à r.l. (holding company)	Ordinary shares
ICS JV S.à r.l. (holding company)	Ordinary shares
Intu Holding S.à r.l. (holding company)	Ordinary shares

Name of entity	Class of capital
Subsidiaries based at Paseo de la Castellana 64, 28046, Madrid, Spain	
Daytrade Inversiones 2014 S.L. (intellectual property)	Ordinary shares
Intu Costa del Sol Resort Holdco S.A. (holding company)	Ordinary shares
Intu Costa del Sol Resort S.L. (property development)	Ordinary shares
Intu Management Spain S.L. (property management and management services)	Ordinary shares
Ocio y Nieve S.L. (property management)	Ordinary shares
Wattenberg Invest S.L. (property)	Ordinary shares
Other subsidiaries	
Intu Management Spain Holding S.à r.l. (holding company) (6 Rue Eugène Ruppert, L-2453 Luxembourg)	Ordinary shares
Intu Trafford Centre Group Limited (holding company)[3] (Cains Fiduciary, Fort Anne, Douglas, Isle of Man, IM1 1LB)	Ordinary shares
Libint (Proprietary) Limited (local administration services) (Liberty Life Centre, 1 Ameshoff Street, Braamfontein, Johannesburg 2007, South Africa)[3]	Ordinary shares
Libtai Holdings (Jersey) Limited (holding company) (PO Box 761 Ordnance House 31 Pier Road, St Helier, Jersey, JE4 8ZZ)[3]	Ordinary shares
Merry Hill Finance Designated Activity Company (dormant) (6th Floor, Pinnacle 2, Eastpoint Business Park, Dublin, Republic of Ireland) (in liquidation)	Ordinary shares
Nailsfield Limited (holding company) (IFS Court, Twentyeight, Cybercity, Ebene, Mauritius)[3]	Ordinary shares
The Trafford Centre Finance Limited (finance) (190 Elgin Avenue, George Town, Grand Cayman, KY1-9007, Cayman Islands)	Ordinary shares
Joint ventures based at 40 Broadway, London, SW1H 0BT	
Centaurus Retail LLP (property)	n/a
Chapelfield GP Limited (general partner)	Ordinary shares
Chapelfield Nominee Limited (dormant)	Ordinary shares
Cribbs Causeway JV Limited (property management)	'A' Ordinary shares 'B' Ordinary shares
Derby Business Management Limited (dormant)	Ordinary shares '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
Intu Chapelfield Residential Limited (property)	Ordinary shares
Manchester JV Limited (property management)	'A' Ordinary shares 'B' Ordinary shares
The Chapelfield Partnership (property)	n/a
The Wilmslow (No.3) Limited Partnership (property)	n/a
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' Ordinary shares 'B' Ordinary shares

34 Subsidiaries, joint ventures and associates (continued)

Name of entity	Class of capital
Joint ventures based at 100 Victoria Street, London, SW1E 5JL	
St. David's (Cardiff Residential) Limited (property)	Ordinary shares
St. David's (General Partner) Limited (general partner)	'A' Ordinary shares 'B' Ordinary 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
Joint ventures based at Paseo de la Castellana 64, 28046, Madrid, Spain	
Asturias Propco Numero Uno S.L. (property)	Ordinary shares
Asturias Retail and Leisure SOCIMI S.A. (holding company)	Ordinary shares
Gravois Desarrollos S.L. (property)	Ordinary shares
Intu Eurofund Valencia S.L. (property development)	Ordinary shares
Intu Eurofund Vigo S.L. (property development)	Ordinary shares
Madrid Xanadú 2003 S.L. (property)	Ordinary shares
Puerto Venecia Investments SOCIMI S.A. (property)	Ordinary shares
SnowZone S.L. (leisure)	Ordinary shares
Xanadú Retail and Leisure S.L. (holding company)	Ordinary shares
Zaragoza Properties SOCIMI S.A. (holding company)	Ordinary shares

Name of entity	Class of capital
Joint ventures based at 7 Rue Robert Stumper, L-2557, Luxembourg	
Intu Eurofund Developments S.à r.l. (holding company)	Ordinary shares
Intu Zaragoza Holding S.à r.l. (holding company)	'A' shares 'B' shares
Intu Zaragoza S.à r.l. (holding company)	'A' shares 'B' shares
Parque Principado S.à r.l. (holding company)	'A' shares 'B' shares
Joint ventures based at 22 Grenville Street, St Helier, Jersey, JR4 8PX	
Intu Derby Jersey Unit Trust (limited partner)	Units
Midlands Shopping Centre Jersey Unit Trust (No.1) (limited partner)	Units
W (No.3) GP (Nominee A) Limited (dormant)	Ordinary shares
W (No.3) GP (Nominee B) Limited (dormant)	Ordinary shares
Other joint ventures	
Metropolitan Retail JV (Jersey) Unit Trust (property)[5]	'A' units
(28 – 30 The Parade, St Helier, Jersey, JE1 1EQ)	'B' units
Associates based at 105-106 Provogue House, Off New Link Road, Andheri (West) Mumbai, 400 053 India	
Empire Mall Private Limited (property)[6]	Ordinary shares
Prozone Intu Properties Limited (property)[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 in addition to the Ordinary shares is held by Libtai Holdings (Jersey) Limited and 4.6 per cent in addition to the B Deferred shares 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 20 per cent. This is classified as a joint venture due to an equal voting interest.
6 Group's interest is 26.8 per cent.
7 Group's interest is 32.4 per cent.

34 Subsidiaries, joint ventures and associates (continued)

Other entities

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 companies.

Non-controlling interests

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. GIC Real Estate through an intermediate entity also owns a 40 per cent interest in the capital of Metrocentre Lancaster LLP. £58.2 million of the non-controlling interest losses shown in the balance sheet at 31 December 2019 (2018: £12.7 million earnings) and £70.9 million of the non-controlling interest share of loss shown in the income statement for the year ended 31 December 2019 (2018: share of loss £41.5 million) relates to GIC Real Estate's interest in these entities. Set out below is the summarised financial information of The Metrocentre Partnership and Metrocentre LLP at 100 per cent, as consolidated:

£m	2019	2018
Summarised income statement		
Revenue	**64.0**	68.3
Loss for the year	**(177.2)**	(103.7)
Summarised balance sheet		
Investment and development property	**676.8**	841.8
Borrowings – 4.125% bonds 2023	**(480.5)**	(479.5)
Borrowings – compound financial instrument	**(488.5)**	(473.8)
Other net liabilities	**(27.7)**	(31.2)
Net liabilities	**(319.9)**	(142.7)

The balance sheet includes a non-controlling interest recoverable amount of £58.2 million (2018: £12.7 million attributable to non-controlling interest). This amount is considered to be recoverable in view of the £195.4 million owed to the non-controlling interest (which is included in the Group's borrowings in note 23).

35 Related party transactions

Key management[1] compensation

£m	2019	2018
Salaries and short-term employee benefits	**4.7**	4.9
Pensions and other post-employment benefits	**0.3**	0.8
Share-based payments	**1.5**	1.7
	6.5	7.4

1 Key management comprises the directors of intu properties plc and the Executive Committee who have been designated as persons discharging managerial responsibility (PDMR).

During 2017 the Group's joint ventures in intu Puerto Venecia and intu Asturias sold shares in subsidiaries, previously wholly owned by the respective joint ventures, listed on the Spanish MaB to PDMRs of the Group. The total value of the shares at 31 December 2019 is €1.0 million for each joint venture, representing 1 per cent of the respective outstanding share capital. The sale of shares in these entities was required to comply with Spanish MaB free float listing requirements. The Group provided an interest-free loan to PDMRs to enable them to purchase the shares. The loans are treated as a taxable benefit which accordingly is included in the above table. In line with the terms of the relevant loan agreements entered into, the loans are repayable in full upon cessation of employment or the sale of the underlying assets. Further to the exchange of contracts in respect of the sale of intu Puerto Venecia in December 2019 and of intu Asturias in January 2020, the relevant PDMRs sold these shareholdings in January 2020 and February 2020 respectively. All outstanding loans in respect of the above arrangements have been repaid to the Company in full or in part. For those loans which have been partially repaid, the outstanding balance has been written off by the Company.

35 Related party transactions (continued)

Transactions with Peel Group (Peel)

As John Whittaker, deputy chairman and non-executive director of intu properties plc, is the Chairman of the Peel Group (Peel), members of Peel are considered to be related parties. Total transactions between the Group and members of Peel are shown below:

£m	2019	2018
Income	**0.9**	1.3
Expenditure	**(0.6)**	(0.7)

Income predominantly relates to leases of office space and contracts 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.

Balances outstanding between the Group and members of Peel at 31 December 2019 and 31 December 2018 are shown below:

£m	2019	2018
Net investment in finance lease	**0.8**	1.2
Amounts owed by members of Peel	**0.3**	0.3
Amounts owed to members of Peel	**(0.1)**	(0.1)

Under the terms of the Group's acquisition of intu Trafford Centre from Peel in 2011, Peel has provided a guarantee in respect of Section 106 planning obligation liabilities at Barton Square which at 31 December 2019 totalled £13.0 million (2018: £12.4 million).

The net investment in finance leases above relate to three advertising services agreements related to digital screens with Peel Advertising Limited (a member of Peel) under which Peel will procure advertising on behalf of the Group. The minimum fixed payments in these agreements have been classified as a finance lease.

During the year intu shareholders approved, at a General Meeting held on 31 May 2019, the sale to the Peel Group of a 30.96 acre site near intu Braehead known as King George V docks (West) and additional plots of adjacent ancillary land for cash consideration of £6.1 million.

Other transactions

During the year, the Group sold a wholly owned subsidiary, which holds a plot of sundry land near intu Xanadú, to the intu Xanadú joint venture for consideration of £8.6 million. Consideration includes cash consideration of £4.3 million and a retained interest in the entity through the intu Xanadú joint venture. The cash flow statement records a net inflow of £4.0 million comprising the cash consideration less cash in the business of £0.3 million.

36 Directors' emoluments

Directors' emoluments in accordance with Schedule 5 to the Accounting Regulations is analysed below:

£m	2019	2018
Salaries and short-term employee benefits	**1.6**	2.0
Pensions and other post-employment benefits	**0.2**	0.3
	1.8	2.3

Three executive directors (including David Fischel who resigned on 26 April 2019) participated in the Group's defined contribution group pension plan during 2019.

Further information regarding the remuneration of individual directors is provided in the audited part of the directors' remuneration report on pages 73 to 95.

Presentation of information (unaudited)

Overview

The Group presents alternative performance measures (APMs) (see glossary) within these results. In presenting APMs, management have applied the 'European Securities and Markets Authority Guidelines on Alternative Performance Measures'.

The most significant APMs used to measure the Group's performance including the rationale for their use are summarised before the presentation of each APM on the following pages. EPRA performance measures, which are industry standard APMs, are detailed in EPRA measures on pages 167 to 170.

During the year the Group has reviewed its use of APMs and will no longer present NAV (diluted, adjusted) as management no longer believe this is the most relevant metric in assessing the Group's performance. The Group will continue to present EPRA NAV and EPRA NNNAV, which are industry standard APMs, in order to standardise the Group's disclosures with other entities in the sector.

APM – proportionately consolidated amounts

The Group accounts for its interests in joint ventures using the equity method as required by IFRS 11 Joint Arrangements. This means that the income statement and the balance sheet as prepared in accordance with IFRS include single lines for the Group's total share of post-tax profit/loss and the net investment in joint ventures respectively.

Management reviews and monitors performance as well as determines the strategy of the business primarily on a proportionately consolidated basis. This includes the Group's share of joint ventures on an individual line-by-line basis rather than a post-tax profit/loss or net investment basis. The figures and commentary presented in the annual report and financial statements are consistent with this management approach as management believes this provides a more relevant and reliable analysis of the Group's performance to users. A reconciliation of the income statement and balance sheet between the two bases is provided below:

Proportionately consolidated income statement

	2019			Re-presented[1] 2018		
£m	Group income statement	Share of joint ventures	Group including share of joint ventures	Group income statement	Share of joint ventures	Group including share of joint ventures
Revenue	**542.3**	**76.8**	**619.1**	581.1	71.9	653.0
Net rental income	**348.1**	**53.5**	**401.6**	398.5	52.0	450.5
Net other income	**6.2**	**(2.6)**	**3.6**	5.3	(2.4)	2.9
Revaluation of investment and development property	**(1,796.8)**	**(182.9)**	**(1,979.7)**	(1,332.8)	(72.2)	(1,405.0)
Loss on disposal of subsidiaries	**(6.3)**	**–**	**(6.3)**	(8.5)	–	(8.5)
Gain on sale of investment and development property	**3.9**	**–**	**3.9**	1.4	–	1.4
Write-down on recognition of joint ventures and other assets classified as held for sale	**(38.0)**	**–**	**(38.0)**	–	–	–
Impairment of goodwill	**(4.0)**	**–**	**(4.0)**	–	–	–
Impairment of investment in associates	**(7.4)**	**–**	**(7.4)**	–	–	–
Impairment of loan to associate	**(5.5)**	**–**	**(5.5)**	–	–	–
Administration expenses – ongoing	**(39.5)**	**(1.0)**	**(40.5)**	(42.9)	(1.1)	(44.0)
Administration expenses – exceptional	**(3.4)**	**–**	**(3.4)**	(13.1)	(0.1)	(13.2)
Operating loss	**(1,542.7)**	**(133.0)**	**(1,675.7)**	(992.1)	(23.8)	(1,015.9)
Finance costs	**(220.9)**	**(6.6)**	**(227.5)**	(216.7)	(6.3)	(223.0)
Finance income	**16.6**	**(13.7)**	**2.9**	14.8	(12.2)	2.6
Other finance charges – exceptional	**(36.9)**	**(0.8)**	**(37.7)**	(32.9)	4.5	(28.4)
Change in fair value of financial instruments	**(72.9)**	**(2.4)**	**(75.3)**	87.3	(1.0)	86.3
Net finance costs	**(314.1)**	**(23.5)**	**(337.6)**	(147.5)	(15.0)	(162.5)
Loss before tax, joint ventures and associates	**(1,856.8)**	**(156.5)**	**(2,013.3)**	(1,139.6)	(38.8)	(1,178.4)
Share of post-tax (loss)/profit of joint ventures	**(158.9)**	**158.9**	**–**	(42.1)	42.1	–
Share of post-tax (loss)/profit of associates	**(0.3)**	**–**	**(0.3)**	2.3	–	2.3
(Loss)/profit before tax	**(2,016.0)**	**2.4**	**(2,013.6)**	(1,179.4)	3.3	(1,176.1)
Current tax – ongoing	**(16.0)**	**(1.6)**	**(17.6)**	(0.1)	(0.6)	(0.7)
Current tax – exceptional	**(6.4)**	**–**	**(6.4)**	–	–	–
Deferred tax	**16.6**	**(1.3)**	**15.3**	5.8	(2.2)	3.6
Taxation	**(5.8)**	**(2.9)**	**(8.7)**	5.7	(2.8)	2.9
(Loss)/profit for the year	**(2,021.8)**	**(0.5)**	**(2,022.3)**	(1,173.7)	0.5	(1,173.2)
Non-controlling interests	**70.9**	**0.5**	**71.4**	41.5	(0.5)	41.0
Loss for the year attributable to owners of intu properties plc	**(1,950.9)**	**–**	**(1,950.9)**	(1,132.2)	–	(1,132.2)

1 See note 1 for details on re-presented amounts.

Interest cover on a proportionately consolidated basis is presented within note 27.

Proportionately consolidated balance sheet

£m	2019 Group balance sheet	2019 Share of joint ventures	2019 Group including share of joint ventures	Re-presented[1] 2018 Group balance sheet	Re-presented[1] 2018 Share of joint ventures	Re-presented[1] 2018 Group including share of joint ventures
Non-current assets						
Investment and development property	**6,026.7**	**694.9**	**6,721.6**	8,138.3	1,117.4	9,255.7
Property, plant and equipment	**14.3**	**0.1**	**14.4**	11.8	0.1	11.9
Investment in joint ventures	**326.6**	**(326.6)**	**–**	487.9	(487.9)	–
Loans to joint ventures	**197.5**	**(197.5)**	**–**	336.0	(336.0)	–
Investment in associates	**53.7**	**–**	**53.7**	65.6	–	65.6
Derivative financial instruments	**–**	**0.3**	**0.3**	4.3	–	4.3
Other non-current assets	**1.1**	**40.8**	**41.9**	20.7	42.9	63.6
	6,619.9	**212.0**	**6,831.9**	9,064.6	336.5	9,401.1
Current assets						
Joint ventures and other assets classified as held for sale	**163.7**	**–**	**163.7**	–	–	–
Derivative financial instruments	**–**	**–**	**–**	0.4	–	0.4
Trade and other receivables	**130.0**	**10.6**	**140.6**	138.0	7.8	145.8
Cash and cash equivalents	**203.5**	**19.5**	**223.0**	239.5	34.8	274.3
	497.2	**30.1**	**527.3**	377.9	42.6	420.5
Total assets	**7,117.1**	**242.1**	**7,359.2**	9,442.5	379.1	9,821.6
Current liabilities						
Trade and other payables	**(243.3)**	**(16.5)**	**(259.8)**	(278.4)	(27.7)	(306.1)
Current tax liabilities	**(5.9)**	**–**	**(5.9)**	–	(0.1)	(0.1)
Borrowings	**(71.1)**	**(25.9)**	**(97.0)**	(51.1)	–	(51.1)
Derivative financial instruments	**(48.4)**	**(0.3)**	**(48.7)**	(39.0)	(0.2)	(39.2)
	(368.7)	**(42.7)**	**(411.4)**	(368.5)	(28.0)	(396.5)
Non-current liabilities						
Borrowings	**(4,663.2)**	**(156.6)**	**(4,819.8)**	(4,984.2)	(295.7)	(5,279.9)
Derivative financial instruments	**(237.1)**	**(1.4)**	**(238.5)**	(246.2)	(3.3)	(249.5)
Deferred tax liabilities	**(0.9)**	**(41.4)**	**(42.3)**	(18.0)	(48.4)	(66.4)
Other payables	**(1.2)**	**–**	**(1.2)**	(1.2)	–	(1.2)
	(4,902.4)	**(199.4)**	**(5,101.8)**	(5,249.6)	(347.4)	(5,597.0)
Total liabilities	**(5,271.1)**	**(242.1)**	**(5,513.2)**	(5,618.1)	(375.4)	(5,993.5)
Net assets	**1,846.0**	**–**	**1,846.0**	3,824.4	3.7	3,828.1
Non-controlling interests	**58.2**	**–**	**58.2**	(12.7)	(3.7)	(16.4)
Net assets attributable to owners of intu properties plc	**1,904.2**	**–**	**1,904.2**	3,811.7	–	3,811.7

1 See note 1 for details on re-presented amounts.

A reconciliation to market value of investment and development property is given in the table below:

£m	2019	2018
Balance sheet carrying value of investment and development property	**6,721.6**	9,255.7
Head leases on investment property	**(88.3)**	(88.3)
Market value of investment and development property	**6,633.3**	9,167.4

Net external debt and debt to assets ratio on a proportionately consolidated basis are presented in note 27.

APM – like-for-like amounts

Like-for-like amounts are presented as they measure operating performance as distinct from the impact of acquisitions or disposals. In respect of net rental income, the like-for-like measure relates to property that has been owned throughout both years without significant capital expenditure in either year, 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 year end but not throughout the prior year. A reconciliation of the like-for-like measure for net rental income as well as investment and development property including the Group's share of joint ventures is provided below:

	Year ended 31 December		Movement	
	2019 £m	2018 £m	£m	%
Like-for-like property	**395.2**	434.8	**(39.6)**	**(9.1)**
Part disposal: intu Derby (8 July 2019)	**–**	7.5	**(7.5)**	**n/a**
Part disposal: intu Chapelfield (31 January 2018)	**–**	0.6	**(0.6)**	**n/a**
Held for sale: intu Puerto Venecia and intu Asturias (15 December 2019)	**–**	0.7	**(0.7)**	**n/a**
Other disposals	**4.0**	5.7	**(1.7)**	**n/a**
Developments	**2.4**	1.2	**1.2**	**n/a**
Net rental income	**401.6**	450.5	**(48.9)**	**(10.9)**

	Market value		Revaluation deficit	
	2019 £m	2018 £m	2019 £m	2019 %
Like-for-like property	**6,290.8**	7,970.6	**(1,795.7)**	**(22.3)**
Part disposal: intu Derby (8 July 2019)	**–**	276.2	**(25.9)**	**(20.8)**
Held for sale: intu Puerto Venecia and intu Asturias (15 December 2019)	**–**	397.0	**(32.7)**	**(11.1)**
Other investment property disposals	**–**	81.3	**(4.7)**	**(5.8)**
Spain developments	**177.3**	217.0	**(45.7)**	**(20.5)**
UK other including developments[1]	**165.2**	225.3	**(75.0)**	**(32.6)**
Investment and development property	**6,633.3**	9,167.4	**(1,979.7)**	**(23.1)**

1 UK other including developments represents valuation movements on investment and development property valued below £200 million each.

APM – underlying earnings

Underlying earnings (used to calculate underlying EPS) as presented is based on EPRA earnings (used to calculate EPRA EPS), an industry standard APM considered a key measure of recurring performance, but adjusted for certain items (listed below) which management believes are necessary in order to better present the Group's recurring performance and therefore provide an indication of the extent to which dividend payments are supported by underlying operations (see underlying profit statement on page 171). Underlying earnings excludes property and derivative movements, exceptional items and related tax. The key differences to EPRA earnings relate to the following adjustments:

- with the exception of termination costs on allocated interest rate swaps and costs related to acquisitions, which are both excluded from EPRA earnings and underlying earnings, other finance charges – exceptional (as detailed in note 9), administration expenses – exceptional (as detailed in note 5) and current tax – exceptional (as detailed in note 10) are included in EPRA earnings but are excluded from the Group's measure of underlying earnings. In accordance with the Group's definition for exceptional items (see glossary), the Group considers these costs to be exceptional based on their nature and incidence, which create volatility in earnings
- fair value movements on interest rate swaps not currently used for economic hedges of debt (referred to as unallocated swaps) are included in EPRA earnings but are excluded from the Group's measure of underlying earnings. The Group does not hold unallocated swaps for speculative purposes. Management currently intends to hold these unallocated swaps for the foreseeable future, therefore the period on period volatility created by their fair value movements is unlikely to crystallise until such hedges are settled at maturity other than in the event a swap is terminated early

A reconciliation from the IFRS profit/loss for the year attributable to owners of intu properties plc to EPRA earnings is provided in EPRA measures on pages 167 to 170, which also provides additional details on EPRA and related measures. A reconciliation from the consolidated income statement including the Group's share of joint ventures to underlying earnings is provided below:

	2019			2018		
£m	Group including share of joint ventures	Underlying earnings	Non-underlying (loss)/earnings	Group including share of joint ventures	Underlying earnings	Non-underlying (loss)/earnings
Net rental income	**401.6**	**401.6**	**–**	450.5	450.5	–
Net other income	**3.6**	**3.6**	**–**	2.9	2.9	–
Revaluation of investment and development property	**(1,979.7)**	**–**	**(1,979.7)**	(1,405.0)	–	(1,405.0)
Loss on disposal of subsidiaries	**(6.3)**	**–**	**(6.3)**	(8.5)	–	(8.5)
Gain on sale of investment and development property	**3.9**	**–**	**3.9**	1.4	–	1.4
Write-down on recognition of joint ventures and other assets classified as held for sale	**(38.0)**	**–**	**(38.0)**	–	–	–
Impairment of goodwill	**(4.0)**	**–**	**(4.0)**	–	–	–
Impairment of investment in associates	**(7.4)**	**–**	**(7.4)**	–	–	–
Impairment of loan to associate	**(5.5)**	**–**	**(5.5)**	–	–	–
Administration expenses – ongoing	**(40.5)**	**(40.5)**	**–**	(44.0)	(44.0)	–
Administration expenses – exceptional	**(3.4)**	**–**	**(3.4)**	(13.2)	–	(13.2)
Operating (loss)/profit	**(1,675.7)**	**364.7**	**(2,040.4)**	(1,015.9)	409.4	(1,425.3)
Finance costs	**(227.5)**	**(227.5)**	**–**	(223.0)	(223.0)	–
Finance income	**2.9**	**2.9**	**–**	2.6	2.6	–
Other finance charges – exceptional	**(37.7)**	**–**	**(37.7)**	(28.4)	–	(28.4)
Change in fair value of financial instruments	**(75.3)**	**–**	**(75.3)**	86.3	–	86.3
Net finance costs	**(337.6)**	**(224.6)**	**(113.0)**	(162.5)	(220.4)	57.9
(Loss)/profit before tax and associates	**(2,013.3)**	**140.1**	**(2,153.4)**	(1,178.4)	189.0	(1,367.4)
Share of post-tax (loss)/profit of associates	**(0.3)**	**1.0**	**(1.3)**	2.3	1.2	1.1
(Loss)/profit before tax	**(2,013.6)**	**141.1**	**(2,154.7)**	(1,176.1)	190.2	(1,366.3)
Current tax – ongoing	**(17.6)**	**(17.6)**	**–**	(0.7)	(0.7)	–
Current tax – exceptional	**(6.4)**	**–**	**(6.4)**	–	–	–
Deferred tax	**15.3**	**–**	**15.3**	3.6	–	3.6
Taxation	**(8.7)**	**(17.6)**	**8.9**	2.9	(0.7)	3.6
(Loss)/profit for the year	**(2,022.3)**	**123.5**	**(2,145.8)**	(1,173.2)	189.5	(1,362.7)
Non-controlling interests	**71.4**	**3.7**	**67.7**	41.0	3.6	37.4
(Loss)/profit for the year attributable to owners of intu properties plc	**(1,950.9)**	**127.2**	**(2,078.1)**	(1,132.2)	193.1	(1,325.3)
Underlying earnings per share (pence)[1]	**n/a**	**9.5p**	**n/a**	n/a	14.4p	n/a

1 Calculated using basic shares. See note 12(a) for details on the weighted average number of shares.

Investment and development property (unaudited)

At 31 December 2019	Market value £m	Revaluation deficit	Net initial yield (EPRA)	'Topped-up' NIY (EPRA)	Nominal equivalent yield	Occupancy (EPRA)
Subsidiaries and joint operations						
intu Trafford Centre	1,669.5	–22%	5.2%	5.3%	5.3%	92%
intu Lakeside	1,000.0	–22%	4.8%	5.2%	5.5%	96%
intu Metrocentre	676.8	–20%	5.5%	6.0%	6.6%	92%
intu Merry Hill	587.6	–24%	5.5%	5.7%	6.2%	95%
intu Braehead	288.9	–33%	8.5%	8.5%	7.8%	98%
intu Watford	324.9	–20%	4.0%	4.5%	6.1%	97%
Manchester Arndale	309.0	–24%	5.5%	6.0%	6.2%	95%
intu Eldon Square	214.1	–24%	5.4%	5.7%	6.2%	97%
intu Milton Keynes	212.5	–18%	5.6%	5.7%	5.8%	97%
intu Victoria Centre	201.0	–24%	6.7%	7.0%	7.4%	98%
Cribbs Causeway	159.3	–27%	6.5%	6.6%	6.2%	98%
Other[B]	302.9					
Total IFRS	**5,946.5**					
Joint ventures						
St David's, Cardiff	230.0	–21%	5.6%	6.1%	6.0%	95%
intu Xanadú	233.8	–1%[A]	4.8%	5.0%	5.8%	96%
intu Chapelfield	106.5	–20%	5.9%	6.1%	6.0%	98%
intu Derby	77.3	–21%	7.5%	7.7%	7.7%	95%
Other[C]	39.2					
Total including Group's share of joint ventures	**6,633.3**		**5.66%[D]**	**5.93%[D]**	**6.16%[D]**	**95%**
Total at 31 December 2018 including Group's share of joint ventures	9,167.4		4.75%[D]	4.98%[D]	5.44%[D]	97%

A Calculated in local currency.

B Includes the Group's interests in intu Potteries, intu Broadmarsh, Soar at intu Braehead and development land in Spain.

C Includes the Group's interest in intu Uxbridge.

D Weighted average yields exclude developments.

E 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.

F 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.

G 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.

H Form of ownership is shown as either freehold (FH), leasehold (LH) or freehold and leasehold (FH/LH).

I Area shown is not adjusted for the proportion of ownership.

J Excludes owner occupied space.

Ownership	Form of Ownership[H]	Gross area million sq ft[I]	Number of stores	Annual property income	Headline rent ITZA	ABC1 customers
100%	FH	2.0	229	£93.4	£400	66%
100%	FH	1.6	257	£54.8	£300	69%
90%[E]	LH	2.1	304	£43.7	£280	54%
100%	FH	1.7	268	£39.2	£200	48%
100%	FH	1.1	125	£27.6	£150	66%
93%	LH	1.1	173	£18.5	£170	84%
48%[F]	LH	1.8	258	£20.1	£285	57%
60%	FH/LH	1.3	145	£13.1	£285	55%
100%	FH	0.4	57	£12.7	£200	68%
100%	FH	1.0	118	£17.8	£200	60%
33%[G]	FH/LH	1.1	154	£11.9	£250	74%
50%	FH/LH	1.4	203	£15.3	£212	71%
50%	FH	1.3[J]	207	€14.4	n/a	n/a
50%	FH	0.5	92	£7.6	£175	64%
26%	FH/LH	1.3	208	£7.2	£75	45%

Other property information

£m	31 December 2019	31 December 2018
Passing rent	**389.2**	428.9
Annual property income	**411.9**	474.1
ERV	**449.6**	566.3
Weighted average unexpired lease term	**6.3 years**	7.2 years

Amounts presented include the Group's share of joint ventures.

Top 20 customers

Rank	Customer	Number of leases 2019	Rent roll % 2019
1	Next	19	4%
2	Boots	21	3%
3	Arcadia	26	3%
4	Debenhams	10	3%
5	H&M	20	3%
6	Primark	11	2%
7	Dixons Carphone	29	2%
8	New Look	15	2%
9	JD Sports	20	2%
10	River Island	16	2%
11	A S Watson	42	2%
12	Marks & Spencer	16	2%
13	Signet Group	33	2%
14	Superdry	17	1%
15	Sainsbury's/Argos	13	1%
16	Watches of Switzerland	23	1%
17	Inditex	11	1%
18	Clarks	14	1%
19	Apple	12	1%
20	Frasers Group	13	1%

Financial covenants (unaudited)

The actual LTV and interest cover covenants are based on the latest certified figures, calculated in accordance with the loan agreements. The calculations are loan specific. Since the year end, we have utilised around £50 million from available resources to reduce the leverage levels in a small number of our facilities, including to manage the relevant LTV covenants.

For LTV covenants, the timing and manner of testing varies and for interest cover covenants the calculations include a variety of historical, forecast and in certain instances a combination of historical and forecast basis.

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	141.8	2021				
3.875 per cent bonds	450.0	2023				
4.625 per cent bonds	350.0	2028				
4.250 per cent bonds	350.0	2030				
	1,291.8		80.0%	70.1%	125.0%	184.5%

Covenants are tested on the Security Group, the principal assets of which are intu Lakeside, intu Braehead, intu Watford and intu Victoria Centre. During the year, intu Derby was withdrawn and the extension of intu Watford was added to the Secured Group Structure. Following this exchange, on 1 July 2019 £210.0 million of the SGS term loan was repaid.

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 at loan to value below 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 (CMBS) of £697.8 million at 31 December 2019. However, as this debt is amortising and the amortisation payments are included in the definition of finance costs, the affordability of the amortisation payments in relation to the cash generated by the asset is assessed quarterly. The Group has the ability to contribute cash into the structure in order to meet ongoing finance cost obligations. No additional contribution of cash has been required in 2019.

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	100.0%	71.4%	125.0%	193.8%

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 at loan to value below 70 per cent and interest cover above 1.4x. No financial covenant default occurs unless loan to value exceeds 100 per cent or the interest cover falls below 1.25x.

As the loan to value is above 70 per cent, a cash trap is now in effect which restricts payments outside of the security group.

Intu Debenture plc

	Loan £m	Maturity	Capital cover covenant	Capital cover actual	Interest cover covenant	Interest cover actual
	231.4	2027	150.0%	150.0%	100.0%	102.5%

The debenture is currently secured on a number of the Group's properties including intu Eldon Square, intu Potteries 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. Subsequent to year end, the Group has placed £15.0 million of additional security in a charged account.

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 2021[1]	£1,200.0m	£1,235.2m	120.0%	165.8%	125.0%	118.7%
£375m 2.875 per cent convertible bonds, due in 2022 (note 25)[2]	n/a	n/a	n/a	n/a	175.0%	33.3%

1 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.

2 Tested on the Group excluding, at the Group's election, the borrowings on certain subsidiaries with asset-specific finance.

Other asset-specific debt

Term facilities	Loan £m	Maturity	LTV covenant	LTV actual	Interest cover covenant	Interest cover actual
intu Uxbridge[1]	20.0[5]	2020	70.0%	64.1%	125.0%	314.0%
St David's, Cardiff	145.2	2021	65.0%	63.1%	150.0%	208.0%
intu Milton Keynes	137.5	2021	65.0%	64.7%	150.0%	213.9%
intu Trafford Centre, Barton Square[2]	25.0	2021	65.0%	28.6%	150.0%	401.1%
intu Trafford Centre	250.0	2022	65.0%	60.6%	103.0%[3]	104.9%
intu Chapelfield	69.0[6]	2023	65.0%	64.8%	150.0%	186.4%
intu Merry Hill	435.9[4]	2024	75.0%	74.3%	150.0%	254.0%
intu Derby[1]	38.8	2024	58.5%	50.2%[7]	250.0%	416.1%
intu Xanadú[1 (€)]	131.5	2022	65.0%	48.6%	150.0%	452.8%
Held for sale						
intu Asturias[1 (€)]	60.5	2021	65.0%	39.3%	150.0%	649.6%
intu Puerto Venecia[1 (€)]	112.5	2025	65.0%	45.0%	150.0%	486.5%

Development facilities	Loan £m	Maturity	Loan to development cost covenant	Loan to development cost	Loan to gross development value covenant	Loan to gross development actual
intu Trafford Centre, Barton Square[2]	19.9	2021	34.0%	26.5%	65.0%	35.9%
intu Broadmarsh	9.4	2022	60.0%	10.5%	55.0%	50.0%

1 Debt shown is consistent with the Group's economic interest. For intu Derby, this is the Group's economic interest at 31 December 2019 after considering our joint venture partner's structured equity interest.

2 In addition to the £25.0 million term facility, we have a committed development funding facility of £25.0 million of which £19.9 million was drawn at 31 December 2019.

3 Covenant is a debt service cover ratio (includes interest and scheduled debt repayments).

4 Loan is stated after a partial repayment of £25.0 million on 20 January 2020.

5 Loan is stated after a partial repayment of £6.0 million on 31 January 2020.

6 Loan is stated after a partial repayment of £5.0 million on 14 February 2020.

7 Covenant is only tested against initial valuation. Figure presented based on 31 December 2019 valuation.

Interest rate swaps

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. These swaps have the economic effect of converting borrowings from floating to fixed rates.

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 including the Group's share of joint ventures adjusted for swap repayments up to the date of these results:

	Nominal amount £m	Average rate %
In effect on or after:		
1 year	1,896.4	2.66%
2 years	1,720.2	2.81%
5 years	592.6	5.03%
10 years	582.3	5.01%
15 years	400.2	4.76%

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 European property companies and aim to encourage more consistent and widespread disclosure. The Group is supportive of this initiative but continues to disclose additional APMs throughout this report which it believes are more appropriate to the Group's current circumstances. These EPRA measures are calculated in accordance with the EPRA Best Practices Recommendations Guidelines.

In 2019, the Group retained its EPRA Gold Award for exceptional compliance with the EPRA Best Practice Recommendations.

The EPRA measures are summarised below and detailed in the tables following and notes referenced:

	Section	2019	2018
EPRA cost ratio (including direct vacancy costs)	2	**22.6%**	20.1%
EPRA cost ratio (excluding direct vacancy costs)	2	**16.1%**	15.3%
EPRA earnings	3	**£33.1m**	£210.5m
— per share	3	**2.5p**	15.7p
EPRA NAV	4	**£1,977.3m**	£3,947.1m
— per share	4	**147p**	293p
EPRA NNNAV	4	**£2,005.2m**	£3,640.7m
— per share	4	**149p**	271p
EPRA NIY	5	**5.7%**	4.8%
EPRA 'topped-up' NIY	5	**5.9%**	5.0%
EPRA vacancy rate	6	**5.1%**	3.3%

Details of the Group's performance against the EPRA Best Practice Recommendations on Sustainability Reporting can be found in full in the 2019 sustainability report. In 2019, the Group retained its Gold EPRA Sustainability Best Practice Recommendations award.

2 EPRA cost ratios

£m	2019	2018
Administration expenses – ongoing	**39.5**	42.9
Net service charge costs	**16.2**	17.0
Other non-recoverable costs	**44.5**	38.3
Share of joint ventures' adjusted items	**10.1**	8.4
Remove:		
Service charge costs recovered through rents	**(4.6)**	(4.3)
EPRA costs – including direct vacancy costs	**105.7**	102.3
Direct vacancy costs	**(27.1)**	(21.4)
Share of joint ventures' adjusted items	**(3.3)**	(2.9)
EPRA costs – excluding direct vacancy costs	**75.3**	78.0
Rent receivable	**424.0**	467.3
Rent payable	**(15.2)**	(13.5)
Share of joint ventures' adjusted items	**62.5**	59.3
Gross rental income less ground rent payable	**471.3**	513.1
Remove:		
Service charge costs recovered through rents	**(4.6)**	(4.3)
Gross rental income	**466.7**	508.8
EPRA cost ratio (including direct vacancy costs)	**22.6%**	20.1%
EPRA cost ratio (excluding direct vacancy costs)	**16.1%**	15.3%

3 EPRA earnings per share

£m	2019	2018
Loss attributable to owners of intu properties plc	**(1,950.9)**	(1,132.2)
Adjusted for:		
Revaluation of investment and development property (note 13)	**1,796.8**	1,332.8
Loss on disposal of subsidiaries (note 4)	**6.3**	8.5
Gain on sale of investment and development property	**(3.9)**	(1.4)
Write-down on recognition of joint ventures and other assets classified as held for sale (note 32)	**38.0**	–
Impairment of goodwill	**4.0**	–
Administration expenses – exceptional (EPRA defined)[1]	**–**	8.0
Other finance charges – exceptional (EPRA defined)[1]	**1.3**	–
Change in fair value of financial instruments (EPRA defined)[2]	**38.0**	(36.6)
Tax on the above items[3] (note 10)	**(16.6)**	(5.8)
Share of joint ventures' adjusted items	**186.1**	77.1
Share of associates' adjusted items	**1.2**	(2.2)
Non-controlling interests in respect of the above	**(67.2)**	(37.7)
EPRA earnings – basic	**33.1**	210.5
Dilutive convertible bonds, share options and share awards	**–**	–
EPRA earnings – diluted	**33.1**	210.5

Per share – basic[4] (pence)	**2.5p**	15.7p
Per share – diluted[4] (pence)	**2.5p**	15.7p

A reconciliation from EPRA earnings to the Group's APM of underlying earnings is provided below:

£m	2019	2018
EPRA earnings – basic	**33.1**	210.5
Adjusted for:		
Impairment of investment in associates (note 18)	**7.4**	–
Impairment of loan to associate	**5.5**	–
Administration expenses – exceptional (non-EPRA defined)	**3.4**	5.1
Other finance charges – exceptional (non-EPRA defined)	**35.6**	32.9
Change in fair value of financial instruments (unallocated swaps)	**34.9**	(50.7)
Other exceptional tax (note 10)	**6.4**	–
Share of joint ventures' adjusted items	**0.8**	(5.8)
Share of associates' adjusted items	**0.1**	1.1
Underlying earnings – basic	**127.2**	193.1
Per share – basic[4] (pence)	**9.5p**	14.4p

1 With the exception of termination costs on allocated interest rate swaps and costs related to acquisitions, which are both excluded from EPRA earnings, exceptional finance costs (as detailed in note 9) and exceptional administration expenses (as detailed in note 5) are included in EPRA earnings.
2 Fair value movements on interest rate swaps not currently used for economic hedges of debt (referred to as unallocated swaps) are included in EPRA earnings.
3 The tax expense in respect of the prior year minimum PID shortfall has been included within EPRA earnings.
4 See note 12(a) for the weighted average number of shares.

4 EPRA NAV per share and EPRA NNNAV per share

£m	2019 EPRA NAV	2019 EPRA NNNAV	2018 EPRA NAV	2018 EPRA NNNAV
Net assets attributable to owners of intu properties plc	**1,904.2**	**1,904.2**	3,811.7	3,811.7
Adjusted for:				
Fair value of derivative financial instruments (net of tax) (EPRA defined)[1]	**118.8**	**–**	96.8	–
Fair value of convertible bonds	**(120.1)**	**–**	(60.1)	–
Difference in fair value of debt over book value	**–**	**57.5**	–	(206.7)
Deferred tax on investment and development property	**0.9**	**–**	18.0	–
Share of joint ventures' adjusted items	**2.2**	**(40.5)**	9.4	(42.6)
Non-controlling interest included in the above amounts	**–**	**12.7**	–	7.0
Non-controlling interest recoverable balance not recognised	**71.3**	**71.3**	71.3	71.3
Net assets	**1,977.3**	**2,005.2**	3,947.1	3,640.7
Per share – diluted[2] (pence)	**147p**	**149p**	293p	271p

1 Fair value movements on interest rate swaps not currently used for economic hedges of debt (referred to as unallocated swaps) are included in EPRA NAV.

2 The diluted number of shares used of 1,346.1 million (2018: 1,345.6 million) has been adjusted to remove shares held in the ESOP and includes the impact of any dilutive convertible bonds, share options and share awards.

5 EPRA NIY and 'topped-up' NIY

£m	2019	2018
Investment and development property	**6,633**	9,167
Less developments	**(287)**	(342)
Completed property portfolio	**6,346**	8,825
Allowance for estimated purchasers' costs	**392**	609
Gross up completed property portfolio valuation	**6,738**	9,434
Annualised cash passing rental income	**412**	474
Property outgoings	**(31)**	(25)
Annualised net rents	**381**	449
Notional rent on expiration of rent-free periods or other lease incentives	**19**	25
Topped-up net annualised rent	**400**	474
EPRA NIY	**5.7%**	4.8%
EPRA 'topped-up' NIY	**5.9%**	5.0%

EPRA NIY and 'topped-up' NIY by property is given in investment and development property on pages 162 and 163.

6 EPRA vacancy rate

%	2019	2018
intu Trafford Centre	**7.6**	2.1
intu Lakeside	**4.3**	2.9
intu Metrocentre	**8.2**	5.1
intu Merry Hill	**5.4**	6.6
intu Braehead	**2.1**	1.3
intu Watford	**3.5**	3.9
Manchester Arndale	**4.9**	1.7
intu Eldon Square	**2.7**	1.4
intu Milton Keynes	**3.0**	1.7
intu Victoria Centre	**1.6**	1.8
Cribbs Causeway	**2.4**	2.6
St David's, Cardiff	**4.5**	7.8
intu Xanadú	**3.9**	2.3
intu Chapelfield	**2.3**	0.7
intu Derby	**5.1**	4.8
intu Puerto Venecia[1]	**n/a**	0.5
intu Asturias[1]	**n/a**	1.1
	5.1	3.3

1 Classified as held for sale at 31 December 2019 (see note 32).

Underlying profit statement (unaudited)
for the year ended 31 December 2019

The underlying profit information in the table below shows the Group including share of joint ventures on a line-by-line basis:

£m	Year ended 31 December 2019	Re-presented[1] Year ended 31 December 2018	Six months ended 31 December 2019	Re-presented[1] Six months ended 31 December 2018	Six months ended 30 June 2019	Re-presented[1] Six months ended 30 June 2018
Net rental income	**401.6**	450.5	**196.4**	227.4	**205.2**	223.1
Net other income	**3.6**	2.9	**2.2**	0.9	**1.4**	2.0
Administration expenses	**(40.5)**	(44.0)	**(19.7)**	(22.3)	**(20.8)**	(21.7)
Underlying operating profit	**364.7**	409.4	**178.9**	206.0	**185.8**	203.4
Finance costs	**(227.5)**	(223.0)	**(112.5)**	(114.4)	**(115.0)**	(108.6)
Finance income	**2.9**	2.6	**1.4**	1.3	**1.5**	1.3
Underlying net finance costs	**(224.6)**	(220.4)	**(111.1)**	(113.1)	**(113.5)**	(107.3)
Underlying profit before tax and associates	**140.1**	189.0	**67.8**	92.9	**72.3**	96.1
Tax on underlying profit	**(17.6)**	(0.7)	**(8.9)**	(0.3)	**(8.7)**	(0.4)
Share of underlying profit of associates	**1.0**	1.2	**0.4**	0.6	**0.6**	0.6
Remove underlying amounts attributable to non-controlling interests	**3.7**	3.6	**1.5**	1.4	**2.2**	2.2
Underlying earnings	**127.2**	193.1	**60.8**	94.6	**66.4**	98.5
Underlying EPS (pence)	**9.5p**	14.4p	**4.5p**	7.0p	**4.9p**	7.3p
Weighted average number of shares (million)	**1,344.5**	1,343.7	**1,344.7**	1,343.8	**1,344.3**	1,343.6

1 See note 1 for details of re-presented amounts.

Financial record
2015-2019

	2015	2016	2017	2018	**2019**
Net rental income	£428m	£447m	£460m	£451m	**£402m**
Underlying earnings	£187m	£200m	£201m	£193m	**£127m**
Underlying earnings per share	14.2p	15.0p	15.0p	14.4p	**9.5p**
Dividend per share	13.7p	14.0p	14.0p	4.6p	**–**
Property revaluation surplus/(deficit)	£351m	£(64m)	£47m	£(1,405m)	**£(1,980m)**
Market value of investment and development property	£9,602m	£9,985m	£10,223m	£9,167m	**£6,633m**
Net external debt	£4,139m	£4,364m	£4,836m	£4,867m	**£4,498m**
Debt to assets ratio	43.1%	43.7%	45.9%	53.1%	**67.8%**
Interest cover	1.91x	1.97x	1.94x	1.91x	**1.67x**
Change in like-for-like net rental income	1.8%	3.6%	0.5%	0.6%	**-9.1%**
Occupancy	96%	96%	97%	97%	**95%**
Change in footfall (like-for-like)	+0%	+1.3%	+0%	-1.6%	**+0.3%**

Amounts presented include the Group's share of joint ventures.

Glossary

ABC1 visitors Proportion of visitors 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.

APM (alternative performance measure) Financial measure of historical or future financial performance, position or cash flows of the Group that are not defined or specified in IFRS. See presentation of information on pages 157 to 161 for further details.

Annual property income The Group's share of passing rent plus the independent external valuers' estimate of annual excess turnover rent and sundry income such as from car parks and mall commercialisation.

CACI Provides market research on intu's visitors and UK-wide location analysis.

Debt to assets ratio Net external debt divided by the market value of investment and development property. Calculated including the Group's share of joint ventures.

Diluted figures Reported amounts adjusted to include the effects of dilutive potential shares issuable under convertible bonds and employee incentive arrangements.

EPS (earnings per share) Profit/loss for the year attributable to owners of intu properties plc divided by the weighted average number of shares in issue during the year.

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.

EPRA cost ratios The ratio of administration and operating costs (including and excluding direct vacancy costs) divided by gross rental income, as calculated in accordance with EPRA Best Practice Recommendations. See EPRA measures on pages 167 to 170 for further details.

EPRA earnings IFRS profit/loss adjusted to exclude valuation movements, certain exceptional items and related tax, as calculated in accordance with EPRA Best Practice Recommendations. Per share measure calculated on basic and diluted shares. See EPRA measures on pages 167 to 170 for further details.

EPRA NAV IFRS NAV 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 as calculated in accordance with EPRA Best Practice Recommendations. Per share measure calculated on diluted shares. See EPRA measures on pages 167 to 170 for further details.

EPRA net initial yield (NIY) 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, as calculated in accordance with EPRA Best Practice Recommendations and as provided by the Group's independent external valuers.

EPRA NNNAV EPRA NAV adjusted to reflect the fair value of borrowings, derivative financial instruments and deferred tax on revaluation of investment and development property, as calculated in accordance with EPRA Best Practice Recommendations. See EPRA measures on pages 167 to 170 for further details.

EPRA 'topped-up' NIY EPRA NIY adjusted for the expiration of rent-free periods and other unexpired lease incentives.

EPRA vacancy rate The ERV of vacant space divided by total ERV.

ERV (estimated rental value) The independent external valuers' estimate of the Group's share of the current annual market rent of all lettable space after expiry of concessionary periods.

Exceptional items Items that in the directors' view are required to be separately disclosed by virtue of their size, nature or incidence. These include administration expenses – exceptional (as disclosed in note 5), other finance charges – exceptional (as disclosed in note 9) and current tax – exceptional (as disclosed in note 10). Underlying earnings is considered to be a key measure in understanding the Group's financial performance and excludes exceptional items.

Headline rent ITZA Annual contracted rent per square foot after expiry of concessionary periods in terms of Zone A.

Interest cover Underlying operating profit/loss divided by the net finance costs excluding the change in fair value of financial instruments, other finance charges – exceptional and amortisation of the Metrocentre compound financial instrument. Calculated including the Group's share of joint ventures.

Interest rate protection The proportion of debt where interest obligations are fixed (including debt where interest rate swaps are used to fix interest obligations) expressed as a percentage of total debt excluding finance leases and 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.

Like-for-like amounts 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. See presentation of information on pages 157 to 161 for further details.

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.

MSCI Producer of an independent benchmark of property returns.

NAV (diluted, adjusted) IFRS NAV 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. Per share measure calculated on a diluted basis.

NAV (net asset value) 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 Total borrowings less cash and cash equivalents and the Metrocentre compound financial instrument calculated including the Group's share of joint ventures.

Net rental income (NRI) 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 incentives.

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 ERV of let and under-offer units divided by total ERV, 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.

Occupancy cost ratio (OCR) The ratio of a unit's occupancy costs (rent, rates and service charge) against the sales generated.

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. Contracted annual rents in respect of tenants in administration are excluded.

PMA Property Market Analysis LLP, a producer of property market research and forecasting.

PID (Property Income Distribution) A dividend, generally subject to UK withholding tax at the basic rate of income tax, that a UK REIT pays 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 that are not subject to UK withholding tax.

REIT (Real Estate Investment Trust) 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 order for profits of UK property rental businesses to be exempt from corporation tax, a REIT 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 PIDs. 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 may offer 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.

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 Equivalent to EPRA 'topped-up' NIY (see definition).

Total property return (TPR) 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 MSCI.

Underlying earnings IFRS profit/loss adjusted to exclude valuation movements, exceptional items and related tax. Per share measure calculated on basic shares. See presentation of information on pages 157 to 161 for further details.

Underlying operating profit/loss Consists of net rental income, net other income and administration expenses – ongoing. Calculated including the Group's share of joint ventures.

Registered Office

40 Broadway, London SW1H 0BT
Registered in England & Wales no. 3685527
LEI: 213800JSNTERD5CJZO95

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

Link Asset Services
PXS, 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) 871 664 0300
Email: enquiries@linkgroup.co.uk
signalshares.com

For shareholders registered in South Africa

Link Market Services
13th Floor, 19 Ameshoff Street,
Braamfontein 1709
South Africa
Postal address:
PO Box 4844
Johannesburg 2000, South Africa
Email: info@linkmarketservices.co.za

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 signalshares.com to obtain details of their shareholdings and dividends. The shareholder's surname, Investor Code (found on the share certificate) and postcode are required to use this service. Shareholders may also use this service to amend or change their address and dividend mandate details.

Share dealing

Existing UK shareholders may trade intu properties plc shares through Link Share Dealing Services which provides a real-time online, telephone and postal dealing service.

Contact details are:
linksharedeal.com
Telephone (within UK) 0371 664 0445 (calls are charged at the standard geographic rate and will vary by provider; lines are open 8.00am to 4.30pm Monday to Friday)
(outside UK) +44 (0) 371 664 0445 (calls outside the UK are charged at the applicable international rate)

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 helpline on 0800 202 363 or +27 (0) 11 870 8207 if phoning from outside South Africa or email charityshares@computershare.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 (signalshares.com) and following the instructions given to register an email address.

South African certified shareholders may register to receive email alerts by written instruction to the South African Registrar, Link Market Services, by email (info@linkmarketservices.co.za). South African shareholders who hold their shares in dematerialised form, should update their email addresses directly through their broker or custodian. 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.

This report contains 'forward-looking statements' regarding the belief or current expectations of intu properties plc, its directors and other members of its senior management about intu properties plc's businesses, financial performance and results of operations. These forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of intu properties plc and are difficult to predict, that may cause actual results, performance or developments to differ materially from any future results, performance or developments expressed or implied by the forward-looking statements.

These forward-looking statements speak only as at the date of this report. Except as required by applicable law, intu properties plc makes no representation or warranty in relation to them and expressly disclaims any obligation to update or revise any forward-looking statements contained herein to reflect any change in intu properties plc's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Any information contained in this report on the price at which shares or other securities in intu properties plc have been bought or sold in the past, or on the yield on such shares or other securities, should not be relied upon as a guide to future performance.

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020 7960 1200
intugroup.co.uk