



Telling our **brand new story**  
Annual Report 2012

For further information go online  
[intugroup.co.uk](http://intugroup.co.uk)



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\* These sections of the report include items required to be stated in accordance with Section 417 of the Companies Act 2006 – Business Review.

**On 15 February 2013 the Company changed its name from Capital Shopping Centres Group PLC to Intu Properties plc. Throughout this document the Company is referred to as Intu Properties plc.**

Passionate about providing people with their perfect shopping experience, we help retailers flourish.



And it's this that powers our business, driving our long-term success.

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We own some of the very best centres in the strongest locations right across the country. Offering easy access to great places for shopping and socialising to more people than anyone else, we attract over 320 million customer visits each year.





There was a time when our business was fairly straightforward. We created buildings and filled them with shops. **We kept them clean, comfortable and attractive. We marketed spaces, collected rents and encouraged people to visit us.**



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But things change. These days people expect far more from their shopping centres, and the journey they take in making a purchase is more complex than ever. So, building on what we've always done well, we're committed to making our centres even better.



And how are we doing this? Certainly by continuing to provide the best places to meet, eat, drink and be sociable. **And by continuing to offer access to every one of the UK's top 20 retailers and the iconic global brands our customers love.**



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But most important, through our new brand intu, we will create uniquely compelling experiences, surprising and delighting our customers. **This means providing both consistently outstanding service and the technology people need to get in touch and stay connected.**





With all of our staff fully energised by this vision, we will attract more customers, who will want to come back again and again. This will help create value for our retailers, our communities, our investors and ourselves.



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# 2012 Highlights

## Operational highlights

### Out-performed in challenging market background

- property valuations increased 0.6 per cent, comparing favourably with benchmark index which fell 5.8 per cent
- high occupancy at 96 per cent; successful relettings partly offsetting impact of tenant failures which represented 6 per cent of rent roll
- signed 169 long-term leases for £44 million new annual rent at an average 7 per cent above previous passing rent and in line with valuation assumptions
- underlying earnings per share 16.1 pence (2011 – 16.5 pence)

### Progressed active management and major extension projects

- pipeline now amounts to £1 billion programme over 10 years
- represents some 2,300,000 sq. ft. of new retail, restaurants and leisure of which 650,000 sq. ft. consented
- acquired strategic sites at Metrocentre, Cribbs Causeway, Braehead and Manchester Arndale

### Improved financial flexibility

- £300 million 2.5 per cent convertible bonds due 2018 issued in October
- cash and committed facilities of £563 million at 31 December 2012

### Launched nationwide consumer-facing brand and transformed digital proposition

- announced January 2013, corporate name change effective 18 February 2013, consumer launch in May 2013
- installing high capacity fibre optic networks enabling free WiFi and other digital services from March 2013
- transactional website from spring 2013



96% Occupancy



169 new long-term leases signed



£1bn 10-year pipeline of projects



320 million customer visits

## Financial highlights<sup>1</sup>

	Twelve months ended 31 December	
	2012	2011 <sup>2</sup>
Net rental income (£m)	<b>363</b>	364
Underlying earnings (£m)	<b>138</b>	139
Property revaluation surplus (£m)	<b>41</b>	63
Profit for the year (£m)	<b>159</b>	34
Underlying EPS (pence)	<b>16.1</b>	16.5
Dividend per share (pence)	<b>15.0</b>	15.0
	As at 31 December	
	2012	2011
Market value of investment properties (£m)	<b>7,073</b>	6,960
Net external debt (£m)	<b>3,504</b>	3,374
NAV per share (diluted, adjusted) (pence)	<b>392</b>	391
Debt to asset ratio (per cent)	<b>49.5</b>	48.5

1 Please refer to glossary for definition of terms.

2 2011 earnings data includes Trafford Centre results for the 11 months from its acquisition.

3 2009 figures have been re-stated to remove the impact of the Capco business following the demerger in May 2010.

### Net rental income

<b>2012</b>	<b>£363m</b>
2011	£364m
2010	£277m
2009 <sup>3</sup>	£267m

### Underlying EPS

<b>2012</b>	<b>16.1p</b>
2011	16.5p
2010	15.4p
2009 <sup>3</sup>	15.1p

### Dividend per share

<b>2012</b>	<b>15.0p</b>
2011	15.0p
2010	15.0p
2009 <sup>3</sup>	15.0p

### NAV per share

<b>2012</b>	<b>392p</b>
2011	391p
2010	390p
2009 <sup>3</sup>	339p

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## Chairman's statement

# We are now seeing tremendous benefits from focusing exclusively on prime regional shopping centres



**Patrick Burgess**  
Chairman

2012 has been another year of considerable progress for the Group. It is still under three years since we completed the demerger of Capital & Counties and two years since the completion of the Trafford Centre transaction, which is now fully integrated into the overall business. Both of these moves have been very positive for shareholders and we are now seeing tremendous benefits from focusing exclusively on prime regional shopping centres.

We are by some margin the largest owner of regional shopping centres in the UK with ten of the UK's top 25 centres and the largest landlord to many retailers. We estimate some 30 million unique visitors, around half the UK's population, enter our centres every year.

Shopping habits and technology have of course moved on quite a way over the last two years. Much has been written about the changing world of retail, with statistics such as half of UK internet users now making use of the internet at some stage in the shopping process and by mid 2012 over half of fashion consumers having used a mobile device to make purchases. In our case last year 9 million unique devices accessed our shopping centre websites, half of which were mobiles.

Through our focus on the prime centres in the UK, we have in our view been a beneficiary of these changes. Consumer activity and retailer investment have been focusing increasingly on the top centres such as ours. Further, our tenant mix has changed positively, with the rise of Apple as a retailer being one of the most obvious examples. Generally retailers have performed well where they have successfully combined the website and physical experience. We have also seen a surge in demand for food and beverage outlets as lifestyles have changed.



# “The virtuous circle of improved customer experience driven by motivated customer service attracting leading retailers is a powerful force.”



But one thing is for sure, as a major landlord in this fast changing arena, we have to keep raising our game and doing so entails some radical changes throughout the whole organisation. It is this comprehensive approach on which the management team and your Board have been focused.

As a reflection of our determination to keep the Company at the forefront of the industry, in January this year we announced the creation of a nationwide consumer facing shopping centre brand and the transformation of our digital proposition. I note with pleasure that this statement is the first to be issued under our new corporate name of Intu Properties plc (‘Intu’), with individual centres to add ‘intu’ as a prefix to their name from May 2013 onwards.

Prior to this change of name, no obvious link has existed between the parent company and the individual centres. The centres themselves had no obvious connection between each other, which has resulted in considerable disparity in terms of how the centres present themselves, in signage, way-finding, marketing collateral, websites – the list goes on. We believe a single common thread across all our centres is essential for the digital world and will also bring huge benefits in terms of customer recognition, more effective use of our annual marketing budget, national marketing opportunities and an opportunity to refresh the physical look and feel of our centres.

A further key part of January’s announcement was a major investment in digital infrastructure to provide free WiFi to customers through a new fibre-optic network. Taking advantage of the changing technology, we are installing this infrastructure in a way which ensures direct ownership of the network and WiFi technology and is a future-proofed high quality solution.

Our research has indicated a massive opportunity for us to deliver more to the consumer and we have also announced the launch in spring 2013 of a fashion focused and mobile enabled transactional website, further enhancing the experience of our digitally connected customers.

Customer service has been a priority for many years. The experience of a visitor to a shopping centre of course starts long before the visitor actually arrives at a shop and our guiding principle has been that every shopper should feel better about life after a visit to one of our centres. We intend to keep improving through what we have termed our World Class Service programme which will ripple right through the entire organisation, with the common brand an essential factor in the delivery of an upgraded customer experience.

## Activities in the year

The initiatives referred to above represent only one element of the important activities at the Company over the last 12 months. Our shopping centres have increased in value and shown considerable operating resilience. We have also made great strides with our many promising expansion and improvement projects, including clearing significant planning hurdles. Our plans for the future are outlined in the Operating review. We look forward eagerly to the growth opportunities ahead of us.

## Directors and staff

I would like to record our thanks to John Abel who is retiring from the Board at this year’s AGM. His contribution, backed by very long experience in the shopping centre industry, has been invaluable.

We welcome to the Board Adèle Anderson who brings accountancy expertise and the judgement derived from her breadth of experience in executive and non-executive roles.

I must pay tribute to the immense amount of effort and enthusiasm which all the Group’s executives and staff have put in to running the business in the year under review.

Our recent announcement underlines the dynamic and engaging culture based on three core values – creative, bold and genuine – now reinforced throughout the Group.

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## Economic contribution and Corporate Responsibility ('CR')

People are at the heart of our business and our CR projects and community partnerships focus on them. Our approach targets support, primarily for disadvantaged young people, by complementary actions involving centre-based initiatives and larger, corporate programmes, the latter increasingly arranged to develop and grow over more than a single year reflecting our long-term vision. Current partners include Education Business Partnerships, The Conservation Volunteers, Outward Bound and the Tyneside Cinema.

All our projects promote the direct involvement of Intu team members and this approach was celebrated by our achievement of the BitC Community Mark in 2010. Only 38 UK organisations currently hold the 3 year award and we successfully passed the mid-term review during 2012.

In March 2012 we successfully renewed our Carbon Trust Standard accreditation, a measure of our embedded approach to energy sustainability and carbon management. Further evidence of our success, going well beyond easy rhetoric, came when we were ranked as a Green Star in the 2012 round of the Global Real Estate Sustainability Benchmark ('GRESB').

## Dividends

The Directors are recommending a final dividend of 10.0 pence per share bringing the amount paid and payable in respect of 2012 to 15.0 pence, the same as 2011 and covered by the underlying earnings per share for 2012 of 16.1 pence.

Following the approval by shareholders at the Annual General Meeting on 25 April 2012 of the scrip dividend scheme and its successful implementation for the 2012 interim dividend, the Board may choose to offer a scrip dividend alternative for the 2012 final dividend.

Should the Board decide to do so shareholders will be advised no later than 5 April 2013. The Board's decision will be dependent on the stock market conditions, in particular the level of the share price relative to the net asset value per share, up to that date.

Details of the apportionment between the PID and non-PID elements per share will be confirmed at that time as, in the event of a scrip alternative being offered, the cash dividend may be wholly PID and the scrip alternative may be partly PID and partly non-PID.

## Concluding remarks

The Group has delivered a strong performance in 2012, with the quality of our assets and teams demonstrated by the considerable out-performance of national benchmarks against a challenging economic background.

While the major announcement in January of the new brand and digital initiatives represented the culmination of a significant amount of preparatory work, we are only at the very beginning of a new phase in the Company's life, with our market leadership position in the sector providing ample opportunities for growth whether organically or by acquisition.

The virtuous circle of improved customer experience driven by motivated customer service attracting leading retailers is a powerful force.

In this context enhancing footfall, improving dwell time, increasing average spend, improving the retail mix and new sources of income are all realistic and promising goals.



**Patrick Burgess**  
Chairman

27 February 2013

# Governance and remuneration overview

## Corporate Governance

The governance structure of the Group, set out in detail in the Governance section on pages 60 to 73, is well established and includes delegated committees of the Board operating under specified terms of reference, established authority limits at Board, Committee and individual level, and various policies and procedures to cover specific matters such as transactions out of the ordinary course of business and a Board Protocol to be observed for all related party transactions.

The Board Protocol was adopted in 2012 for situations where a proposed transaction could be captured by the related party provisions of the Listing Rules or by the Companies Act 2006, and was observed during the Company's transactions with the Peel Group (of which John Whittaker is Chairman) in early 2012.

Succession planning, particularly at Board level, has been a key element of the work of the Nomination and Review Committee and the Board in 2012 following the decisions of John Abel and Rob Rowley to retire as Non-Executive Directors. We appointed Adèle Anderson as a new Non-Executive Director and member of the Audit Committee on 22 February 2013; Adèle will take over from Rob Rowley as Chairman of the Audit Committee in due course.

Adèle's appointment also results in an increase in the proportion of women (from 9 per cent at the end of 2012 to 20 per cent at the end of 2013 assuming there are no further board changes) on the Intu Board, demonstrating our ongoing commitment to boardroom diversity but without comprising the overriding requirement to appoint the best qualified candidate for the role.

Intu has adopted most of the new provisions of the 2012 UK Corporate Governance Code and will introduce measures during 2013 to address the remaining new Code requirements which relate to ensuring the integrity of the annual report and accounts.

## Remuneration

The Remuneration Committee carried out a root-and-branch review of remuneration policy, followed by a comprehensive process of consultation with large shareholders seeking views on our proposed new remuneration policy.

The key areas of focus for the Remuneration Committee in 2012 have been:

- Proposed new remuneration policy to be introduced effective from 1 January 2013 subject to shareholder approval at the forthcoming AGM. The proposed new policy has been the subject of a comprehensive consultation with shareholders
- The Executive Directors' salaries will be increased by 4.9 per cent from 1 April 2013, broadly in line with increases across the Group
- The annual bonus awarded to the Executive Directors for the year ended 31 December 2012 was determined by the Remuneration Committee under the rules of the existing bonus scheme, which will cease to operate, subject to approval by shareholders of the new proposals at the forthcoming AGM. If approved, the new arrangements will take effect from 1 January 2013.
- Improved transparency through early adoption of the majority of the Government's new recommendations for remuneration report structure and content

Shareholder concerns raised during the 2012 reporting season have also been addressed, in particular the continued use of a single-performance criteria and cliff-vesting for awards of options, and the Remuneration Committee's discretion to accelerate the vesting of options on a change of control. The new PSP provides for sliding scale vesting on two separate performance criteria, measured over three, four and five-year periods. Additionally, the rules of the PSP provide that, on a change of control, awards of Performance Shares under the plan will vest to the extent that the Committee determines that any applicable performance conditions have been or would likely have been satisfied. The number of shares to vest in such circumstances will also generally be reduced to reflect a reduced service period.

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// We've worked on our retailer mix and catering offer, made high impact low outlay improvements and pursued consents for future growth. //





## Case study Braehead – bringing it all together

All the elements of Intu's asset management approach and operational strategy can be seen working together at Braehead, Scotland's best shopping and leisure complex.

We've reappraised the centre and made changes. We've worked on our retailer mix and catering offer, made high impact low outlay improvements, and pursued consents for future growth.

We have made good progress in bringing in new names such as Schuh. And we're providing growth opportunities for successful retailers including Next, who are expanding into a new 35,000 sq. ft. store.

We have invested in the food offer. As well as increasing the range, including a glamorous champagne bar, we've moved escalators to strengthen links with the main mall. We have refreshed the upper level with double height signage zones giving the mall a totally different feel.

At the same time we have established an 11 per cent increase in headline rent.

In early 2012 we bought 30 acres of land for future development and in December we took full ownership of the Xscape leisure scheme.

In November 2012 the Council resolved to recognise Braehead as a town centre and in January 2013 we submitted a planning application for a major expansion including a transport interchange, entertainment facilities, a hotel and 440,000 sq. ft. of retailing.

# £200m

Proposed investment

# 11%

Increase in headline rent psf

# Business model and strategy

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## Business model

Our focus, scale and quality set us apart allowing us to create value for shoppers, retailers and shareholders

We provide people with the perfect shopping experience



With shopping centres in the best locations across the country.

And by developing and actively managing these centres to provide the right mix of retail, leisure and catering.

Allowing us to establish enduring relationships with retailers



The powerful footfall that results is a compelling attraction for retailers.

While we demonstrate operating excellence, managing our centres to provide the right trading environment.


### Our business model is enabled by:


#### Talented employees

Professional, motivated and empowered teams, specialists in their field, focused on creating mutually-beneficial opportunities and relationships with partners.

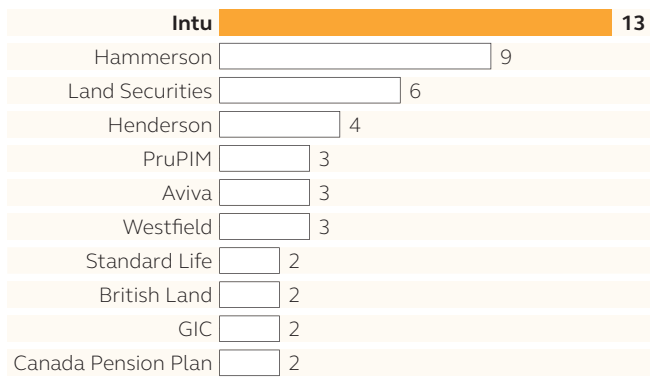
#### A robust capital structure

Astute financial management to maximise funding options for disciplined and shrewd investment.

 See Our people on pages 22 to 25

 See Financial review on pages 44 to 49

**Ownership of major UK shopping centres\***



\* Number of shopping centres >400,000 sq. ft. in 50 highest rented locations where owner has at least 33 per cent share. Source: PMA 2012

10

Of the top 25 UK shopping centres

2/3

Of the population live within 45 minute drive of an Intu centre

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**Which delivers long-term growth for Intu**



This ensures that occupancy remains strong. And drives rental income over the long term.

**And generates returns for shareholders**

Our thriving centres are sought-after investments, supporting access to capital and creating value for shareholders.

**A long-term focus**  
Creative and collaborative approach to long-term investment and growth, facilitated by development expertise and community focus.

See Corporate responsibility on pages 52 to 57

**A balanced approach to risk**  
Risk management is underpinned by rigorous analysis in the context of potential threats to strategic objectives.

See Key risks and uncertainties on pages 26 and 27

# Strategy

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

We provide people with the perfect shopping experience 


## Strategic objective

To provide compelling destinations for shoppers


## How we are delivering on our strategy


- Finding and showcasing the best mix of retailers
- The most accessible locations for shopping and socialising
- Excellent service, security and facilities
- Marketing events that create theatre and experience

## Progress 2012

- 26 new brands to our centres in 2012 including Forever 21, Nespresso and Hamley's. Compelling brands such as Apple, Armani AX, L'Occitane, Office, Swarovski and Thomas Sabo introduced to new cities
- Exciting new catering concepts introduced at most centres during 2012  See case study on page 43
- Thousands attracted to our centres to take part in Elite's national model search - nationwide media coverage of Braehead-based winner

## Ongoing initiatives

- 1,800 staff involved in 'World Class Service' programme - coming to all intu centres in 2013  See Operating review on page 41
- High profile national marketing events uniquely deliverable through Intu's network of prime centres

Allowing us to establish enduring relationships with retailers 


## Strategic objective

To be the landlord that retailers want to do business with

## How we are delivering on our strategy

- Highest footfall locations across the UK
- Specialist and collaborative approach to retail change
- Impeccable yet cost-effective facilities management
- Consistently deliver creative developments
- Innovative and effective marketing

## Progress 2012

- Creative reconfigurations to deliver larger stores for Apple at Arndale, Schuh at Braehead, Forever 21 at Lakeside  See Operating review on page 39
- Fourth successive year of improvement in Real Service retailer survey results - 'Willingness to Recommend' up three percentage points

## Ongoing initiatives



- Launching intu.co.uk in April 2013, a transactional, fashion-focused, mobile-enabled website with a curated range of products from our retailers
- Nationwide intu brand will much improve the effectiveness of centre-by-centre marketing spend




## Which delivers long-term growth for Intu

**Strategic objective**  
 To create long-term and sustainable growth in net rental income

- How we are delivering on our strategy**
- Astute investment in improvements
  - Specialist knowledge of emerging occupier and management trends
  - Non-rental income from shopping centres
  - Long-term partnerships with local authorities and communities

- Progress 2012**
- Sector-leading innovation to direct leasing proves highly successful at Chimes, Uxbridge – now 100 per cent let with Swarovski and Office introduced  
 See case study on page 59
  - Replacing 55,000 lamps with LED lighting to save 8,000 tonnes of carbon a year with just a three year payback period  
 See CR report on page 55


- Ongoing initiatives**
- Active management and major organic development projects being progressed at several centres with a view to long-term income growth  
 See Operating review on pages 39 and 40

## And generates returns for shareholders

**Strategic objective**  
 To generate superior shareholder returns through dividend growth and capital appreciation

- How we are delivering on our strategy**
- Tight cost control and lean operation
  - Efficient use of debt markets
  - Creative involvement of non-equity partners

- Progress 2012**
- Well-timed convertible bond issue broadens the capital structure and accesses funds at a historically low interest rate  
 See Financial review on pages 44 to 49
  - Planning consent obtained for an additional 650,000 sq. ft. of retail and catering across the UK  
 See Operating review on page 40

- Ongoing initiatives**
- Currently working with banks and advisers on a new debt funding platform  
 See Financial review on page 49



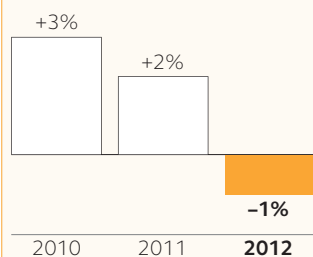
See how we're performing against our KPIs on pages 20 and 21

# Key performance indicators

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

## 1. To provide compelling destinations for shoppers

### Footfall



#### Why is this important?

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

#### How is this measured?

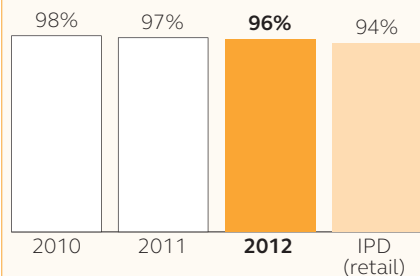
Footfall numbers across Intu's centres, including those managed by our partners, are captured using a combination of person or car counting cameras located at specific entrance and exit points within the centre.

#### How have we performed?

Although footfall fell slightly in the year, the Group's centres continue to out-perform the national benchmark which showed a three per cent reduction in 2012, as measured by Experian.

## 2. To be the landlord that retailers want to do business with

### Occupancy



#### Why is this important?

Intu aims to maximise the occupancy of its properties as vacant space will adversely impact on a centre's trading environment.

#### How is this measured?

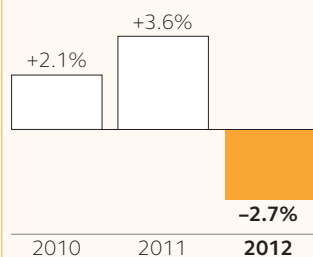
The passing rent of the Group's properties currently occupied expressed as a percentage of the passing rent of occupied and the ERV of unoccupied properties.

#### How have we performed?

Occupancy is marginally below the 2011 comparable figure but remains above the IPD benchmark figure.

## 3. To create long-term and sustainable growth in net rental income

### Like-for-like net rental income



#### Why is this important?

Measures the organic growth in income generated from the Group's properties in the year.

#### How is this measured?

Removes from the year-on-year movement in net rental income the impact of acquisitions, developments and disposals.

#### How have we performed?

The reduction in the like-for-like net rental income was due to successful relettings only partly offsetting the impact of tenant failures in 2012.

- Current year
- Historic comparative
- Benchmark comparative



See Corporate Responsibility KPIs on pages 51 to 57

## 4. To generate superior shareholders returns through dividend growth and capital appreciation

Shareholder return	Why is this important?	How is this measured?	How have we performed?															
<p>Waterfall chart showing Shareholder Return from 2010 to 2012. The chart shows a +7% gain in 2010, a -14% drop in 2011, and a +17% gain in 2012. The FTSE REIT Index* shows a +30% gain over the period.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Shareholder Return</th> <th>FTSE REIT Index*</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>+7%</td> <td></td> </tr> <tr> <td>2011</td> <td>-14%</td> <td></td> </tr> <tr> <td>2012</td> <td>+17%</td> <td></td> </tr> <tr> <td>FTSE REIT Index*</td> <td></td> <td>+30%</td> </tr> </tbody> </table>	Year	Shareholder Return	FTSE REIT Index*	2010	+7%		2011	-14%		2012	+17%		FTSE REIT Index*		+30%	<p><b>Why is this important?</b> Combines share price movement and dividends to produce a direct measure of the movement in shareholder value in the year.</p>	<p><b>How is this measured?</b> Uses the movement in share price during the year plus dividends paid in the year. †</p>	<p><b>How have we performed?</b> Both the Group and the FTSE REIT index out-performed the UK stockmarket in 2012. However strong performance from Central London property focused companies' shares lead to the Group's share price growth not matching the UK REITs index in the year.</p>
Year	Shareholder Return	FTSE REIT Index*																
2010	+7%																	
2011	-14%																	
2012	+17%																	
FTSE REIT Index*		+30%																
Total financial return‡	Why is this important?	How is this measured?	How have we performed?															
<p>Bar chart showing Total Financial Return from 2010 to 2012. The returns are 20% in 2010, 4% in 2011, and 4% in 2012.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Total Financial Return</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>20%</td> </tr> <tr> <td>2011</td> <td>4%</td> </tr> <tr> <td>2012</td> <td>4%</td> </tr> </tbody> </table>	Year	Total Financial Return	2010	20%	2011	4%	2012	4%	<p><b>Why is this important?</b> This is a measurement of the total return movement in the Group's balance sheet value through the change in the Group's property valuations and its capital structure.</p>	<p><b>How is this measured?</b> Uses the movement in adjusted net asset value plus the impact of dividends paid in the year.</p>	<p><b>How have we performed?</b> Total return in the year largely comprises the dividend paid in the year as despite an increase in the Group's property valuations, net asset value growth was restricted by exceptional costs.</p>							
Year	Total Financial Return																	
2010	20%																	
2011	4%																	
2012	4%																	
Income performance	Why is this important?	How is this measured?	How have we performed?															
<p>Bar chart showing Income Performance from 2010 to 2012. The values are 15.4p in 2010, 16.5p in 2011, and 16.1p in 2012.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Income Performance</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>15.4p</td> </tr> <tr> <td>2011</td> <td>16.5p</td> </tr> <tr> <td>2012</td> <td>16.1p</td> </tr> </tbody> </table>	Year	Income Performance	2010	15.4p	2011	16.5p	2012	16.1p	<p><b>Why is this important?</b> The measure gives the underlying income generated in the year which gives an indication of the Group's ability to pay dividends.</p>	<p><b>How is this measured?</b> Uses underlying earnings per share, which excludes property and derivative valuation movements and exceptional income or charges.</p>	<p><b>How have we performed?</b> Underlying earnings per share fell slightly in the year due to the impact of tenant administrations more than offsetting additional rent from new lettings and lower underlying finance costs.</p>							
Year	Income Performance																	
2010	15.4p																	
2011	16.5p																	
2012	16.1p																	
Prime property assets	Why is this important?	How is this measured?	How have we performed?															
<p>Waterfall chart showing Prime Property Assets from 2010 to 2012. The chart shows a +11% gain in 2010, a +1.0% gain in 2011, and a +0.6% gain in 2012. The IPD monthly index (retail) shows a -5.8% drop over the period.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Prime Property Assets</th> <th>IPD monthly index (retail)</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>+11%</td> <td></td> </tr> <tr> <td>2011</td> <td>+1.0%</td> <td></td> </tr> <tr> <td>2012</td> <td>+0.6%</td> <td></td> </tr> <tr> <td>IPD monthly index (retail)</td> <td></td> <td>-5.8%</td> </tr> </tbody> </table>	Year	Prime Property Assets	IPD monthly index (retail)	2010	+11%		2011	+1.0%		2012	+0.6%		IPD monthly index (retail)		-5.8%	<p><b>Why is this important?</b> Measures the capital return on the Group's property assets and compares this with the IPD index, a recognised industry benchmark.</p>	<p><b>How is this measured?</b> Includes the capital growth from the Group's properties.</p>	<p><b>How have we performed?</b> The quality of the Group's properties was reflected in another year of strong out-performance of the IPD benchmark.</p>
Year	Prime Property Assets	IPD monthly index (retail)																
2010	+11%																	
2011	+1.0%																	
2012	+0.6%																	
IPD monthly index (retail)		-5.8%																

\* Data source: Bloomberg.

† Uses the Intu share price on 11 January 2011 as the opening value for the 2011 shareholder return being the day on which Simon Property Group announced they had no intention to make a firm offer for the Group. This is consistent with methodology used in 2010.

‡ No peer group comparable data is provided due to the lack of available data on a comparable time period.

# Our people

Our employees are fundamental to the success of our business and to the delivery of a high quality service for our occupiers and shoppers

## Our people

We are committed to providing a working environment which is stimulating and challenging, giving employees opportunities to reach both personal and professional goals whilst delivering business targets.

All of us are passionate about the work carried out at Intu, proud of our reputation as the market leader of the UK shopping centre industry. Providing a first-class service to all of our customers, whether they are shoppers, retailers or colleagues, is key to our work ethic.

### How are we structured?

Our teams are grouped into five core strands to underpin the business model.

**Asset Management** drive the success of the centres by delivering sustainable asset growth through innovation and sound investment and commercial decision-making, including proactive leasing of retail units, dealing with rent reviews and lease renewals, and managing smaller active asset management projects involving the amalgamation or extension of stores.

**Operations** add value to assets through excellence and innovation in the dual disciplines of Operations & Marketing and Property Management. Centre teams ensure that the building is properly maintained and that there is a welcoming, clean, safe and secure environment for retailers and shoppers. Marketing ensure that our centres are at the forefront of the minds of both and are portrayed in the best possible light, and Property Management manage relationships with existing tenants.

**Development and Construction** is responsible for the planning, management and delivery of new build, refurbishment and extension projects across the portfolio from inception through to completion.

**Finance** provide commercial support to the business, develop management information and KPIs, facilitate forecasting and budgeting, provide statutory and management reporting, and manage essential transactional processes.

**Governance and Support** encompasses Legal, Secretariat, Human Resources, Information Technology, Corporate Responsibility and Communications, and Public Relations.

## 2012 in review

During the past year Intu has developed a new employee proposition that both complements the corporate strategy and stands us out as an employer of choice, built around six key themes.



## Major activities during the year included:

### Recruitment

It was a year of growth. We have brought 106 new faces into the Group, creating new roles in digital marketing, planning, legal support, project and energy management, and customer experience. At the same time we have significantly strengthened our ICT team by insourcing first line support and creating a new Operational Technology team.

### Engagement

Much of the year was spent empowering departmental teams to interpret and act upon the results of our first ever all employee survey. The survey was repeated towards the end of the year and achieved a response rate of 88 per cent. The key themes which emerged from the initial survey included:

- Communication, including integration of different areas
- Reward and recognition
- Working environment
- Learning and development for staff
- Consistent management
- Articulating our values

### Learning and development

A total of 1,149 man days were devoted to training in 2012, ranging from front line customer service training to technical and people skills and achieving professional qualifications. There is a strong focus on Continuing Professional Development, particularly for the significant number of our staff who hold professional qualifications in a number of disciplines, and training needs are routinely assessed for every individual as part of the performance appraisal process.

### Reward and recognition

Providing a competitive remuneration structure helps us retain and motivate the best people. As well as base salaries that are benchmarked against our peers in the industry, employees are eligible for an annual bonus based on corporate measures that reflect the executive remuneration policy (described more fully in the Directors' remuneration report on pages 74 to 88) and related to individual performance. A proportion of the annual bonus is awarded in deferred shares to encourage focus on the Company's growth. Managers may also be rewarded with longer term share options and a joint ownership plan and all staff can join the Share Incentive Plan subject to a qualification period.

This year we have introduced formal recognition for outstanding performance, with 60 staff qualifying for service awards. We also added an Employee Assistance Programme, provided by the Retail Trust, to our already extensive package of non-financial benefits.

## Launch of intu rebranding Engaging the engagers

**Engaging all our employees is essential for successful delivery of a unified culture with new values underpinning the development of the intu brand and vision. We have identified ten principles for successful internal engagement.**

Following research among staff, including analysis of our survey results, we developed an engagement toolkit based around the ten principles. A workshop for 40 key managers, including an understanding of the emotional cycle of change, helped test the engagement framework and further refine the toolkit.

Since the 'Big Reveal' to staff in January 2013, managers have used the toolkit to run tailored programmes for all centres and departments to embed the new values and develop understanding of how we can improve our customer experience.

### Ten principles for internal engagement

- Optimise communication channels
- Talk to staff first
- Improve the two way flow
- Strongly signal listening and action
- Fast and delayed
- Simplify explanation of the strategy
- Build a family
- Approachable, familiar people
- Make every communication count
- Do things differently, do different things

### Our values

#### Creative

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

#### Bold

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

#### Genuine

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

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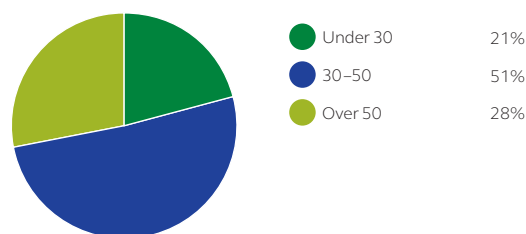
**Employee numbers**

2012	638
2011	586
2010	234

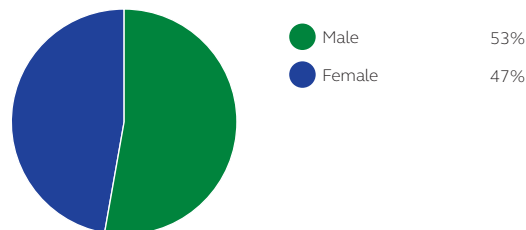
**Training days**

2012	1,149
2011	1,313
2010	365

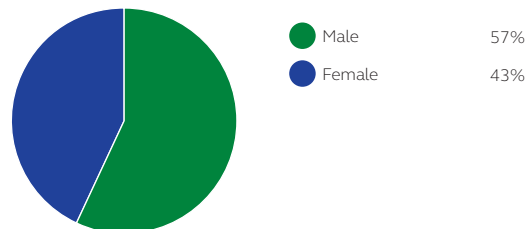
**Age profile**



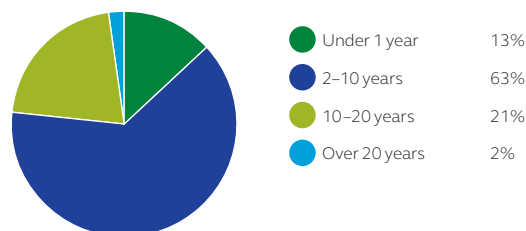
**Gender profile**



**Gender profile for managers**



**Service profile**



**Looking ahead**

We continually seek to build on the core strengths of our employees by developing their skills and experience and ensuring they are fully engaged with the business objectives and our values.

Whether an individual's role is strategic, operational or in a support function, their contribution to the business is valued. Everyone works as part of a team; everyone is expected to make a valid contribution to the success of the organisation. We go about our business with a sense of urgency and accountability, understanding what we do matters, feeling valued, and enjoying what we do.

A series of projects will continue to improve the employee proposition within the scope of the defined HR strategies.

**Employee life cycle**

- Introduce an online recruitment process linked to the corporate website
- Expand the functionality of our employee self-service portal EmpowerMe
- Review the format of our employee documentation in the context of corporate re-branding
- Improve communications with staff temporarily out of the business
- Build the new brand and values into our induction processes
- Learn from the experience of staff who leave us

**Learning and development**

- Implement a management development programme using recognised business school techniques to enhance the skills of senior managers and emerging talent
- Provide coaching and mentoring for key individuals
- Continue the development of our operational management in conjunction with our service providers
- Ensure all appropriate staff have Personal Development Plans
- Encourage all staff to gain work experience in other disciplines within the organisation to enhance understanding of the wider picture
- Review training undertaken by all staff with line managers and the Executive Committee

### Reward and recognition

- Senior Managers and Executive Directors review salaries of their teams against agreed parameters and market position and propose individual bonus levels based on performance against objectives during 2012
- Remuneration Committee review proposals and approve Senior Manager and Executive Director salary levels and bonus awards
- Awards are communicated to employees by March and awards paid in March and April
- A group-wide scheme for recognition of excellence will be introduced during the year ahead
- We will undertake a review of our benefits package and approach to flexible working

### Employee engagement

- The results of the 2012 survey will be discussed with all staff in the first quarter of the year and a series of local action plans developed
- Our engagement programme linked to the launch of the new brand and values will be delivered to all staff (see 'Engaging the engagers' case study) and also provide the introduction to a world-class service programme being rolled out across the shopping centres
- We will review and improve our health and well-being offering to staff
- Facilities for staff welfare at 40 Broadway and in our centres will be upgraded
- Tangible links will enable staff to participate in the Company's corporate responsibility, community support and sustainability programmes at all levels

### Performance management

- Having conducted an interim review of the staff appraisal system in 2012, with simplification of the approach, a more thorough review will integrate the learnings from the interim system and provide a more robust approach including the transparency with performance related reward
- Job descriptions and employment policies are regularly reviewed to ensure they remain up to date and in line with best practice

### Succession planning

- Individuals have been identified as having the potential to succeed to more senior roles within the business. We will work with each of these individuals and their managers to ensure this potential can be realised
- An overall succession plan is presented to the Board as part of a regular review of our Human Resources to ensure we have the right capabilities to achieve strategic objectives

## The 2012 employee survey

The survey was conducted over a two week period in November 2012 and 573 out of 653 eligible employees responded (88 per cent). In the multiple choice section, corresponding questions were also put to the staff in our centres employed by our Facilities Alliance partners Europa and Inviron to allow comparable analysis of the responses across the portfolio.

Intu employees were also asked:

- What one question would you like to ask the Intu Executive team?
- What single, practicable, idea do you have to make working at Intu a better experience?

The response to these questions will be published on our Intranet throughout the year and the ideas proposed will be considered in detail and implemented where possible.

An improved score was achieved in 30 out of the 44 core questions and over 70 per cent of the questions resulted in over 60 per cent of respondents agreeing or strongly agreeing with the proposition. Collective analysis of these results by an independent body produced an overall engagement score of 717 (2011: 701) with favourable movement in four of the five domains that make up the engagement index: work environment, reward, development, and operating culture. The line of sight domain score was unchanged.

# 93%

Of all staff agree customer service is a top priority at Intu

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# Key risks and uncertainties

Effective identification and management of risk is a major factor in Intu's ability to achieve its strategic objectives





## Intu's risk management framework

Intu recognises that it faces a number of risks in achieving its strategic objectives. Effective identification and management of these risks is a major factor in Intu's ability to deliver strategic objectives. The risk management framework targets the early identification of keys risks and the formation of plans to remove or mitigate them. It focuses on managing these risks to maximise returns and minimise negative impacts.

The Intu Board has overall responsibility for managing risk across the Group. The process as designed, which is illustrated opposite, involves identification and review of risk involving all areas of the business and resulting in appropriate action plans.

Operational reviews performed by each team focus on the impact of changing risks on the function's key objectives and, along with review of current controls and the resulting action plans, are subject to executive challenge. The executive team also conducts a strategic review which considers changes in the overall environment, which may hinder the business in achieving its objectives. Combined action plans are subject to a detailed review and challenge process, including by the Audit Committee. Progress on implementation of actions is regularly monitored and informs the next phase of identification and analysis.

## Areas of focus

Risk and impact	Mitigation	Change	2012 commentary
<b>Property market</b> Macro environment weakness could undermine rental income levels and property values, reducing return on investment and covenant headroom	<ul style="list-style-type: none"> <li>Focus on prime assets</li> <li>Covenant headroom monitored and stress tested</li> <li>Regular monitoring of tenant strength and diversity</li> </ul>	—	<ul style="list-style-type: none"> <li>Overall increase in valuation of assets, out-performing IPD benchmark</li> <li>Slight improvement in covenant headroom on individual properties during the year</li> <li>Positive efforts to reduce exposure to 'at risk' tenants</li> </ul> <p>→ Business review</p>
<b>Financing</b> Reduced availability of funds could limit liquidity leading to restriction of investing and operating activities and/or increase in funding cost	<ul style="list-style-type: none"> <li>Regular reporting to Board of current and projected funding position</li> <li>Effective treasury management aimed at balancing long debt maturity profile and diversification of sources of finance</li> </ul>	—	<ul style="list-style-type: none"> <li>Financial position strengthened by convertible bond</li> <li>Focus on early refinancing of debt</li> </ul> <p>→ Financial review</p>
<b>Operations</b> Accidents, system failure or external factors could threaten the safe and secure environment provided for shoppers and retailers, leading to financial and/or reputational loss	<ul style="list-style-type: none"> <li>Strong business process and procedures supported by regular training and exercises</li> <li>Annual audits of operational standards carried out by internal and external consultants</li> <li>Culture of visitor safety</li> <li>Retailer liaison and briefings</li> <li>Appropriate levels of insurance</li> </ul>	↓	<ul style="list-style-type: none"> <li>Excellent H&amp;S standards at all sites</li> <li>Further investment in Risk Management</li> <li>Comprehensive risk based insurance cover in place</li> <li>Robust crisis management and communication protocols</li> <li>Regulatory change - Carbon Trust Standard renewal achieved in March 2012 and CRC compliance in place</li> </ul> <p>→ Corporate governance</p>
<b>Strategy and execution</b> Misjudged or poorly executed strategy fails to create shareholder value	<ul style="list-style-type: none"> <li>Annual strategic review by Board informed by external research and advice</li> <li>Board and management team experienced in shopping centre and broader retail industry</li> <li>Engagement with national and international retailers</li> <li>Specialist advice and extensive research supporting rebrand initiative</li> </ul>	—	<ul style="list-style-type: none"> <li>Ongoing focus on the consumer opportunity and optimising performance of pre-eminent centres to benefit from ongoing structural shift in UK retail, including broader offer of leisure and catering and inclusion of 'theatre'</li> <li>Intu rebrand initiatives aimed at ensuring centres benefit from the scale and revenue opportunities afforded by a national brand and increased engagement with consumers through deployment of technology in centres and creation of an online shopping platform</li> </ul> <p>→ Business review</p>
<b>Development and acquisition</b> Misjudged or poorly executed project results in increased cost or income foregone, hence fails to create shareholder value	<ul style="list-style-type: none"> <li>Capital Projects Committee reviews detailed appraisals before and monitors progress during significant projects</li> <li>Research and third party due diligence undertaken for transactions</li> </ul>	—	<ul style="list-style-type: none"> <li>Continued focus on pre-let space before committing capital to projects</li> <li>Considerable number of planning applications including local consultations, positioning the Group for next phase of growth</li> <li>Adequate contingency allowances</li> </ul> <p>→ Business review</p>

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# Top properties

## Super-regional centres

Please refer to glossary for definition of terms



1 intu Trafford Centre	2 intu Lakeside	3 intu Metrocentre	4 intu Braehead	5 Cribbs Causeway
<b>Market value</b> £1,800m	<b>Market value</b> £1,093m	<b>Market value</b> £878m	<b>Market value</b> £601m	<b>Market value</b> £232m
<b>Occupancy</b> 97%	<b>Occupancy</b> 97%	<b>Occupancy</b> 96%	<b>Occupancy</b> 95%	<b>Occupancy</b> 95%
<b>Size (sq. ft. 000)</b> 1,967	<b>Size (sq. ft. 000)</b> 1,434	<b>Size (sq. ft. 000)</b> 2,092	<b>Size (sq. ft. 000)</b> 1,135	<b>Size (sq. ft. 000)</b> 1,075
<b>Annual property income</b> £84.4m	<b>Annual property income</b> £57.6m	<b>Annual property income</b> £48.5m	<b>Annual property income</b> £31.2m	<b>Annual property income</b> £12.8m
<b>% ownership</b> 100%	<b>% ownership</b> 100%	<b>% ownership</b> 90%	<b>% ownership</b> 100%	<b>% ownership</b> 33%
<b>Headline rent ITZA</b> £400	<b>Headline rent ITZA</b> £345	<b>Headline rent ITZA</b> £320	<b>Headline rent ITZA</b> £250 <small>Scottish English equivalent £335</small>	<b>Headline rent ITZA</b> £305
<b>Number of stores</b> 242	<b>Number of stores</b> 254	<b>Number of stores</b> 357	<b>Number of stores</b> 124	<b>Number of stores</b> 153
<b>ABC1 customers</b> 63%	<b>ABC1 customers</b> 59%	<b>ABC1 customers</b> 55%	<b>ABC1 customers</b> 53%	<b>ABC1 customers</b> 65%
<b>Key stores</b> Selfridges John Lewis Next Superdry Hollister Apple Kurt Geiger Ted Baker Banana Republic Nespresso Victoria's Secret Odeon Cinema Legoland Discovery Centre	<b>Key stores</b> House of Fraser Debenhams Marks & Spencer Hugo Boss Guess Topshop Zara Primark Forever 21	<b>Key stores</b> House of Fraser Marks & Spencer Debenhams Apple H&M Topshop Zara Primark	<b>Key stores</b> Marks & Spencer Primark Apple Next H&M Topshop Hollister Gap Sainsbury's	<b>Key stores</b> John Lewis Marks & Spencer Apple Next Topshop Timberland Jigsaw Hobbs Hugo Boss H&M

# Top in-town centres

Please refer to glossary for definition of terms



6 Manchester Arndale	7 St David's, Cardiff	8 intu Eldon Square	9 intu Watford	10 intu Victoria Centre
<b>Market value</b> £383m	<b>Market value</b> £276m	<b>Market value</b> £251m	<b>Market value</b> £324m	<b>Market value</b> £308m
<b>Occupancy</b> 98%	<b>Occupancy</b> 97%	<b>Occupancy</b> 97%	<b>Occupancy</b> 92%	<b>Occupancy</b> 94%
<b>Size (sq. ft. 000)</b> 1,600	<b>Size (sq. ft. 000)</b> 1,391	<b>Size (sq. ft. 000)</b> 1,350	<b>Size (sq. ft. 000)</b> 726	<b>Size (sq. ft. 000)</b> 981
<b>Annual property income</b> £21.5m	<b>Annual property income</b> £16.3m	<b>Annual property income</b> £15.0m	<b>Annual property income</b> £17.6m	<b>Annual property income</b> £18.1m
<b>% ownership</b> 48%	<b>% ownership</b> 50%	<b>% ownership</b> 60%	<b>% ownership</b> 93%	<b>% ownership</b> 100%
<b>Headline rent ITZA</b> £250	<b>Headline rent ITZA</b> £185	<b>Headline rent ITZA</b> £250	<b>Headline rent ITZA</b> £250	<b>Headline rent ITZA</b> £216
<b>Number of stores</b> 232	<b>Number of stores</b> 199	<b>Number of stores</b> 151	<b>Number of stores</b> 141	<b>Number of stores</b> 120
<b>ABC1 customers</b> 62%	<b>ABC1 customers</b> 66%	<b>ABC1 customers</b> 57%	<b>ABC1 customers</b> 63%	<b>ABC1 customers</b> 53%
<b>Key stores</b> Harvey Nichols Apple Burberry LK Bennett Topshop Next UGG Hugo Boss Superdry Zara Hollister YO! Sushi Nando's	<b>Key stores</b> John Lewis Debenhams Marks & Spencer Apple Hollister Hugo Boss H&M River Island Hamleys Armani Exchange Gap	<b>Key stores</b> John Lewis Fenwick Debenhams Waitrose Apple Hollister Topshop Boots	<b>Key stores</b> John Lewis Marks & Spencer Apple Zara Primark Next Lakeland Phase Eight Lego H&M	<b>Key stores</b> John Lewis House of Fraser Next Topshop Monsoon Boots Gap

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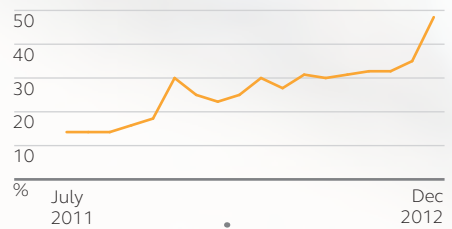
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Average mobile device usage when viewing our websites in 2012





## Case study Becoming digitally connected

We recognise that digital connectivity is an essential part of the shopping centre experience and will enable us and our retailers to build a closer relationship with our customers.

That's why we are investing in a future-proofed multichannel digital environment that provides free WiFi in centres and a seamlessly integrated online shopping platform.

Consumers will be able to buy online around the clock from our centres' websites or [intu.co.uk](http://intu.co.uk), for delivery to home or one of our centres. The free, high quality WiFi will enable customers in our centres to stay in touch with news and social networks and also to receive high value location-based offers.

We have been working on the infrastructure during 2012 for rapid roll-out across our centres starting with the Trafford Centre in March 2013.

Our ownership of the network will allow us to understand the customer's digital as well as physical journey. Over time this will ensure we better understand dwell time in centres and online browsing and purchasing habits, which will help us expand our digital services. Interactive technologies like Quick Response codes, Augmented Reality and Near Field Communication will enhance the customer experience and in-centre events will be amplified through social media and [intu.co.uk](http://intu.co.uk).

All these initiatives, together with adding 4G capabilities to our centres, will give us the complete digital proposition.

# 9m

Unique devices accessed our centre websites in 2012

# £8m

To be invested in digital infrastructure

# Business review

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# Market review

## UK macro environment

UK economic output showed no overall growth in 2012. Consumer confidence as measured by GfK NOP remains negative, broadly in line with a year ago. UK average household disposable income was also unchanged in the year, according to the Asda benchmark index, as the excess of household inflation over wage increases has been offset by a lower unemployment rate.

The clearest impact of the economic stagnation on retail property is the level of vacancy, which has remained steady at 14 per cent overall according to the Local Data Company (Intu – 4 per cent). The chart below illustrates that there is significant variation in vacancy rates between asset type.

A further impact of the lack of growth is the level of businesses failing. According to the Centre for Retail Research, 2012 was the worst year since 2008 with a 75 per cent increase in the number of failures compared to 2011. Tenant failures in the Group’s portfolio were at a low level in 2010 and 2011 but higher at 6 per cent of passing rent in 2012.

We expect that the UK will continue to be a low growth environment for some time. The principal risks facing our business are the same as a year ago, namely tenant failures and lease expiries as retailer business models adjust to the fundamental changes taking place in the UK retail marketplace. Our focus, scale and specialism enable us to manage these risks effectively.

## The consumer opportunity

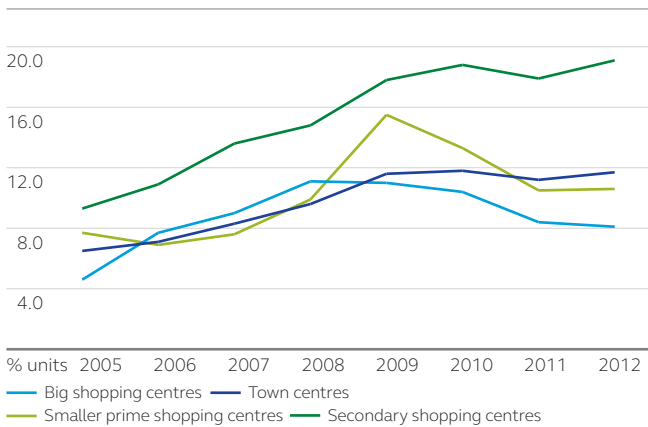
Our research has confirmed that a visit to a shopping centre is about far more than just shopping. People are increasingly blurring the boundaries between shopping, eating and entertainment. Our customers value, for example, spending time together, discovery and something to entertain the whole family. Their experience is influenced by a range of physical and emotional drivers.

## Technology as an enabler

Technology has facilitated further blurring of boundaries. Long-standing shopping habits are altering radically, with new channels involved in all aspects of a purchase. Estimates indicate that almost half of UK internet users now make use of the internet at some stage of the shopping process, more than 10 per cent of UK retail sales are now online and two thirds of all UK consumers have researched online before buying in store.

Use of mobile devices for research and buying has exploded in the last two years. Research has shown that by mid 2012 over half of fashion consumers had used a mobile device to make purchases and almost two thirds of smartphone owners had used their phone in purchase processes. Several retailers have commented that shoppers using more than one channel spend more overall than those using a single channel.

Vacancy rate, UK retail property by class





“Along with the best retailers, we recognise the importance of operating coherently through multiple channels.”

## Retailers

The last few years have been a time for review and reorganisation for retailers in respect of their store portfolios. The trend for fewer stores is also applicable for fashion retailers as multichannel reinforces the need to be able to reach customers wherever they are, whenever they want to shop.

Store location analysis has highlighted to some retailers the need to remove poor performing stores from portfolios with other retailers using their lease expiry profile to close non profitable locations. Given this strategy, prime locations are becoming more prime and secondary locations are struggling to offer the customer the desired retail mix. Our portfolio is well positioned to continue to benefit from this focus on quality locations.

Store retailing formats are also changing as retailers seek to offer the customer a brand experience when they shop at physical stores. Multichannel can mean looking and researching on a mobile device and touching, feeling and experiencing the brand in store. This has meant larger stores for a number of retailers as they seek to offer their customer the full brand experience.

The market has also responded to customers’ catering ‘wants’ – shoppers want to have coffee when they arrive, want lunch during their shopping day, maybe tea or champagne in the afternoon, and dinner prior to going to the cinema. National figures (source: CBRE) showing the number of units of multiple leisure and catering operators increased by more than a third over the last five years, compared to a 10 per cent increase in those selling comparison goods.

## Intu – seizing the opportunities of the changing marketplace

Along with the best retailers, we recognise the importance of operating coherently through multiple channels. The synergy between online and physical retailing is demonstrated by click-and-collect and return to store facilities. These offer additional flexibility and convenience to consumers and, for retailers, fulfilment efficiencies and incremental revenue.

We announced last month our innovative strategy to give our shopping centres a unified identity, Intu, with a unique digital presence including a transactional website.

Online messaging encourages customers to visit stores. In turn, in-store experiences are enhanced by digital functionality. A flagship presence in the highest footfall destinations such as our centres is key to retailers’ overall brand reach.

By combining our physical nationwide network with the launch in April 2013 of [intu.co.uk](http://intu.co.uk) and the roll-out of other digital services, we will offer the compelling retail mix and convenience of a shopping centre experience both online and in our physical malls.

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# Valuations

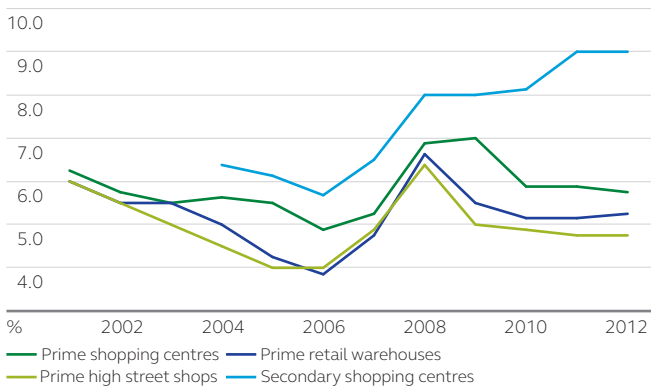
“Significant out-performance of the benchmark reflects the high quality and resilient nature of our assets and the considerable active management efforts at each centre.”

## Retail property investment market

The attractions of prime property as an asset class have been reinforced in 2012, not least by the widening of the spread between income yields and risk free investment returns. Demand for prime shopping centres remains strong in particular from UK REITs and overseas capital such as sovereign wealth funds, with institutional funds showing some appetite for smaller lot sizes. Supply of prime shopping centres has remained limited, with the majority of current schemes on the market comprising secondary and tertiary assets. Prime yields have remained unchanged with some tightening as a result of the supply and demand dynamics which have been demonstrated through some transactional evidence during the year.

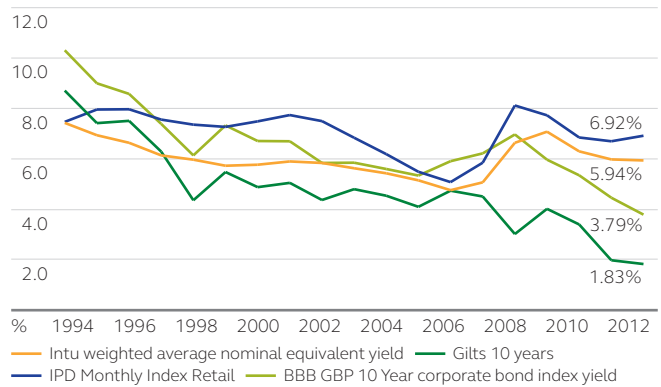
In the secondary shopping centre market, a segment in which our regional centres do not fall, the occupational market was tough reflecting weak consumer demand and negatively influenced valuation and investor interest. Yields for such assets remained elevated.

Yield by retail sub class



Source: DTZ

Comparison of Intu yield and 10 year gilt yield





## 2012 performance

The aggregate market value of the Group's investment property was steady in the first half of the year and rose by 0.6 per cent in the second half. This is a significant out-performance of the benchmark IPD monthly index and reflects the high quality and resilient nature of our assets and the considerable active management efforts at each centre.

There was some variation within the portfolio, with notable changes including:

- positive evidence on recent lettings increasing ERVs at Trafford Centre, Manchester Arndale and Braehead
- worsened yield and reduced income at Victoria Centre, Nottingham, as flexible leases were entered into while we waited for approval of major redevelopment plans
- improved yield at Metrocentre due to satisfactory settlement of a major lease maturity cycle
- more conservative estimates of income achievable and risk associated with the upcoming lease expiry cycle at The Potteries, Stoke-on-Trent
- outward yield adjustment at The Glades, Bromley, reflecting valuer's caution during the early stage of upgrading the tenant mix
- positive impact of progress in our plans for a major extension at Lakeside

The out-performance of the national benchmark was apparent in both the change in valuation yields and in the underlying rental levels to which the yields are applied.

**Yields:** The equivalent yield of 5.9 per cent is a weighted average of figures ranging from 5.4 and 5.6 per cent at Trafford Centre and Lakeside to 7.5 and 7.7 per cent at The Glades, Bromley and The Potteries, Stoke-on-Trent. Reflecting the UK market-wide investment focus on prime, our larger centres have continued to out-perform. The eight centres larger than 1,000,000 sq. ft., which represent more than three quarters of our asset value, have all seen yield compression or stability in the second half of the year.

**Estimated rental value ('ERV'):** After a slight reduction in early 2012, aggregate like-for-like ERV increased marginally in the second half despite the UK benchmark continuing to fall. In some cases, such as Manchester Arndale, we have achieved this by extending the prime pitch through creative projects in the malls to increase customer flows and unlock potential income. In other centres including Braehead and Lakeside, leases have been secured above the previous prime pitch rental tone, providing evidence of a new headline rent.

	Full year 2012	Second half 2012	First half 2012
<b>Group revaluation surplus – like-for-like</b>	<b>0.6%</b>	<b>0.6%</b>	<b>–</b>
Benchmark* capital growth	-5.8%	-3.0%	-2.9%
<b>Group weighted average nominal equivalent yield</b>	<b>5.94%</b>	<b>5.94%</b>	<b>5.96%</b>
<b>Like-for-like change in Group nominal equivalent yield</b>	<b>-4bp</b>	<b>-2bp</b>	<b>-2bp</b>
Benchmark* equivalent yield shift	+22bp	+12bp	+10bp
<b>Group initial yield</b>	<b>5.04%</b>	<b>5.04%</b>	<b>5.08%</b>
<b>Group change in like-for-like estimated rental value (ERV)</b>	<b>-0.3%</b>	<b>–</b>	<b>-0.3%</b>
Benchmark* change in rental value index	-1.3%	-0.9%	-0.4%

\* IPD monthly index, retail

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# Operating review

## Introduction

We made good progress in 2012 on our priorities for the year, namely to optimise the performance of existing assets, to identify further initiatives and to create financing flexibility to advance the business:

- our shopping centres have increased in value and shown considerable operating resilience as other UK retail property has struggled (see '2012 performance and operating indicators' below)
- we have acquired strategic sites, achieved significant planning consents and prepared promising expansion and improvement projects (see 'Creating compelling destinations' below)
- we have improved our financial position through the issue of a convertible bond (see Financial review)
- we have launched a nationwide consumer-facing brand and a transformed digital proposition (see 'Launching a nationwide consumer-facing brand and becoming digitally connected' below)

We have kept our clear focus on the best UK shopping centres and, with £7.1 billion invested in the sector and ten of the UK's top 25, have a scale unmatched by any other operator in the UK:

- as illustrated by the chart, two thirds of our investment properties' value is accounted for by five super-regional centres and over 85 per cent by our largest ten centres
- aiming to improve the experience of our customers to generate footfall, dwell time and spending, we provide the environment to which leading retailers are attracted and in which they flourish. This creates the virtuous circle which drives our financial return



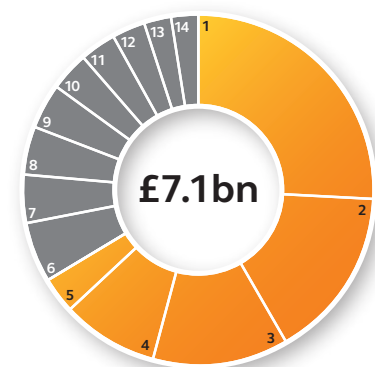
### Intu asset valuations

#### Super-regional centres (66%)

- 1 Trafford Centre (£1,800 million)
- 2 Lakeside (£1,093 million)
- 3 Metrocentre (£878 million)
- 4 Braehead (£601 million)
- 5 Cribbs Causeway (£232 million)

#### Town and city centres (34%)

- 6 Manchester Arndale (£383 million)
- 7 Victoria Centre, Nottingham (£308 million)
- 8 The Harlequin, Watford (£324 million)
- 9 St David's, Cardiff (£276 million)
- 10 Eldon Square, Newcastle (£251 million)
- 11 Chapelfield, Norwich (£242 million)
- 12 The Chimes, Uxbridge (£213 million)
- 13 The Potteries, Stoke-on-Trent (£166 million)
- 14 The Glades, Bromley (£164 million)



# “We start 2013 with robust operating indicators and considerable momentum across the business from a range of attractive investment opportunities.”

## Outlook

We start 2013 with robust operating indicators and considerable momentum across the business from a range of attractive investment opportunities available to the Company.

Whilst tenant failures and lease expiries from 2012 and in the current year are risks which will impact 2013 earnings, our focus, scale and specialism enable us to manage these risks effectively. Other factors which will impact 2013 earnings are the outcome of the refinancing on which we are engaged and the rebranding exercise including start up costs relating to intu.co.uk.

Our strategic priorities for 2013 are:

- to optimise the performance of our existing assets, prioritising medium-term value creation
- to continue to invest in the business, including pursuing our pipeline of development opportunities
- to increase our financing flexibility to advance the business
- to take forward our new brand, intu, and transformed digital proposition

The series of initiatives announced on 15 January including a £25 million investment in people and infrastructure will position us to seize the opportunities arising from the structural and technological changes impacting the UK retail marketplace.

We continue to believe that Intu is well placed to deliver strong returns for shareholders as the scale of our prime regional shopping centre business and our specialist focus continue to bring opportunities for expansion including through attractive acquisitions.

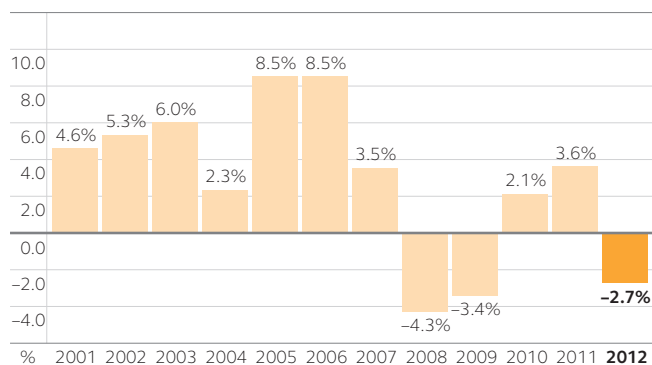
## 2012 performance and operating indicators

We have out-performed in a challenging market and delivered a 4.1 per cent total financial return. Overall, our properties have shown considerable resilience, with capital values moving forward and occupancy falling just 1 per cent despite failures in the year of tenants representing 6 per cent of rent. Our centres have benefited from new retailers and restaurant openings bringing a fresh offer.

Principal measures of performance include:

- **Valuation:** aggregate like-for-like growth in the value of the Group’s properties was 0.6 per cent, representing a £41 million surplus created in the year. This is a significant out-performance compared with the 5.8 per cent decline in capital value of the benchmark IPD monthly index. This reflects the prime nature of our assets and the considerable active management efforts at each individual centre to improve its leadership position within its region (see ‘Valuations’ on pages 34 and 35)
- **Like-for-like net rental income:** after a 3.6 per cent increase in 2011, like-for-like net rental income fell 2.7 per cent in 2012. While gross rent increased due to an extra month of Trafford Centre and £5 million of rent increases on new and continuing leases, this was more than offset by £13 million of rent foregone and direct costs associated with tenant failures

### Change in like-for-like net rental income



- **Footfall:** after three per cent compound annual growth in footfall for the previous three years, 2012 saw a reduction of one per cent. The number of visitors to our centres has continued to out-perform the national benchmark as measured by Experian (three per cent reduction)

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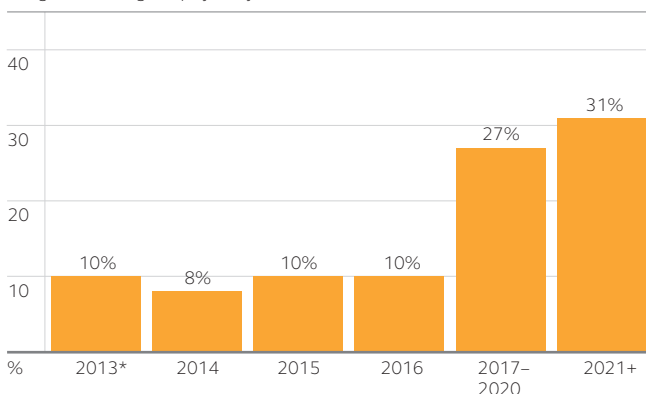
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# “Offering people access to the top retailers and iconic brands they love.”

- **Lettings:** 169 new long-term leases have been agreed, representing £44 million of new annual rent in aggregate seven per cent above previous passing rent and in line with valuation assumptions
- **Occupancy:** at 96 per cent, occupancy has remained broadly steady in the second half of the year and marginally below the 97 per cent at 31 December 2011. This compares favourably with the UK average shop vacancy of 14 per cent. We have successfully relet the vast majority of units let to tenants who entered administration during the year, often to new owners of the same fascia seeking to continue their most profitable outlets. Four per cent of rent is currently attributable to tenants in administration, of which three per cent is being traded
- **Retailer sales:** with an aggregate increase of around one per cent in the year, estimated retailer sales in our centres have out-performed the national trend. The benchmark BRC like-for-like non-food sales index implies a flat overall outcome, with marginal changes in each of the four quarters of 2012 after an overall one per cent decline in 2011. In our centres, we have seen increases in sales of electricals, footwear and jewellery but reductions in music, books and cards. Based on these estimates, the ratio of annual rent to turnover of our tenants has marginally reduced
- **Lease expiries:** average lease maturity has increased slightly to 7.8 years (31 December 2011 – 7.5 years). In 2012 we particularly focused on Metrocentre, where we have now cleared 90 per cent of 2011/12 lease expiries. 10 per cent of the Group’s rent roll is due to expire in 2013 and we are carefully managing centre-specific concentrations at Cribbs Causeway and The Potteries, Stoke-on-Trent

**Lease expiry profile**  
Weighted average expiry 7.8 years



\* Excludes four per cent in respect of leases which have expired of which around two-thirds are in negotiation or solicitors hands

- **Short-term leases:** leases for fewer than five years represent one per cent of passing rent, two per cent of space and three per cent of ERV (2011 – one per cent, two per cent and three per cent respectively). These are more concentrated than previously, with around half now in areas where development is anticipated principally in the Victoria Centre, Nottingham and Eldon Square, Newcastle

## Creating compelling destinations

Our aim is to provide the very best places to meet, eat, drink and be sociable.

We focus on offering people access to the top retailers and iconic brands they love along with attractive entertainment and leisure options. This gives customers more reasons to come to our centres and encourages them to stay longer.

We have made significant progress in 2012 with projects that will improve each of, and in some cases extend, our centres:

- enhancing the tenant mix – 169 new long-term leases signed for stores and restaurants (see ‘Retailer mix’ below)
- a number of active management projects which have been completed or are underway (see ‘Creative active management’ below)
- our pipeline of developments – these range from high impact, low cost changes on the malls and tenant-specific improvements through to additional restaurant clusters and major extensions (see ‘£1 billion pipeline over 10 years’ below)
- we are also launching the brand ‘intu’ to unify our centres and aim to offer seamless integration of the physical and digital shopping centre experience (see ‘Launching a nationwide consumer-facing brand and becoming digitally connected’ below)

The activities at Braehead in the year provide an excellent illustration of our management approach. We have reappraised the centre and made changes. We have worked on our retailer mix and catering offer, made high impact, low outlay improvements, made strategic acquisitions and pursued planning consents for future growth:

- we have introduced new names and provided growth opportunities for successful retailers including Next, who are expanding into a new 35,000 sq. ft. store

# 26

Brands new to our centres

# £70m

Investment by retailers in shop fits

- we have invested in the food offer by increasing the diversity and moving escalators to strengthen links with the main mall. We have refreshed the upper level with double height signage zones giving the mall a totally different feel
- we trialled a highly successful customer service programme on which intu's 'World Class Service' will be based
- we have established an 11 per cent increase in headline rent
- in early 2012 we bought 30 acres of land for future development and in December we took full ownership of the Xscape leisure scheme
- we have secured planning consent for a 36,000 sq. ft. extension to the adjacent retail park
- in November 2012 Renfrewshire Council resolved to recognise Braehead as a town centre and in January 2013 we submitted a planning application for a major expansion including a transport interchange, entertainment facilities, a hotel and 440,000 sq. ft. of retail

## Retailer mix

New long-term leases for 139 stores and 30 restaurants were signed in 2012, with retailers investing almost £70 million in fitting out their stores. 26 retailers including Nespresso, Victoria's Secret and Hamley's took a unit in one of our centres for the first time.

Catering and leisure operators now account for more than 12 per cent of the rent roll at seven of our centres. Our research shows that customers who visit a catering outlet in any individual centre stay longer and spend more than those who only shop in the centre. On average for 2012, the increase was around two thirds for both measures.

Creating the best destinations is not only about scale – our strategy is to re-balance the mix across the different sectors. Our dining offer ranges from impulse and refuelling offers such as juice bars and coffee shops, to treats such as champagne bars and fine casual restaurants such as Carluccio's and Jamie's Italian.

Significant trends include:

- international entrants Banana Republic, Victoria's Secret and Forever 21 opening early phase stores at the larger, super-regional centres
- growing retailers such as Apple, Thomas Sabo, Swarovski and Schuh expanding into more cities, in some cases with creative new fascias to expand their product offer

- major existing retailers such as Next, Topshop and H&M expanding into larger stores in the best locations to better showcase their range
- catering operators such as Tragus (Café Rouge, Bella Italia, Strada) and Mitchells & Butler (Miller & Carter, Toby Carvery, Harvester) and 360 Champagne and Cocktail Bar (Metrocentre, Braehead) broadening the range of food and beverage offers
- established retailers such as Arcadia and WH Smith reconfiguring their existing store portfolio to suit new business models

We have also used our specialist knowledge and relationships to introduce direct leasing at The Chimes, Uxbridge. This sector-leading innovation has created exciting tenant mix evolution with high profile new additions such as Swarovski and Office.

## Creative active management

We have completed a number of projects in the period, ranging from unit reconfigurations, refreshment works and creation of new space. Relatively small projects have the capacity to make a significant change to the feel of a mall, altering shopper flows and the trade of nearby units. Examples include:

- Forever 21's 35,000 sq. ft. three level flagship store in a new roof box at Lakeside, which opened on time in December
- MetrOasis, a pod of four new restaurants at Metrocentre, which opened on time and achieved rental levels ahead of plan
- Braehead's upper mall refreshment and new catering concepts have created a better 'feel' and improved customer circulation (see above)
- Arndale's escalator relocation has opened sight lines and improved pedestrian flows, extending the prime pitch

## Acquisition and investment

Following the acquisitions of Trafford Centre and Broadmarsh, Nottingham, in 2011, acquisition activity has been smaller scale in 2012 involving attractive opportunities adjacent to several of our existing centres. We acquired our former partner's 50 per cent share of Xscape Braehead (see note 41) and invested £25 million in a number of sites adjacent to our centres to provide flexibility for further expansion.

Capital expenditure on active management projects at our centres amounted to £18 million in the year. Those completed in the period will generate a direct 8 per cent stabilised return on cost through new rent as well as indirect benefits to the wider centres.

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## “£1 billion pipeline over 10 years.”

### £1 billion pipeline over 10 years

The table sets out the principle components of our development pipeline. 650,000 sq. ft. of planning consents have been secured, around 1,000,000 sq. ft. are awaiting determination and detailed specifications being prepared for others.

The status of our major projects is as follows:

**Trafford Centre:** planning consent has been approved for around 110,000 sq. ft. of retail space on a new upper level at Barton Square. We are in advanced discussions with a major fashion retailer who is not currently represented in Trafford Centre. Combined with the planned roof to enclose the courtyard, this will significantly broaden the appeal of Barton Square for a wider range of uses

**Lakeside:** planning consent has been secured for a 325,000 sq. ft. retail extension and an 81-bed hotel. We are working on plans for a cluster of new retailers, to create a point of difference from the existing tenant mix. Subject to pre-letting progress, construction of the extension could start in 2014. Following strong public support for outline leisure proposals, detailed plans are being developed for a new leisure destination at Lakeside including a larger cinema, cafes, restaurants, bars and other leisure and fitness operators

**The Harlequin, Watford:** we are due to exchange an agreement for lease with the local authority for the adjoining Charter Place and anticipate making a planning application shortly. We have

been encouraged by the strong level of interest from retailers since we announced our plans for new leisure, catering and larger format retail units

**Braehead:** following the resolution by Renfrewshire Council in autumn 2012 to designate Braehead as a town centre, we have now submitted a planning application (see above)

**The Potteries, Stoke-on-Trent:** we have secured planning consent for a 58,000 sq. ft. leisure and catering development and have leases in solicitors' hands for the cinema and restaurants at terms in accordance with the development appraisal. The detailed designs and tendering are in progress and we expect to start construction in the second half of 2013

**Nottingham:** we are progressing plans for refurbishment of the Victoria Centre, which will be followed by the redevelopment of Broadmarsh and the extension of the Victoria Centre

### Launching a nationwide consumer-facing brand and becoming digitally connected

We announced last month our innovative strategy to give our shopping centres a unified identity, intu, with a strong digital presence including a transactional website.

Nine million unique devices, half of which were mobile, accessed our centre websites last year. From spring 2013, our 30 million shoppers will be able to enjoy online the compelling retail mix and convenience of a shopping centre.

	Size <sup>1</sup> 000 sq. ft.	Indicative timing <sup>2</sup>	Intu investment £m	Range of returns <sup>3</sup> %
<b>Active management</b>				
Victoria Centre, Nottingham, refurbishment	–	2013-15	36	
Eldon Square, Newcastle, redevelopment and restaurants	–	2013-14	10	
The Potteries, Stoke-on-Trent, leisure extension	58	2013-14	16	
Barton Square, Trafford Centre, courtyard enclosure and second floor retail	112	2014-15	30	
Other active management	152		108	
	322		200	6-10%
<b>Major extensions</b>				
Watford Charter Place	380	2014-16	80	
Lakeside Northern extension	438	2015-17	180	
Braehead extension <sup>4</sup>	475	2015-17	200	
Lakeside leisure extension	225	2016-18	80	
Nottingham projects	505	2016-19	260	
	2,345		1,000	7-8.5%

<sup>1</sup> Represents net additional floorspace of retail, catering and leisure

<sup>2</sup> Timing subject to change due to a number of internal and external factors

<sup>3</sup> Range of estimated initial stabilised return on cost. Does not include significant indirect benefit on centre's regional status

<sup>4</sup> Size excludes arena and hotel

# “Our aim is to transform our digital proposition and for intu.co.uk to provide the UK’s leading digital shopping centre experience.”

Our aim is to transform our digital proposition and for intu.co.uk to provide the UK’s leading digital shopping centre experience. We have the scale and focus, through our operations and research, to understand what a customer wants and to deliver it. We are investing £25 million, with an estimated £4 million impact on underlying earnings in 2013, in our teams and digital infrastructure over three years to:

- roll out intu’s visual identity and our ‘World Class Service’ programme at our 12 directly-managed centres
- install our own future-proofed, centre-wide, high capacity fibre optic cabling and WiFi networks
- launch intu.co.uk, a transactional, fashion-focused, mobile-enabled website with a curated range of products from our retailers

Our objective from these initiatives is to generate a stronger relationship with consumers, delivering more frequent visits, longer dwell time and increased spend. This will in turn enhance our proposition to retailers and open new sources of income. We aim to reinforce our market leadership position as we elevate our centres’ role in people’s daily lives.

## Nationwide consuming-facing brand

Our national brand will enable us to market ourselves more effectively to retailers both in the UK and internationally, to develop new commercial partnerships, to provide creative events for our customers and is essential to the provision of intu.co.uk.

Our cultural shift is underway, embedding the principles of our customer service ethos. From May 2013, the new brand and visual identity will be rolled out across our centres in the form of physical signage and national consumer activity commencing with a major launch event. New national commercial partnerships are scheduled to take place throughout the year.

## Digitally connected

Consumers will be able to buy online around the clock from our centres’ websites or intu.co.uk, for delivery to home or one of our centres. Within our centres, our customers will be connected to high quality WiFi, enabling them to stay in touch with news and social networks, stream and watch video and be open to receiving relevant mCommerce messaging (on request). WiFi will also facilitate shopping research and access to retailers’ websites.

Direct ownership of the network and WiFi technology enables us to understand the entire customer journey and experience and will improve our in-centre footfall and dwell analytics. The network will also provide a platform for expansion of our digital services and mobile customer service offerings, plus interactive technologies such as augmented reality (AR), quick response (QR) code scanning and near field communication (NFC).


## International

The Group has the following investments outside the UK:

- 11.4 million redeemable joint venture units in Equity One, a US retail REIT, providing an effective interest of 9 per cent. These were acquired in January 2011 as a result of the restructuring of our previous investment in Californian property and are valued at £147 million based on the 31 December 2012 share price of \$21.01. Dividends in the year amounted to \$0.88 per unit
- 32 per cent of listed Indian shopping centre developer, Prozone, and 10 per cent of its former parent company, the Indian listed retailer Provogue. These interests combined were valued at £43 million at 31 December 2012
- an option to purchase a site in Spain with planning consent for a major regional shopping centre

Equity One owns, develops and manages US neighbourhood shopping centres anchored by supermarket chains. The company was active during the year in raising both equity and debt at advantageous rates. Its programme of capital recycling continued with acquisitions focused on opportunities for development and reconfiguration as US demand improves. These potential growth prospects were reflected in a 24 per cent rise in the share price in 2012 compared to a rise in the US REIT index of 14 per cent.

Prozone was demerged from Provogue in March 2012 and listed as an independent property developer in September. Its first operational shopping centre in Aurangabad continues to trade promisingly and work has commenced at the mixed use projects in Coimbatore, Nagpur and Indore.



**David Fischel**  
Chief Executive

27 February 2013

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// Offering the best places to meet, eat, drink and be sociable. //







## Case study

### Offering refreshment and dining experiences

With seven centres where catering and leisure operators represent 12 per cent or more of total rent, our visitors now expect a strong, high quality and wide ranging catering offer suitable for every time of day.

Creating the best destinations isn't only about scale – our strategy is to re-balance the mix across the different sectors. Our selection ranges from impulse and refuelling offers such as juice bars and coffee shops to destination treats such as champagne bars and fine casual restaurants such as Carluccio's and Jamie's Italian.

Innovation is the key – we are broadening our appeal to all our visitors across the demographic spectrum, making their shopping experience more entertaining, engaging and ever-changing. In 2012 we introduced new and exciting operators in nearly all of our centres – that's 25 new concepts for our visitors to try.

- 360 Champagne and Cocktail Bar openings at Metrocentre and Braehead have introduced fun, theatre and glamour
- At St David's, Cardiff, we introduced two new restaurants to Wales
- Our 15,000 sq. ft. development MetrOasis brought four new dining concepts to Metrocentre

And there's more to come – with exciting plans for further evolution of the catering offer at nine centres.

# 400

Outlets

# 25

Catering brands introduced in 2012

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# Financial review

In 2012 the Group's financial management has focused on creating, through an appropriate medium-term funding structure, the financing flexibility to advance the business. In October 2012 we issued a £300 million 2.5 per cent convertible bond due 2018.

## Key points of note

- Financial results satisfactory in challenging market background (see 'Results for the year ended 31 December 2012' below)
- Underlying earnings per share slightly down at 16.1 pence
- NAV per share at 392 pence; total return for the year 4 per cent
- Improved financial flexibility (see 'Financial position at 31 December 2012' below)
- New £300 million 2.5 per cent convertible bond due 2018 issued in October 2012
- Debt to assets ratio in targeted range at 49.5 per cent, would reduce to around 45 per cent were the convertible bonds to convert to equity
- Interest cover ratio at 1.69x above the target level of 1.6x

## Results for the year ended 31 December 2012

The general retail environment in the UK has been challenging in 2012. It is therefore encouraging that the Group's underlying earnings per share only fell slightly in the year and that property valuations were in aggregate positive resulting in a small increase in adjusted net asset value per share.

### Income statement

The Group recorded a profit for the year of £159 million, an improvement on the profit of £34 million reported in the year ended 31 December 2011. At an underlying level, excluding valuation and exceptional items, earnings were marginally lower at £138 million (2011 – £139 million).

The major factors in the increase in profit to £159 million are valuation and transaction-related items, including:

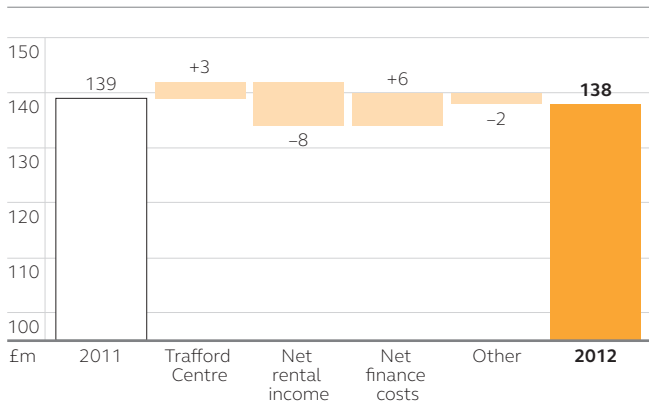
- a non-cash credit rather than charge arising from the change in fair value of the Group's financial instruments. 2012 benefited from a £31 million gain, whereas 2011 included a £193 million charge. The derivatives are largely interest rate swaps used to hedge the interest rate payable on a significant proportion of the Group's floating rate borrowings
- a lower level of acquisition and disposal activity, with the 2011 results having benefited from gains arising on both the acquisition of the Trafford Centre and the disposal of the C&C US business but including exceptional administration costs related to the transactions
- a reduction in the revaluation gain on property valuations to £41 million (2011 – £63 million)
- higher exceptional finance costs, largely interest rate swap amendments, which amounted to £61 million in 2012 compared to £48 million in 2011
- the receipt in 2012 of a distribution of shares upon demerger of newly listed Indian shopping centre developer, Prozone, from its former parent the listed Indian retailer, Provogue

# £363m

Net rental income

Underlying earnings, which excludes valuation and exceptional items, was marginally lower in 2012 at £138 million as shown in the chart below and as set out in the Other information section. Taking into account additional shares issued as part of the Trafford Centre acquisition, underlying earnings per share reduced by 2 per cent to 16.1 pence.

### Underlying earnings bridge 2011-2012



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

- while steady overall due to the full year impact of the acquisition of Trafford Centre, like-for-like net rental income reduced by 2.7 per cent as rent increases on new and continuing leases were more than offset by the impact of tenant administrations (see below)
- underlying net finance costs, which exclude exceptional items, reduced due to the favourable impact of increased access to lower rates currently available more than offsetting the full year finance cost effect of the Trafford Centre acquisition
- the impact of ongoing administration expenses increased to £27 million (2011 – £24 million), largely due to higher employee related costs as the Group builds on its existing skills base (included in ‘Other’ in the chart above).

	Year ended 31 December 2012 £m	Year ended 31 December 2011 £m
Gross rental income	442	432
Head rent payable	(25)	(26)
	417	406
Net service charge expense and void rates	(13)	(9)
Bad debt and lease incentive write-offs	(10)	(6)
Property operating expense	(31)	(27)
Net rental income	363	364
Net rental income margin	87%	90%

The Group's gross rental income grew 2.3 per cent largely due to the impact of an extra month of income from Trafford Centre, acquired 28 January 2011. We have also continued to achieve increases in rent on long-term lettings, in 2012 at an average of 7 per cent (2011 – 6 per cent), however this has been offset in the current period by rent foregone on vacancies arising from tenant administrations.

Retailer failures are also responsible for the three percentage points reduction in the net rental income margin through a combination of lost rent, higher irrecoverable service charges, void rates, bad debts and lease incentive write offs.

Property operating expense in 2012 included £10 million of direct costs in respect of the Group's car park operations and a £8 million contribution towards shopping centre marketing.

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# £3,515m

Net assets (diluted, adjusted)

## Balance sheet

The Group's net assets attributable to shareholders have increased by £0.1 billion to £3.0 billion at the end of 2012 with the increase largely resulting from higher property values.

As detailed in the table below, net assets (diluted, adjusted) have increased by £23 million from December 2011 to £3,515 million as at the end of December 2012.

	31 December 2012 £m	31 December 2011 £m
Investment, development and trading properties	7,011.8	6,903.7
Investments	189.7	203.7
Net external debt	(3,504.2)	(3,374.2)
Other assets and liabilities	(691.1)	(787.6)
Net assets	3,006.2	2,945.6
Minority interest	(29.2)	(23.5)
<b>Attributable to shareholders</b>	<b>2,977.0</b>	<b>2,922.1</b>
Fair value of derivatives (net of tax)	481.8	520.9
Other adjustments	56.6	45.9
Effect of dilution	-	3.8
<b>Net assets (diluted, adjusted)</b>	<b>3,515.4</b>	<b>3,492.7</b>

The investments of £190 million as at 31 December 2012 comprise the Group's interests in the US and India. The investment in the US comprises 11.4 million shares in a joint venture with Equity One, a listed US REIT. Based on the Equity One share price of \$21.01 at 31 December 2012 the Group's investment has been valued at £147 million.

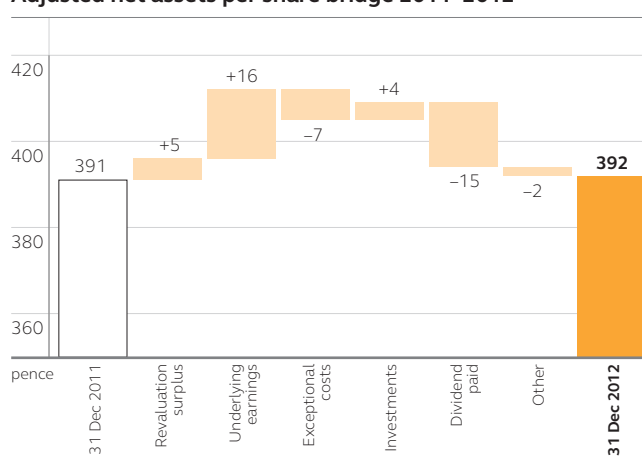
The remaining investments represent the Group's interests in India, largely comprising a 32.4 per cent interest in Prozone, a shopping centre developer. Provogue, the Indian retailer in which the Group holds a 9.9 per cent stake, undertook a demerger of Prozone in the first half of 2012. The demerger was achieved by way of distribution of shares in Prozone. The receipt of the additional shares is treated as a dividend valued at £10.2 million. Prior to the demerger the Group had a direct 25 per cent holding in Prozone, following the demerger the Group's holding in Prozone has now increased to 32.4 per cent. As Prozone is classified as an associate company of the Group, the holding is valued as the Group's percentage share of the associate's underlying net assets. The carrying value of the investment is based on the Group's accounting policies and therefore includes property valuations undertaken in accordance with 'Red Book' guidelines.

The reduction in other assets and liabilities in the year is due to settling accrued balances for a CPO at St David's, Cardiff, (£27 million) and REIT entry charges (£15 million) and a reduction in the provision for fair value of derivative financial instruments due to payments made in the year.

## Adjusted net assets per share

As illustrated in the chart below, diluted, adjusted net assets per share were 392 pence at 31 December 2012, an increase of one penny in the year. The increase is the net result of the property valuation gain and the retained profit for the year being only partially offset by the 15 pence per share of dividends paid in the year and the exceptional finance and administration costs.

### Adjusted net assets per share bridge 2011–2012



# 392p

Net assets per share (diluted, adjusted)  
at 31 December 2012

## Cash flow

The cash flow summary below shows a net increase in cash in the year largely due to the £300 million convertible bond raised in the year offsetting capital expenditure and ongoing principal repayments of the Group's debt.

	2012 £m	2011 £m
Underlying operating cash generated	<b>344.3</b>	347.4
Net finance charges paid	<b>(191.5)</b>	(201.4)
Exceptional finance and other costs	<b>(62.1)</b>	(68.7)
Net movement in working capital	<b>(4.0)</b>	(3.5)
Taxation/REIT entry charge	<b>(11.0)</b>	(41.1)
<b>Cash flow from operations</b>	<b>75.7</b>	32.7
Capital expenditure on property assets	<b>(81.2)</b>	(26.9)
Sale proceeds of property/ investments	<b>49.9</b>	1.7
Other investing activities	<b>(17.2)</b>	(8.3)
Acquisition of businesses	<b>(4.2)</b>	(72.8)
Cash acquired with businesses	<b>1.6</b>	37.6
Cash sold with businesses	<b>-</b>	(20.3)
Dividends	<b>(117.2)</b>	(125.6)
<b>Cash flow before financing and equity raises</b>	<b>(92.6)</b>	(181.9)
Net debt raised/(repaid)	<b>192.7</b>	(36.8)
Equity capital raised	<b>0.1</b>	68.4
Other	<b>(2.3)</b>	(4.1)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>97.9</b>	(154.4)

Capital expenditure on property assets includes £13 million in respect of the purchase of the Group's 50 per cent share of the Centaurus Retail Park, which is adjacent to the Mall at Cribbs Causeway, £5 million in respect of King George V dock, which is adjacent to Braehead and £8 million for the Group's 50 per cent share of the long leasehold interest in two units in Arndale, Manchester. A payment of £27 million was made to settle a CPO in respect of land related to the extension at St David's, Cardiff. This balance was accrued in the Group's accounts as part of the development expenditure. Expenditure on existing assets included St David's, Cardiff (£5 million), Lakeside (£5 million) and Metrocentre (£8 million).

The sale of 4.1 million shares of the Group's investment in Equity One generated £49 million in the year.

Net debt raised of £193 million is discussed in the Debt structure section below.

The table below illustrates that recurring cash flow covers the 2012 interim dividend of 5.0 pence per share that was paid in the year and the proposed final dividend of 10.0 pence per share that if approved will be paid in 2013. The actual cash dividend outlay will be less than the 15.0 pence per share dividend declared due to the introduction of a scrip dividend alternative with the 2012 interim dividend.

	2012 pence per share
Underlying operating cash generated	40.3
Net finance charges excluding exceptional items	(22.4)
Convertible bond coupon	(0.7)
Net movement in working capital	(0.5)
<b>Recurring cash flow</b>	<b>16.7</b>
<b>Dividends paid and proposed for 2012</b>	<b>15.0</b>

## Capital commitments

The Group has an aggregate cash commitment to capital projects of £50 million at 31 December 2012.

In addition to the committed expenditure, the Group has an identified uncommitted pipeline of active management projects and major extensions that may become committed over the next five years (see Operating review 'Creating compelling destinations' on pages 38 to 40).

It is anticipated that a total of approximately £50 million will be spent on capital projects in 2013.

## Tax strategy and charge for the year

Being a Real Estate Investment Trust (REIT) significantly reduces the taxation costs of the Group, but brings with it the requirement to operate within the rules of the REIT regime.

The Group's approach to taxation is approved by the Board and is subject to regular review. The Group maintains an open, up-front and no-surprises policy in dealing with HMRC and as a result it is anticipated the Group will receive a 'low risk' rating from HMRC once the recent major corporate transactions are fully absorbed into the Group. The Group seeks pre-clearance from HMRC in complex areas and actively engages in discussions on potential or proposed changes in the taxation system that might affect property tax and REIT legislation.

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# £563m

Cash and available facilities  
31 December 2012

Since becoming a REIT in 2007 the Group has paid REIT entry charge payments of £199 million.

The Group continues to pay tax on overseas earnings, any UK non-property income under the REIT rules, business rates, and transaction taxes such as stamp duty land tax and (until 17 July 2012, when it was abolished) the REIT entry charge. In the year ended 31 December 2012 the total of such payments to HMRC was £28 million. In addition, the Group also collects VAT, employment taxes and withholding tax on dividends for HMRC. Business rates, principally paid by tenants, in respect of the Group's properties amounted to around £250 million in 2012.

The tax credit in the period of £5.1 million comprises a current tax expense on US investments of £0.5 million and a deferred tax credit largely on the revaluation of interest rate swaps and investments of £5.6 million.

## Financial position at 31 December 2012

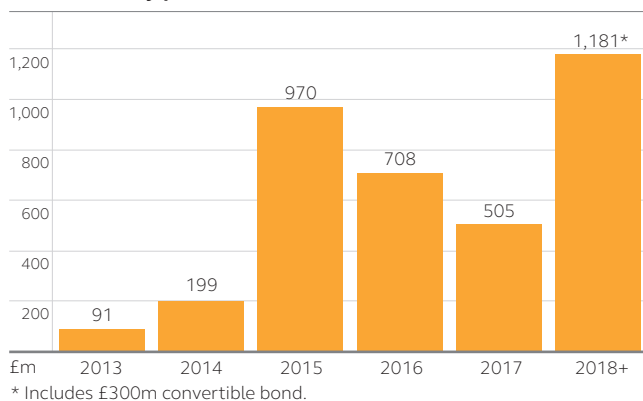
At 31 December 2012, the Group had net external debt of £3,504 million, an increase of £130 million compared to 31 December 2011. In addition to cash balances of £188 million the Group had undrawn facilities of £375 million at 31 December 2012, giving total headroom at the end of 2012 of £563 million.

### Debt structure

The Group's debt is currently largely arranged on an asset-specific basis, with limited or non-recourse from the borrowing entities to other Group companies. It is largely syndicated bank debt and CMBS structures with corporate-level debt limited to the revolving credit facility and convertible bond.

The chart illustrates that there is a minimal refinancing requirement in the next two years. The majority of the Group's debt is due for refinancing between 2015-17 (see 'Refinancing plan' below).

### Debt maturity profile



During the year new net debt was raised through the issue in October of £300 million 2.5 per cent convertible bond due 2018. Debt repaid in the year included £45 million of drawings under the Group's revolving credit facility with the balance being ongoing debt amortisation payments. Net of this and other scheduled repayments, new net debt amounted to £193 million.

	31 December 2012	31 December 2011
Debt to assets	<b>49.5%</b>	48.5%
Interest cover	<b>1.69x</b>	1.71x
Weighted average debt maturity	<b>6.1 years</b>	7.0 years
Weighted average cost of gross debt	<b>5.2%</b>	5.6%
Proportion of gross debt with interest rate protection	<b>98%</b>	97%

# 49.5%

Debt to assets ratio

## Hedging

The majority of the Group's debt is floating rate. The Group uses interest rate swaps to fix short-and medium-term interest obligations, reducing cash flow volatility caused by changes in interest rates. The Group is currently effectively fully hedged.

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.

In effect on or after:	Nominal amount £m	Average rate %
1 year	2,970	4.25
2 years	2,808	4.33
5 years	804	4.99
10 years	679	4.82
15 years	670	4.83
20 years	458	4.58

As previously detailed, the Group has a number of forward starting interest rate swaps, which due to a change in lenders' practice can no longer be used for hedging current or future anticipated borrowing needs. Using the 31 December 2012 forward interest rate yields, these swaps have a market value liability of £199 million. Based on these rates and values, it is estimated the Group will be required to make cash payments of £15 million in 2013.

## Covenants

Full details of the loan financial covenants are included in the 'Other Information' section of this report. The Group is in compliance with all of its corporate and asset-specific loan covenants. As detailed in that analysis, the headroom over the minimum covenant levels has generally increased in the year.

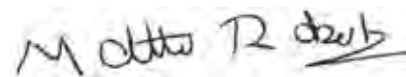
## Refinancing plan

The Group targets a capital structure that provides it with maximum flexibility to continue investing in its shopping centre assets whilst minimising funding costs over the medium- and long-term.

In this context, the Group is currently working with its banks and advisers on a new debt funding platform, which is intended to become a central source of financing for the Group. This platform would enable us to access the capital markets on an ongoing basis alongside bank debt, thereby diversifying the Group's sources of funds and lengthening its maturities.

The platform would aim to refinance the majority of the debt maturing in 2015–2017 and is likely to be secured on a pool of assets with the operational flexibility to contribute or substitute assets in the future.

If implemented, the Group would incur break costs of exiting swaps in respect of the assets currently anticipated to form part of the pool of around £60–£70 million at today's rates.



**Matthew Roberts**

Finance Director

27 February 2013

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A woman with red hair, wearing a black hat with a veil and a white t-shirt, is smiling and painting a tiger face on a young child's face. The child is wearing a blue denim shirt. In the background, there is a store with a sign that says "ext".

// It is very important that we engage with and support our local community. //

Paul Francis, General Manager, The Potteries





## Case study CR in action at The Potteries

“As The Potteries is located at the heart of the City of Stoke-on-Trent, it is very important to us that we engage with and support the local community. Our staff and retailers take great pride in their achievements in this area and are committed to achieving the same in the future.” Paul Francis, General Manager

The Potteries showcases Intu’s approach to Corporate Responsibility; the Centre team supports the local community, develops relationships with a range of stakeholders and always strives for environmental efficiency.

It was the first centre in our portfolio to achieve zero waste to landfill which is an environmental achievement and means that waste rebates from recycling can be passed back to retailers. The Centre has also rolled out LED lighting in its car parks during 2012, saving 34% electricity used in this area of the site in 2012 compared with 2011. This is equivalent to a £8,000 saving.

The Potteries always looks to support people working in and using the Centre. During 2012 the charity Leap trained Centre staff on how to deal with conflict situations and in 2013, in partnership with the police and community groups, the team will provide mentoring to young people who are at risk of becoming involved in anti-social behaviour. Charitable community projects supporting children’s communication skills and the provision of musical concerts in hospices and hospitals were supported in 2012 with great success.

# 9%

Reduction in absolute carbon emissions

# 9,000+

People directly reached by CR projects

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# Better together

## Bringing people and communities together – and helping them flourish – delivers shared benefits

With two-thirds of the UK population within easy reach of one of our centres, we touch the lives of people right across the country. For them, we're not just shopping destinations, but places to go with family and friends to enjoy life – meeting, eating, drinking, relaxing, being entertained, sharing secrets, swapping gossip and having a laugh.

So yes, we help build social togetherness, giving people a stronger sense of place and belonging. But we also make an important contribution to the economic well-being within and beyond these communities, providing jobs for local people and community programmes for the young and disadvantaged.

However, we know that our long-term success is linked not just to the vitality and well-being of the communities on our doorstep, but also to what happens in the wider world. The people who come to our centres expect us to carefully manage our impact on the environment. So, we're committed to measuring how we're doing and taking the right steps to do things better. This not only saves us money, but protects our reputation.

### Highlights

£1.917m

In support provided to community

5,578

Hours of employee time donated

97%

Of waste diverted from landfill

55,000

Efficient LED bulbs are being installed

### External recognition

Benchmarking against our peers through indices ensures that we remain focused on best practice and continuous improvement. We monitor the actions of our UK REIT competitors and work with them on important industry issues through membership of organisations such as the British Property Federation ('BPF') and the British Council of Shopping Centres ('BCSC').



## Our approach

At Intu we believe that corporate responsibility must be driven by the strategic aims of the Company and subject to the same types of governance controls as other areas of the business.

Our CR approach is based on three key pillars: communities and economic contribution, environmental efficiency, and relationships with our stakeholders. This strategic approach to CR allows us to target stakeholder concerns and issues that are most material to our business.

### Improvements and targets

We work together with our stakeholders to improve all areas of our CR performance and set relevant goals and targets in order to allow us to critically monitor progress. For example, our centres continue to roll-out leading technology solutions and supporting energy management plans to optimise efficient energy use and explore new ways to bear down on our energy demands, costs and our corporate carbon footprint. Intu's Carbon Alternative Review Group, drawing together different segments of our business, monitors this work alongside active consideration of appropriate alternative energy products and procurement methods.

### CR governance

The Intu Board takes responsibility for determining policy and strategic direction on CR topics. The strategic direction of our CR programme is led by the CR Board Committee while the CR Management Committee takes responsibility for progress against our operational objectives. Both Committees met three times in 2012. Issues discussed at committees included the introduction of a new group-wide Energy Policy and Guide, and the decision to join the London Benchmarking Group. For more details on these Committees and other CR governance issues please see the CR Governance webpage (<http://intugroup.co.uk/responsibility/our-commitment/governance/>).



### What drives our CR activities?

- Securing our licence to operate:** Our centres cannot be developed or marketed without engagement with local stakeholders. Local authorities, town centre management bodies and business partnerships help our centres to become key economic players for their local community and, more widely, for regions of the UK. Our CR initiatives work to bring partnerships together, including our employees, and foster relationships which help drive efficiency in our daily business operations and contribute to achievement of our longer-term business objectives.
- Supporting risk management:** Intu's CR actions are ultimately tied to issues highlighted in the risk register of our business. Equally, forward-looking CR engagement can safeguard and enhance the reputation of Intu in the eyes of others including investors, regulatory bodies and retailers.
- Contributing to cost management:** Our approach to environmental and facilities management underpins our broader desire to operate in an environmentally responsible manner. It also contributes substantial cost savings.

## Communities and economic contribution

### Why it matters

Our shopping centres are integral to the communities they serve providing places to meet, eat, drink and socialise. They support local and national charities and NGOs that address fundamental issues in modern society which are important to the long-term success of our business. Our joint community projects focus on youth, education and the prevention of anti-social behaviour.

### What we're doing

Long-term community partnerships are a key feature of Intu's community strategy. During 2012, we continued to work with 15 community partners across 29 projects at our centres – 8 of these were existing partnerships. These projects directly reached over 9,000 participants.

We sponsored The Big Sing at The Sage Gateshead for the sixth year running. In 2012 this project brought together 59 schools and 2,500 children to perform songs that they had been taught over the previous five months supported by musicians from The Sage Gateshead.

2012 was the 4th year of the Chairman's Prize, open to all 12 directly managed centres to showcase the community projects they have undertaken alongside our corporate projects. Winners receive a financial reward to present to their nominated charity or community group. The Chimes, Uxbridge won the prize in 2012 for their partnership with Hestia Hillingdon Women's Refuge.

In support of young people and acknowledging the high percentage of entrants to retail careers aged under 25, we continue to fund the Retail Gold project which currently operates at three of our centres. Based upon a three-way partnership between Intu, our retailers and local Education Business Partnerships it has helped over 200 young people to date via retail placements undertaken as a key part of their school/college course learning.

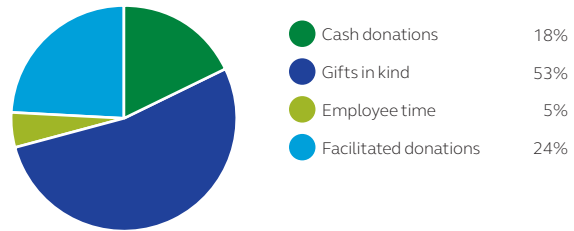
In 2012 we joined the London Benchmarking Group (LBG) to help us further develop our community impact and output monitoring and enable us to work with others to develop relevant best practice.

In recognition of our community efforts, we are currently one of only 38 UK companies holding the BitC CommunityMark.

### What we plan to do

- New partnerships with two charities
- Continuing relationships with 10 charities
- New Green Gym to be launched close to Trafford Centre
- Improve CR project measurement and reporting via our LBG membership

### 2012 Donations by type



# 85%

**Staff Recognition Fund 85 per cent subscribed in 2012**



### Addressing youth employability through Retail Gold

Intu has been helping students from the North East and South London gain business and retail qualifications to prepare them for the world of work.

Since 2005 we have been supporting young people through the Retail Gold Programme in collaboration with the Newcastle Education Business Partnership in the North East and in 2012 we added another region to this programme by partnering with the Bromley Education Business Partnership.

This year, students from four schools in the North East and one school in Bromley participated in the placement scheme with help from retailers such as John Lewis and Debenhams.

The placements gave students an opportunity to learn on the 'shop floor' – providing real meaning to their academic studies and allowing them special insight into the workings of the retail sector. Metrocentre, Eldon Square and The Glades will continue to partner with Education Business Partnerships to support school age students studying BTEC qualifications.

# Environmental efficiency

## Why it matters

We have a responsibility not just to manage and minimise our day-to-day environmental impacts but also to share good practices and influence our delivery partners, retailers and visitors towards more sustainable behaviour. Ultimately, we want to create a more sustainable operating environment.

## What we're doing

Our environmental initiatives typically focus on the areas of our shopping centres where we have the greatest ability to implement changes – namely in the common parts that we manage.

In 2012, we undertook a major roll-out of LED lighting to replace inefficient fluorescent lighting in the common parts of ten of our 12 directly managed centres. Through this initiative, we expect to save £1 million in energy costs per annum and approximately 8,000 tonnes of CO<sub>2</sub>e per annum after the phase two roll-out.

As part of our commitment to CRC Energy Efficiency scheme compliance, we achieved the Carbon Trust Standard Certification for the second time in 2012. This Standard certifies carbon reductions and our commitment to ongoing reductions.

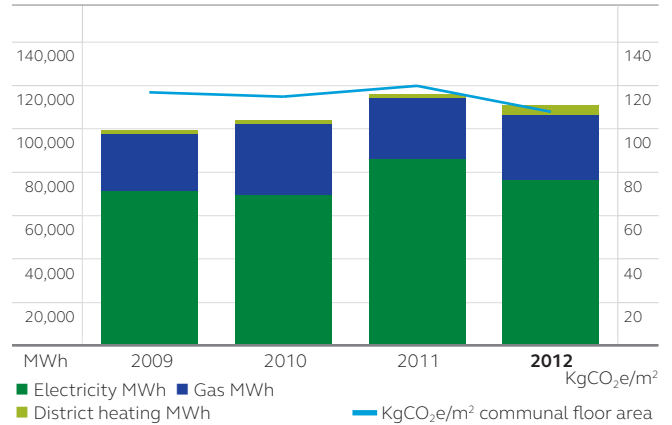
We continue to monitor energy, carbon, waste and water performance using portfolio-wide automatic metering to improve our understanding and control of energy use. This year we have reduced our carbon emissions by nine per cent and increased the proportion of waste diverted from landfill to 97 per cent.

We've appointed a transport 'champion' at each centre to work alongside Intu's Sustainable Travel Manager. Their work will include updating published Travel Plans. We continue to partner in six of the Government's Plugged in Places programmes designed to increase electric vehicle use and required infrastructure.

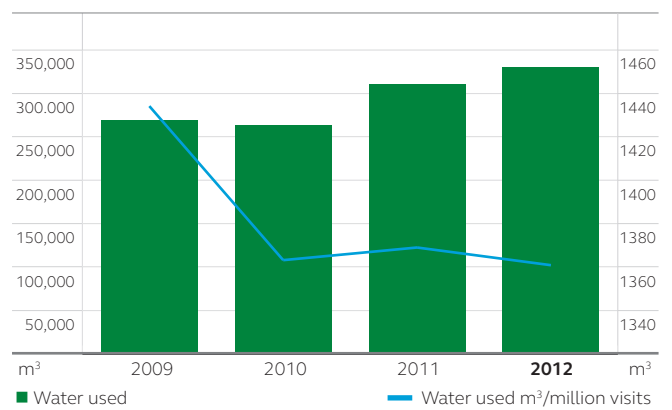
## What we plan to do

- Reduce absolute carbon emissions by 30 per cent by the end of 2014 from a 2011 base
- Reduce absolute water consumption by 10 per cent by end of 2014 from a 2011 base
- Divert 95 per cent of waste away from landfill by the end of 2014
- Complete roll-out of phase two of LED lighting scheme at eight of our managed centres

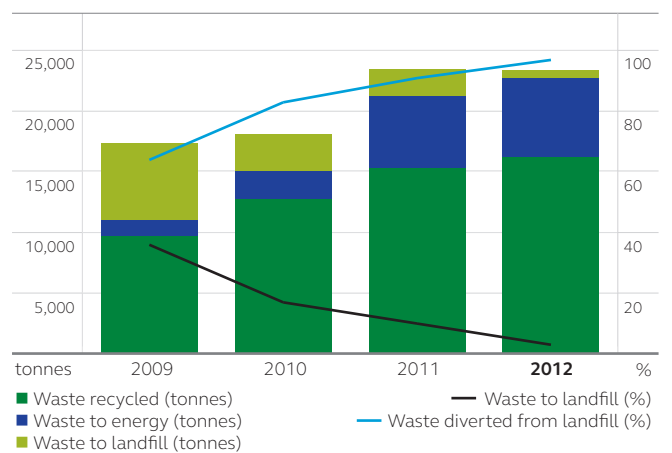
**Absolute energy use (MWh) and normalised GHG emissions at directly managed centres**



**Water use (m<sup>3</sup>) at directly managed centres**



**Waste disposal at directly managed centres**



### National LED lighting project

Across 10 of our 12 managed centres we have replaced 46,000 inefficient fluorescent tubes with LED lamps. This £3 million investment is estimated to save £1 million per year in electricity costs and will reduce lamp maintenance to practically zero. During 2012 the Group's electricity use fell by 11 per cent. Phase two of our LED project is now underway and will be completed in 2013 and will focus on lighting mall areas and back offices at eight of our directly managed centres. At the end of phase two a total of 55,000 LED lamps will have been installed

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## Relationships

We need to understand the needs and expectations of all in order to provide a business that offers a great shopping experience with informed investors, passionate employees and well supported communities. A key part of our Corporate Responsibility is managing and developing relationships with key stakeholders and engaging on relevant issues.

Stakeholder	Why engaging with them is important	How we engaged in 2012	Outcomes
Customers	To maintain our competitive edge we must understand what our shoppers are looking for in a perfect shopping experience from retailer mix to customer service expectations.	<ul style="list-style-type: none"> <li>– Focus group sessions</li> <li>– Off Peak and Peak shopper interviews</li> <li>– Postcode surveys</li> </ul>	<ul style="list-style-type: none"> <li>– Intu is well informed of shoppers' needs and wants in each of the areas in which we operate and is able to both tailor its offering to this and provide detailed information to retailer to allow them to do so</li> </ul>
Retailers	Maintaining strong relationships and open dialogue with our retailers and other occupiers is a prime focus of our business. We work at all levels to connect with them to ensure that we are providing the high quality service they need for the success of their business.	<ul style="list-style-type: none"> <li>– Intu Chief Executive met with heads of top tenants in 2012</li> <li>– Merchants association meetings</li> <li>– Feedback from shopper engagement provided to all tenants</li> </ul>	<ul style="list-style-type: none"> <li>– Corporately as well as at centre level we are well informed of retailer wants and needs and so are able to consider this in any planning</li> <li>– Retailers are kept well informed of the opinions of shoppers in each of our centres and are able to tailor their approach to that</li> </ul>
Investors	Constructive engagement with our shareholders and potential investors, bankers and other organisations on socially responsible investment matters helps to raise awareness of how we're managing material environmental and social risks.	<ul style="list-style-type: none"> <li>– Active engagement with all investor enquiries including a number of enquiries from ethical funds</li> <li>– Active participation in responsible investor indices and tools such as Carbon Disclosure Project</li> <li>– For an outline of our approach to managing relations with shareholders, see page 71</li> </ul>	<ul style="list-style-type: none"> <li>– Inclusion in sustainability indices including FTSE4Good and Dow Jones Sustainability Global Index</li> <li>– GRESB Green star status</li> </ul>
Our People	Our employees drive the delivery of a high quality service for our occupiers and shoppers. We are committed to providing a working environment which is stimulating and challenging, giving employees opportunities to reach both personal and professional goals whilst delivering business targets. We also believe that employee engagement is key to maintaining a motivated workforce especially during times of change.	<ul style="list-style-type: none"> <li>– Development of new intranet</li> <li>– Feedback from 2011 employee survey provided and 2012 employee survey conducted</li> <li>– Presentations of annual and interim results</li> <li>– CR presentation</li> <li>– Head office staff received monthly presentations from different departments</li> <li>– Staff recognition fund 85% utilised</li> <li>– Chairman's prize into its fourth year</li> <li>– For further details of our approach to Our People see pages 22 to 25</li> </ul>	<ul style="list-style-type: none"> <li>– Increased understanding of employee views on workplace and Company issues</li> <li>– Greater cross department understanding following presentations</li> </ul>



### Improving community health by improving green spaces

Intu helps to boost local fitness and community volunteering by supporting The Conservation Volunteer's (TCV) Green Gym projects. Since 2006 we have been partnering with TCV to offer Green Gyms in areas close to our centres. Green Gyms provide an opportunity for local people to volunteer and not only improve their own fitness but also create green spaces in the area where they live; activities include tree planting, haymaking and fence building. This year we sponsored three Green Gyms close to our centres. In 2013 we will be sponsoring a fourth Green Gym at Partington not far from the Trafford Centre.



Stakeholder	Why engaging with them is important	How we engaged in 2012	Outcomes
Local Authorities and Government	Local authorities grant us permission to grow our portfolio. Fostering strong relationships with local authorities, town centre management bodies and other community business partnerships is therefore vital to our centres, continued success and in turn drives the economic impact we have on local communities and, more widely, most regions of the UK.	<ul style="list-style-type: none"> <li>General Managers and others within the business maintain and develop links with local authority representatives, Members of Parliament, town centre partnership organisations and other business and community groups within the catchment areas of our shopping centres</li> <li>Intu senior team undertook a review of our membership of industry representative bodies as part of the assessment of our engagement with public policy issues of relevance to us</li> <li>Work with Local Authorities on updating of Travel Plans</li> </ul>	<ul style="list-style-type: none"> <li>A group-wide database has been developed across all our local authority, parliamentary, real estate and industry contacts and is already supporting a co-ordinated programme of engagement on issues of relevance to our business such as business rates and national/regional planning policy issues</li> </ul>
Suppliers	We recognise the wide range of potential impacts arising from our supply chain as it relates to the development of our property portfolio and the procurement of the products and services for its management and operation.	<ul style="list-style-type: none"> <li>Intu, Europa and Inviron, our hard and soft service partners, formed our Facilities Alliance working directly alongside each other on shared KPIs</li> <li>Facilities Alliance partners responded to the same employee survey questions</li> <li>Volunteering opportunities and Staff Recognition Fund support made available to Facilities Alliance employees</li> </ul>	<ul style="list-style-type: none"> <li>More connected working across the Facilities Alliance</li> <li>Stronger understanding of Facilities Alliance partners</li> </ul>
Communities	It is imperative that we maintain good links with our communities and that we undertake significant community consultations as part of our process for any planned developments.	<ul style="list-style-type: none"> <li>During 2012 we conducted three community consultations regarding planned developments at our centres</li> <li>For further details of our approach to communities see page 54</li> </ul>	<ul style="list-style-type: none"> <li>We are able to include community feedback in our planning process</li> </ul>

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### Empowering employees

In August 2012 a team of 15 walkers from five of our shopping centres walked 84 miles in the 'Hadrian's Wall Challenge' to raise money for six charities. For further sponsorship 1,862 miles was walked on treadmills at our centres. In total £10,000 was raised including £2,000 donated by our CR Staff Recognition Fund.



### Tackling bullying through drama

In 2012 we supported performances of Sweet Love close to Lakeside to reach over 1,000 young people. Sweet Love is a play and forum workshop developed by Futures Theatre Company which encourages students to improvise with actors to discuss, and find ways to tackle sexual bullying. In 2013 we will be renewing this support.

The image shows the entrance to a Swarovski store. The top of the entrance is a decorative canopy made of vertical, faceted crystal rods. The Swarovski logo, a stylized swan, and the brand name "SWAROVSKI" in large, white, sans-serif capital letters are mounted on this canopy. Below the canopy, the store's interior is visible through large glass windows and doors. The interior is brightly lit with recessed ceiling lights and a large, ornate chandelier. Several people are seen inside the store, some looking at jewelry displays. The floor outside the store is made of light-colored, polished tiles. The overall scene is a modern and elegant retail environment.

SWAROVSKI

“ I am delighted with the performance of Swarovski at The Chimes, Uxbridge. Intu’s specialist knowledge and partnership approach has undoubtedly contributed to this success. ”

David Shone, Swarovski





## Case study

### Sector-leading innovation at The Chimes, Uxbridge

Our sector-leading innovation to direct leasing has proved highly successful in its first year at The Chimes, Uxbridge. The centre is now 100 per cent let with high profile new additions reinforcing its fashion credentials.

Following analysis and customer research to identify 'destination' brands, key retailers such as Swarovski and Office have joined our strong line-up demonstrating their confidence in the centre.

Also, H&M are to upsize by a third into a newly configured 23,000 sq. ft. unit over two levels which will enable them to showcase a larger range of their products.

In addition to creating this exciting tenant mix evolution, our specialist knowledge and relationships have eliminated third party letting fees in the order of 10 per cent of rent secured.

# 100%

Let at 31 December 2012

# 6

New brands introduced

# Governance

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# Board of Directors

## Chairman, Deputy Chairman and Executive Directors



### Patrick Burgess MBE

Chairman  
Age 68 ●●●●

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

**Career:** Patrick Burgess qualified as a Solicitor in 1972 and became a partner in Gouldens in 1974, serving as head of the Corporate Department for 14 years and as Senior Partner for six, culminating with the merger of Gouldens with Jones Day in 2003, from which he retired in 2007. He has also been active in a number of charitable and community organisations.

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

**Other appointments:** Non-Executive Director of Standard Bank PLC

*Chairman of the Capital Projects Committee*

*Chairman of the Nomination and Review Committee*

*Chairman of the Corporate Responsibility Committee*



### John Whittaker

Deputy Chairman  
Age 70 ●

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

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

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

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



### David Fischel

Chief Executive  
Age 54 ●●●●

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

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

**Skills and experience:** At Touche Ross, David worked in the corporate finance department with experience in acquisitions, flotations and capital raisings. During his 27 year career with Intu, David has gained significant executive experience in numerous aspects of the shopping centre industry including shopping centre acquisitions and developments. He has also been closely involved with the Group's corporate development including equity and debt financings and a wide range of other corporate transactions, including the 2010 demerger of Capital & Counties from Intu.

**Other appointments:** Non-Executive Director of Equity One, Inc and Prozone Capital Shopping Centres Limited.



### Matthew Roberts

Finance Director  
Age 49 ●●●●

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

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

**Skills and experience:** Matthew is a Fellow of the Institute of Chartered Accountants in England and Wales, and has gained significant executive level finance experience in his previous positions at Debenhams plc, where he managed its 1998 IPO and ran its international business and property function, and at Gala where he led a number of acquisitions and fundraisings including the creation of a £3 billion debt package following the acquisition of Coral.

#### Committees:

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

## Non-Executive Directors



**John Abel**  
Age 68

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

**Career:** John Abel commenced his career with Intu in 1972. Until his retirement in 2005, John was Managing Director of Capital Shopping Centres PLC, and served as a Non-Executive Director from 2005 until 2008 before being reappointed to the Board following Intu's demerger in 2010.

**Skills and experience:** John is a Chartered Surveyor and, through his career with the Group, has extensive and specific experience in the shopping centre industry, including in the acquisition and development of shopping centres.



**Richard Gordon**  
Age 54

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

**Career:** Richard Gordon previously served as a Non-Executive Director of Capital Shopping Centres PLC between 1996 and 2006 and was appointed as an alternate Director in respect of Graeme Gordon's directorship of the Group in 2001. He also served on the boards of a number of companies within the Liberty Life group and various companies within the commercial and residential real estate sector.

**Skills and experience:** In addition to representing the Gordon Family Interests on the Board, Richard also has significant real estate experience having been involved with several commercial and residential real estate companies, mainly in South Africa.



**Andrew Huntley**  
Age 74

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

**Career:** Andrew Huntley's career commenced some 40 years ago with Richard Ellis where he served as Chairman from 1993 until 2002. He was a Non-Executive Director of Pillar Property plc from 2000 to 2005.

**Skills and experience:** Andrew Huntley is a Chartered Surveyor and is one of the UK's most experienced property advisers.

**Other appointments:** Non-Executive Chairman of Metric Property Investments PLC and a Non-Executive Director of Capital & Counties Properties PLC.



**Louise Patten**  
Age 59 ●

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

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

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

**Other appointments:** Non-Executive director of UK Asset Resolution and of Control Risks Group.



**Rob Rowley**  
Senior Independent Director  
Age 63 ●●●

**Appointed to the Board:** Appointed as a Non-Executive Director in 2004.

**Career:** Rob Rowley joined Reuters Group plc in 1978, and served as Finance Director from 1990 to 2000. He has previously been Executive Deputy Chairman of Cable & Wireless plc, and a Non-Executive Director and Senior Independent Director of Prudential plc and Taylor Nelson Sofres.

**Skills and experience:** Rob Rowley is a qualified accountant, has an MBA from Cranfield Business School, and has gained extensive financial experience throughout his career. Rob also has wide Audit Committee experience having chaired the Audit Committee of Prudential plc, and currently chairing the Audit Committees of Taylor Wimpey plc and Moneysupermarket.com Group PLC.

**Other appointments:** Non-Executive Director of Taylor Wimpey plc, and Moneysupermarket.com Group PLC.

*Chairman of the Audit Committee*



**Neil Sachdev**  
Age 54 ●●●

**Appointed to the Board:** Appointed as a Non-Executive Director in November 2006.

**Career:** Neil Sachdev joined Tesco PLC in 1978, rising to the position of Property Director before joining J Sainsbury PLC as Commercial Director in March 2007. He was subsequently appointed Property Director of J Sainsbury PLC in June 2010.

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

**Other appointments:** He was appointed to the Joint Advisory Board of the Grantham Institute for Climate Change in 2010. Since 2008 has been a member of the Business in the Community Mayday Leadership team focusing on the climate change sector and is also a member of the Business Innovation and Skills Board on Green Construction. Chairman of the Institute of Grocery Distribution.

*Chairman of the Remuneration Committee*



**Andrew Strang**  
Age 60 ●

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

**Career:** Andrew Strang started his career with Richard Ellis 30 years ago. He served as Managing Director of Threadneedle Property Investments Limited for 17 years until January 2008. He was Chairman of Hermes Real Estate Investment Management from 2009 to 2011. He is a current member of the Norges Bank Investment Management Real Estate Advisory Board and a member of the Investment and Governance Committees at AEW UK.

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

**Other appointments:** Director of the British Property Federation and a Non-Executive Director of Capital & Counties Properties PLC.



**Adèle Anderson**  
Age 47 ●

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

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

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

**Other appointments:** Non-Executive Director of easyJet plc; a member of the Board of Trustees of both Save the Children UK and Save the Children International and a member of the Independent Commission on the Future of Policing.

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# Executive management

## Executive Committee\*



### Mike Butterworth

Chief Operating Officer

Appointed as Chief Operating Officer on 3 October 2011. A Fellow of the Royal Institution of Chartered Surveyors, Mike joined the Manchester Ship Canal Company, now part of the Peel Group, in 1981, and became Property Director of Peel Holdings in 2002. He has extensive experience in the shopping centre industry having served as Managing Director of The Trafford Centre Limited from 1996, responsible for the opening of the centre in 1998, until 2011 when The Trafford Centre was acquired by Intu.

### Martin Ellis

Construction Director

Appointed as a Director of Capital Shopping Centres PLC on 1 October 2005. Initially joined the Group in 1990 and was appointed in 2008 as Managing Director, Liberty International Construction and Development Limited. Following the demerger of the Capital & Counties business in May 2010, he reverted to being Intu's Construction Director responsible for development and construction projects.

### Hugh Ford

General Corporate Counsel

Appointed General Corporate Counsel to the Group in 2003. Previously he was General Manager Legal at Virgin Atlantic Airways, and before that a commercial lawyer with British Airways Plc. He qualified as a solicitor in 1992 with Freshfields.

### Susan Marsden

Group Company Secretary

Joined the Group as Company Secretary in 2000. Fellow of the Institute of Chartered Secretaries and Administrators. Commenced her career at the London Stock Exchange, and has been Company Secretary of two FTSE real-estate sector companies prior to joining the Group.

### Trevor Pereira

Commercial Director

Joined the Group in 2007 as Commercial Director, Capital Shopping Centres PLC. He was appointed Group Commercial Director in October 2011, responsible for Operations, Commercialisation and Marketing. Previously worked for airport group BAA plc for 21 years, latterly as Retail and Commercial Director for Heathrow Airport.

### Peter Weir

Group Financial Controller

Joined the Group in October 2008 as Group Financial Controller. Previously worked in a number of finance roles in both listed and privately owned companies, lastly before joining the Group as Finance Director-Europe at Fidelity International. A member of ICAS.

\* Additional members of the Executive Committee are the Chief Executive (Chairman of the Committee) and the Finance Director, whose biographies are set out on page 60.

## Executive management

Biographies of the senior management team are available on our website at: [intugroup.co.uk/who-we-are/our-people/executive-management/](http://intugroup.co.uk/who-we-are/our-people/executive-management/)

# Introduction by the Chairman of the Board

Patrick Burgess



## Dear Shareholder,

I am pleased to introduce our Corporate governance report for the year.

2012 has been another year of considerable progress for the Group, with the Board's strategic plans being delivered through a number of transactions and large projects including:

- Acquisition of KGV Docks (West) and an option to buy land in Malaga, Spain from the Peel Group and associated shareholder meeting
- Issue of a £300m Convertible Bond in October 2012
- Sale of shares in Equity One, Inc.
- Acquisition of units at the Centaurus Retail Park adjacent to the Mall at Cribbs Causeway
- Acquisition of Capital & Regional's 50 per cent interest in Xscape, Braehead
- Acquisition of StyleMeTV
- Re-branding project – a £25 million investment to create a nationwide consumer-facing shopping centre brand, intu, and a transformed digital proposition (including the installation of a new fibre optic network for every centre, the provision of free WiFi throughout the malls and the launch, in spring 2013, of intu.co.uk, a transactional, fashion-focused, mobile-enabled website)
- Implementation of a new Board Protocol to deal with related party issues
- Overhaul of the Group remuneration policy and associated large shareholder consultation.

I believe that the principles of good corporate governance have underpinned the Board's discussions relating to all these transactions and projects and have underpinned the Board's deliberations generally.

The Board has operated effectively throughout the year and it is my role as Chairman to ensure that Board meetings provide a forum for constructive debate, with the best interests of the Company and its shareholders at its core. We endeavour to ensure wherever possible, recognising that there are occasions where meetings must by their nature be convened at short notice, that all of our Directors can and do attend all Board and Committee meetings having had sufficient time to digest the matters to be discussed in order that they can contribute effectively to the debate, providing constructive challenge and comment and bringing to bear a depth of independent views developed from a range of business backgrounds and experience.

Through the work of the Nomination and Review Committee, and the Board as a whole, we regularly review our performance (notably through the formal annual performance evaluation process) and the balance of skills and experience among our Directors as well as their independence. Following the decisions of John Abel and Rob Rowley to step down as Non-Executive Directors (at the 2013 AGM and at the end of the year respectively), we announced the appointment of Adèle Anderson on 22 February 2013 as an additional Non-Executive Director and member of the Audit Committee. Adèle's appointment, the result of a formal appointment procedure, supports our commitment to diversification in the boardroom whilst ensuring that we appoint only the best candidate for the role. The new appointment demonstrates the effectiveness of the Nomination and Review Committee's succession planning process and ensures our continued compliance with the independence requirements of the Code.

On behalf of the Board, I would like to express our sincere appreciation to John and Rob who have each made a significant contribution to the Board over the tenure of their appointments, and I am pleased that Rob will remain on the Board until the end of 2013 to ensure a smooth handover of his responsibilities as Audit Committee Chairman to Adèle Anderson.

The Audit Committee, and the Board as a whole, are aiming to adopt the new requirements of Section C of the Code, during the course of 2013. The new requirements largely relate to additional measures to assure the integrity of the Annual Report.

I believe that our approach to good governance is robust and effective and that the procedures adopted and followed by the Board (as further described in the following report) ensure that good governance remains at the forefront of our concerns and at the heart of our management at all stages of our deliberations. I am pleased to confirm that Intu has complied in full with the 2010 UK Corporate Governance Code during 2012.

**Patrick Burgess**  
Chairman

27 February 2013

## Compliance Statement

### Compliance with the UK Corporate Governance Code:

The Company has, throughout the year ended 31 December 2012, complied with all provisions of the 2010 edition of the UK Corporate Governance Code.

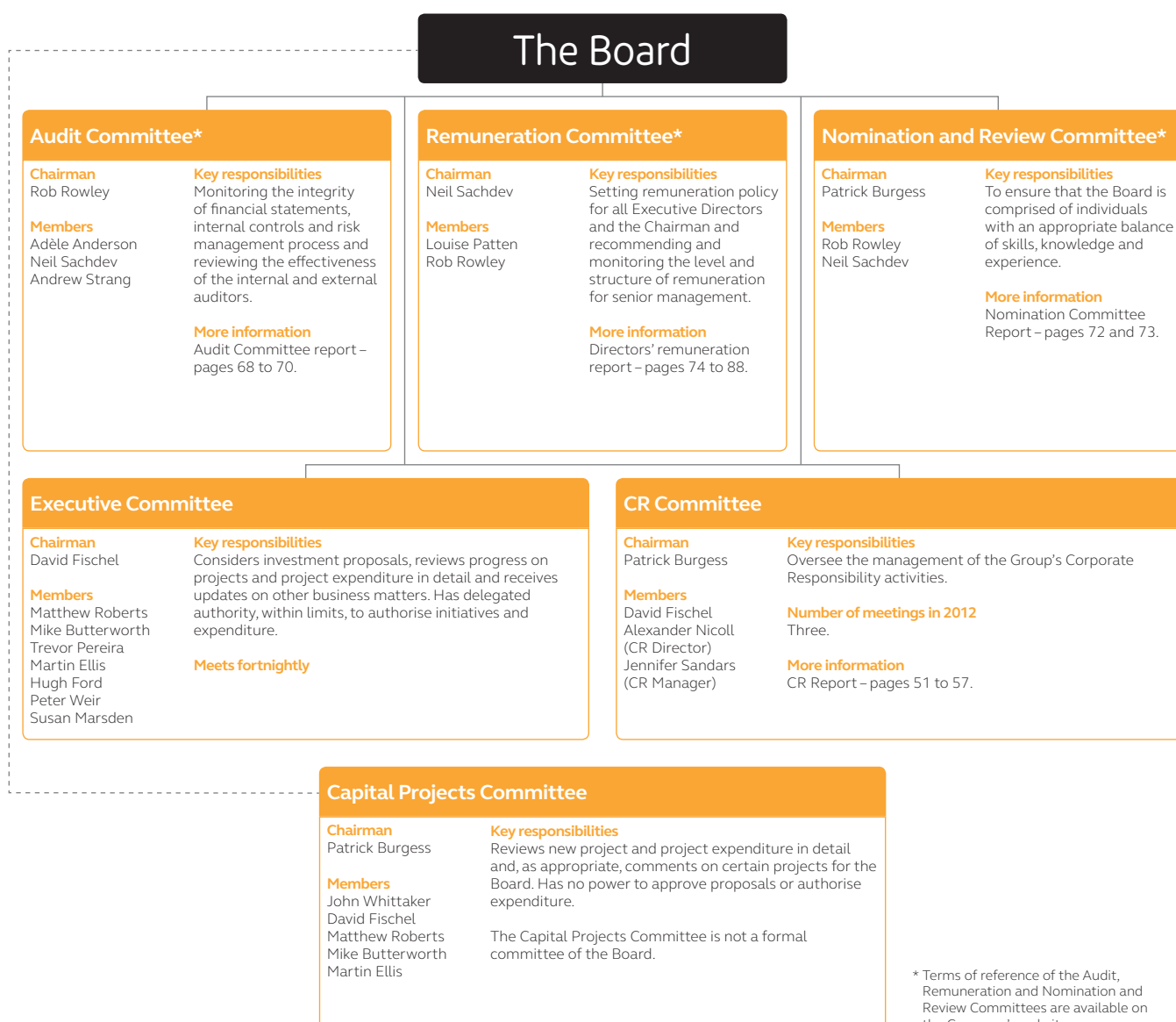
### Compliance with the Disclosure and Transparency Rules:

The disclosures required under DTR 7.2 of the Disclosure and Transparency Rules are contained in this report, except for those required under DTR 7.2.6 which are contained in the Directors' report.



## Leadership

### Governance structure – Role and responsibilities



#### The Board

Led by the Chairman, the Board's overarching objectives are to provide effective leadership to the Group and ensure the delivery of long-term sustainable returns for its shareholders. It does this by setting and implementing strategy, ensuring that its employees are professional, motivated and focused, and establishing a balanced approach to risk within the framework of established controls.

Appropriate and effective corporate governance is taken extremely seriously and is intrinsic to all aspects of the Board's activities. The Board is accountable to the Company's shareholders and other stakeholders for the good conduct of the Company's affairs. It has therefore established a governance framework which underpins the culture of the Group. This framework consists of committees with specific delegated responsibilities (as shown in the diagram above), and internal policies, procedures and controls (including delegated authority limits) which are regularly reported on,

reviewed and updated by the Board and the relevant Board Committees. The internal processes are communicated to all staff and are available at all times on the Group's intranet. Delegated authority limits apply at all levels of the business and their application is incorporated into the standard procedures for the execution of all leases, licences, contracts and other relevant documentation by the Group. The Board considers that the way in which both the Board and the Group function meets the highest standards of accountability and probity.

The Company's approach to corporate responsibility is a key element of its overall governance culture. We have consistently demonstrated a strong commitment to high standards of corporate responsibility, particularly focused on the local communities surrounding our shopping centres and details of our CR activities are set out in the CR review on pages 51 to 57, which we strongly recommend shareholders to read, and on the Company's website.

**Matters reserved for the Board**

Responsibility for the day-to-day management of the Group is delegated to certain Board Committees, the Executive Directors (with the support of the Chief Operating Officer) and senior management. These delegated powers are supported by delegated authority limits which are documented and kept under review by the Board.

Certain matters have been reserved for decision by the whole Board and a schedule setting out a list of these is reviewed regularly. These include, but are not limited to:

- Strategy
- The application of the Board protocol for dealing with related-party matters
- Dividend policy
- Major acquisitions and disposals, other capital expenditure and controls
- Risk management
- Shareholder circulars and other documents required by the listing rules

The Board also receives regular reports on the proceedings of its Committees and considers their recommendations. It has been the Board’s custom over many years to ensure that major decisions are taken after a reiterative process which involves examination and review at several levels. In part, this examination and review process is dealt with by the Board and other Committees mentioned below.

**Structure of the Board and independence**

At the year end, the Board comprised the Chairman, Patrick Burgess, two Executive and eight Non-Executive Directors.

**The Chairman & Chief Executive**

The roles of the Chairman, Patrick Burgess, and of the Chief Executive, David Fischel, are separate and have been defined by the Board. In summary, the Chairman’s responsibilities include leading the Board, setting its agenda and ensuring its effectiveness on all aspects of its role. He also ensures that the Board maintains effective communication with shareholders and management. The Chief Executive’s key responsibilities include day-to-day management of the Group’s operations in the most effective way possible, implementing the policies and strategies developed by the Board and developing the abilities and skills of the Group’s personnel to the maximum potential.

**Non-Executive Directors**

The Non-Executive Directors bring an external and independent view to the Board’s discussions, providing constructive challenge to executive management when appropriate.

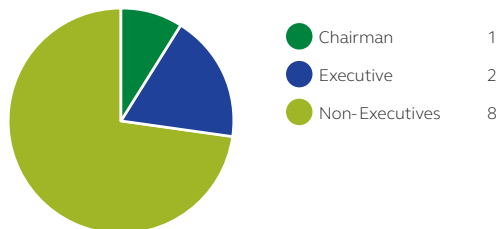
Biographical details of each Director are set out on pages 60 and 61.

**The Senior Independent Director**

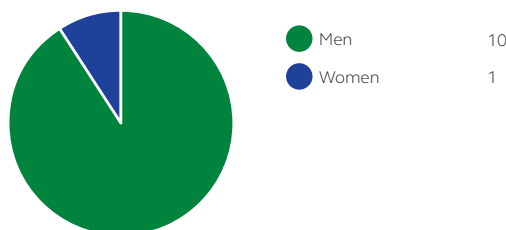
Rob Rowley was appointed as Senior Independent Director in September 2008. In this role, Rob provides advice and additional support and experience to the Chairman as required, and is available to act as an intermediary for the other Directors if necessary. Rob Rowley also leads the appraisal of the Chairman’s performance annually in discussion with the other Non-Executive Directors, and is available as an additional point of contact for shareholders should they feel that communication through the normal channels of the Chairman, Chief Executive, Secretariat or Investor Relations team has failed or is otherwise inappropriate.

Rob Rowley will step down as a Non-Executive Director (and as Chairman of the Audit Committee and Senior Independent Director) towards the end of 2013 and the announcement of his successor as Senior Independent Director will be made in due course.

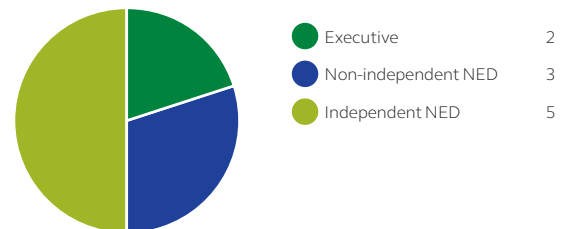
**Board structure at year end**



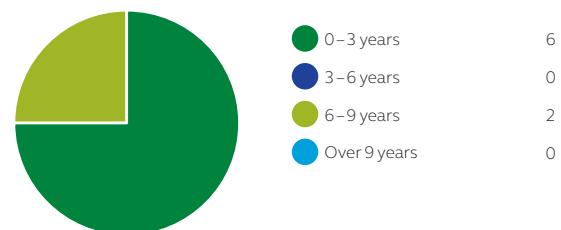
**Gender split at year end**



**Board independence (exc. Chairman) at year end**



**Length of tenure of NEDs at year end**



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**Alternate Directors**

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

**Board meetings**

There were four scheduled Board meetings and three additional Board meetings in the year including a Directors' Away Day focused on plans and strategy for 2013. Some of the additional meetings were necessarily convened at short notice to deal with matters arising between scheduled meetings.

At each scheduled meeting, the Executive Directors, Chief Operating Officer and Company Secretary give reports on their key areas of responsibility. In addition, the chairmen of the Audit, Remuneration and Nomination and Review Committees give an update on the discussions of 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 additional Board meetings, as required.

In addition to routine recurring items including strategy, financial reporting and risk management, key matters discussed by the Board in 2012 were those set out in my introduction on page 63.

The attendance of Directors at all Board and Committee meetings held in 2012 is set out in the table below:

	Board	Audit Committee <sup>1</sup>	Remuneration Committee <sup>2</sup>	Nomination and Review Committee	Capital Projects Committee	Corporate Responsibility Board Committee
D.P.H. Burgess	7/7			1/1	4/4	3/3
D.A. Fischel	7/7				4/4	3/3
E.M.G. Roberts	7/7				4/4	
J. Whittaker	7/7				4/4	
J.G. Abel	7/7					
R.M. Gordon	6/7					
I.J. Henderson <sup>3</sup>	3/7			1/1	3/4	1/3
A.J.M. Huntley	7/7					
Lady Patten	7/7		6/7			
R.O. Rowley	6/7	4/4	7/7	1/1		
N. Sachdev	6/7	3/4	7/7	1/1		
A.D. Strang	6/7	4/4				

<sup>1</sup> The Audit Committee normally invites the Chairman, Chief Executive and Finance Director to attend meetings and they attended all four meetings of the Committee in 2012.

<sup>2</sup> There were three scheduled meetings, and four additional meetings of the Remuneration Committee in 2012. The Committee normally invites the Chairman and the Chief Executive to attend the scheduled meetings and they attended all three scheduled meetings in 2012.

<sup>3</sup> Retired as a Director and member of the CR Committee on 25 April 2012. Appointed as a member of the Capital Projects Committee on 2 May 2012.

**Communication between Board meetings**

Directors are kept fully informed of progress on matters between formal meetings by way of regular scheduled updates by conference call, ad hoc meetings and other communications on a regular basis. There are a number of important Committee meetings between Board meetings and these are normally fully attended. The Chairman and Executive Directors regularly contact the Non-Executive Directors to discuss specific matters, typically of a strategic nature. There are regular informal meetings with the Non-Executive Directors, and on more than one occasion the Chairman met the Non-Executive Directors during 2012 without the Executive Directors being present.

The Chairman of the Audit Committee, Rob Rowley, holds regular meetings with the Head of Risk and Internal Audit, to monitor and progress matters between scheduled Audit Committee meetings. Mr Rowley also meets the Chairman, Chief Executive and Finance Director between Board meetings.

The Chairman of the Remuneration Committee, Neil Sachdev, holds frequent discussions with the Chief Executive and the Company Secretary and our advisers to progress remuneration matters between scheduled Remuneration Committee meetings.

## Effectiveness

### Balance, Composition and Culture

The Nomination and Review Committee regularly reviews the balance (including skills and experience) and composition of the Board to ensure that it operates efficiently. The Board has therefore determined that candidates for the role of Non-Executive Director should have relevant qualifications and experience notably in property, retail, finance and legal, areas that are well represented by the current Non-Executive Directors (see biographies on page 61).

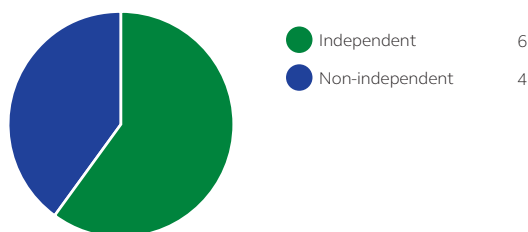
The appropriate balance of skills, independence, experience and knowledge does not in itself ensure the efficient operation of a Board. To this end, the role of the Chairman is essential in creating an environment where the Non-Executive Directors are able to draw on their own experience to constructively challenge the views of the executive management. The Chairman works closely with the Company Secretary to ensure that all Directors are provided with fully accurate and timely information to facilitate informed discussion at Board meetings. The Chairman is particularly mindful that the views of all Directors should be taken into consideration and that the range of experience of our Non-Executive Directors must be drawn upon to provide insight and alternative perspectives to aid the Board's decisions on key strategic matters.

The table below shows the balance on the Board between independent and non-independent Directors during 2012:

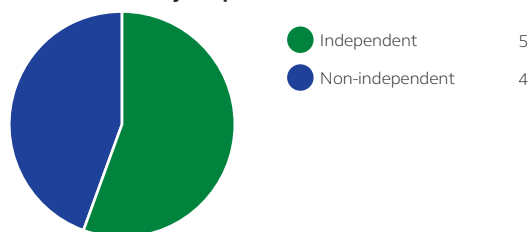
	Independent in opinion of Board	Non-Independent in opinion of Board
David Fischel (Executive Director)		✓
Matthew Roberts (Executive Director)		✓
John Whittaker (major shareholder)		✓
John Abel (former Executive Director)		✓
Richard Gordon (major shareholder)		✓
Andrew Huntley	✓	
Louise Patten	✓	
Rob Rowley	✓	
Neil Sachdev	✓	
Andrew Strang	✓	
<b>Total</b>	<b>5</b>	<b>5</b>

The balance of independent and non-independent Directors on the Board following the AGM when John Abel will step down, and later in the year when Rob Rowley steps down, is illustrated by the following charts which show that the Board will continue to satisfy the independence criteria of the code throughout 2013:

#### Post AGM



#### Post Rob Rowley step down



### Time commitment

Non-Executive Directors are generally appointed for a three-year period and their continuing service thereafter is subject to review by the Board. Their annual time commitment will vary according to their membership of Board Committees and the activities of the business in any given year. The terms of appointment of the Non-Executive Directors set out the minimum expectation of preparation for and attendance at all Board meetings, Board Committee meetings where appropriate, ad-hoc meetings and the annual Board 'Away Day'. Non-Executive Directors are required to confirm on accepting their appointment, and annually following each accounting year end, that they are able to allocate sufficient time to meet the expectations of the role.

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

### Directors' conflicts of interest

The Board has adopted a formal procedure for the identification of conflicts under which Directors must notify the Chairman of any potential conflicts. The Chairman then decides whether a conflict exists and recommends its authorisation by the Board where appropriate. In certain circumstances, the conflicted Director may be required to recuse himself from the Board's discussions on a matter in which he or she is conflicted.

The Board implemented a new 'Related Party Protocol' for situations where a proposed transaction could be captured by the related party provisions of the Listing Rules or by the Companies Act 2006. The Protocol was established prior to the Company's transactions with the Peel Group (of which John Whittaker is Chairman) in early 2012, and any amendment to the Protocol is a matter reserved for the full Board. The Protocol will be observed fully for any future transactions which involve a related party.

## Audit Committee



### Chairman

Rob Rowley\* (Independent Non-Executive Director)

### Members

Neil Sachdev (Independent Non-Executive Director)  
 Andrew Strang (Independent Non-Executive Director)  
 Adèle Anderson<sup>†</sup> (Independent Non-Executive Director)

**Number of meetings in 2012** Four

### Key responsibilities

The Audit Committee is responsible for monitoring and reviewing:

- The integrity of the financial statements, including a review of the significant financial reporting judgements and accounting policies
- The effectiveness of the Group's internal control and risk management
- The effectiveness of the internal audit function, including the work programme undertaken by the function
- The Group's policy on whistleblowing

- The Group's overall approach to monitoring areas of risk
- The Company's relationship with the external auditor, including its independence

"I am pleased to report that the Company has complied in full with the 2010 UK Corporate Governance Code throughout the year and has to a large extent adopted the provisions introduced in the new and revised Code published in September 2012. It is intended that procedures will be introduced during 2013 to address the additional obligations placed on the Board and Audit Committee by the revised provisions of section C of the Code relating to ensuring the integrity of the Annual Report and Accounts and we expect to report the successful adoption of such procedures in our 2013 Annual Report.

I am pleased to confirm that the Board has appointed Adèle Anderson as a Non-Executive Director and member of the Audit Committee. Adèle will succeed me as Chairman of the Audit Committee when I step down later this year and I look forward to working with her to ensure a smooth and effective handover of responsibilities."

\* The Board considers that Rob Rowley, as a qualified accountant with considerable experience of chairing audit committees, has significant recent and relevant financial experience, as required by the UK Corporate Governance Code. The Board also considers that Adèle Anderson, ACA, also has significant and relevant financial experience.

† Adèle Anderson was appointed as a member of the Committee on 22 February 2013 and will take up the role of Chairman of the Committee when Rob Rowley steps down towards the end of the year.

## Accountability

### Responsibilities

In addition to its key responsibilities, the Audit Committee also considered the following matters in 2012:

- The 2012 Internal Audit Plan and Audit Charter
- Accounting for exceptional items in the 2012 Annual Report
- The accounting treatment of specific transactions in the year including the acquisitions of KGV Docks (West) and the option to acquire land in Malaga, Spain, and the impact of the demerger of Prozone from Provogue on the Group's Indian interests
- The use of the external auditors for non-audit services
- Strategic options for the Group's IT and communications infrastructure
- Feedback on its participation in a review of the UK Corporate Governance Code and in particular Patrick Burgess' meeting with the FRC
- The principals of the FRC's discussion paper 'Cutting Clutter – Combating Clutter in Annual Reports'

### External auditor

The Audit Committee has assessed the effectiveness of the external auditor, PricewaterhouseCoopers LLP, and audit process on the basis of meetings with finance, internal audit staff and other Senior Executives. In reviewing the independence of the external auditor, the Audit Committee considered a number of factors, including the experience and tenure of the external auditor; the nature and level of services provided by the external auditor; and confirmation from the external auditor that it has remained in compliance with relevant UK independence standards.

The Audit Committee has also considered the new element of provision C.3.7 of the 2012 UK Corporate Governance Code that FTSE 350 companies should put the external contract out to tender at least every ten years. PricewaterhouseCoopers LLP has been the Company's audit firm since 1998 and during this period its effectiveness and independence has been annually assessed by the Audit Committee which has not considered it necessary to require the firm to tender for the audit work. The external auditors are required to rotate the audit partner responsible for the Group and subsidiary audits every five years, and the current audit partner took responsibility for the Group and subsidiary audits from the year ended 31 December 2011.



Having concluded that PricewaterhouseCoopers LLP remain effective and independent, the Audit Committee has recommended to the Board that they be reappointed as external auditor for the year ended 31 December 2013. The Audit Committee has noted provision C.3.7 and has concluded that the audit contract will be put out to tender at an appropriate time in compliance with the transitional arrangements provided for by the FRC.

### Key financial reporting and significant judgements

During the year the Committee discussed the planning, progress and final conclusions of the external audit process. The audit plan was reviewed and approved at the May 2012 committee meeting. The significant risks areas identified were: investment property valuations; net rental income; and management override of controls. These issues were discussed by the Committee following finalisation of the year end audit.

The Committee seeks support from the external auditor in understanding and assessing whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. The main issues discussed by the Committee in the current year were:

- For both the interim results at 30 June 2012 and the audited results included in this Report the Committee reviewed and discussed with management and the auditors the key assumptions and results of the valuation process undertaken by the professionally qualified third party valuers
- The Company's 'going concern' reviews with the main areas of focus being the Group's debt maturity profile and stress testing the forecast for reductions in property valuations and rental income
- The accounting treatment adopted for the £300 million 2.5 per cent convertible bond issued in October 2012
- The accounting treatment for the demerger of Prozone and the results of an impairment review that was undertaken as the share price of the listed shares was below the carrying value at 31 December 2012. The review concluded that no impairment was required at this time
- The results of an impairment review undertaken by management, that resulted in the impairment of the goodwill arising on the Broadmarsh acquisition
- Classification of exceptional items for the purposes of calculating underlying earnings
- The auditors also reported that no material misstatements remain unadjusted in the financial statements

Following discussions with management both the Committee and the external auditor agreed with the conclusions reached and the treatments relating to the above issues adopted in these financial statements.

### Non-audit services

The Company has a policy to ensure that the provision of any non-audit services by the incumbent external auditor does not impair the external auditor's independence or objectivity. The term 'non-audit services' does not include reference to any advice on tax. The Audit Committee has delegated to the

Executive Directors the authority to contract for non-audit services with the external auditor subject to observing the following guidelines:

- Executive Directors have the authority to commission the external auditors to undertake non-audit work where this is in relation to a specific project with a cost not exceeding the lower of £50,000 or 15 per cent of the estimated annual level of the auditor's fees for the time being. If the cost is likely to exceed the limits mentioned above, the agreement of the Chairman of the Audit Committee is required before the work is commissioned;
- when the external auditor is considered for the provision of non-audit work, the Executive Directors must consider whether the proposed arrangements will maintain audit independence;
- the external auditor must certify to the Company that it is acting independently and the Audit Committee or the commissioning Director (as applicable) must be satisfied that such is the case; and
- in providing a non-audit service, the external auditor should not:
  - audit their own work
  - make management decisions
  - create a mutuality of interest
  - find they have placed themselves in the role of advocate for the Company.

Details of the amounts paid to the external auditor for audit and non-audit services are included in note 11 on page 107 to the financial statements. The Company engaged PricewaterhouseCoopers LLP to carry out certain non-audit work in 2012 including assurance services in respect of the Group's 2012 interim report and the provision of audit certificates in relation to head lease calculations. The above safeguards were adhered to when awarding the non-audit work. Fees paid to PricewaterhouseCoopers in respect of non-audit work represented 24.2 per cent of the total fees paid.

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

### Risk management and internal control

The Board has overall responsibility to oversee the Group's system of internal control and to keep its effectiveness under review, as well as to determine the nature and extent of the risks it is willing to take in achieving its strategic objectives. The ongoing risk management process is described in detail on page 27 and is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only a reasonable, rather than absolute, assurance against material misstatement or loss.

The Group has a risk and internal audit function which reports to the Audit Committee. The risk and internal audit function carries out an annual review of internal controls, which includes a

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group-wide certification that effective internal controls are in place and are being operated effectively. The Head of Risk and Internal Audit carries out a programme of verification of the certification and reports the results to the Audit Committee, which in turn reports to the Board. The most significant areas addressed in 2012 were: shopping centre reviews of the Trafford Centre and Eldon Square, review of joint venture operations, lease system data integrity, employee starters and leavers process, and Bribery Act compliance review. The Audit Committee regularly reviews the effectiveness of the risk and internal audit function and in particular ensures that the function remains sufficiently independent of the wider business to ensure it can carry out its work effectively.

Key elements of the Group's internal control system (including financial controls) are as follows:

- *Financial information*

The Group has a comprehensive system for reporting financial results to the Board; detailed regular financial reports with comparisons to prior year/historic performance and against budget are provided to the Board. The Board reviews these for the Group as a whole and takes action when appropriate.

- *Financial reporting process*

The Group undertakes a detailed financial reporting process on a quarterly basis. This process is carried out using the policies and practices that apply to the control environment on an ongoing basis, and is largely undertaken by the Group's financial reporting team, which comprises appropriately qualified finance professionals. Detailed planning is undertaken prior to the period end. As part of this process, significant business risks and their potential impact on the financial reporting process and results are considered, including the effect of any changes in the business activities or accounting standards and matters arising from the underlying information systems. The preparation of the consolidated financial results involves a number of review stages. One of these stages includes a technical accounting review by an internal technical specialist, who has primary responsibility for ensuring that financial accounting developments are appropriately dealt with in the Group's financial reporting process. After various internal review stages, draft financial reports, with narrative commentary on new technical requirements or issues requiring a significant level of judgement, are prepared for review and approval by the Audit Committee. This review stage involves the Audit Committee discussing the consolidated financial results and significant judgements with senior management and, where appropriate, the external auditor.

- *Board authority limits*

The Board has adopted formal authority limits throughout the Group, which are supported by a formal procedure for the execution of transaction documents overseen by the Secretariat. Projects or expenditure with a value in excess of £5 million are submitted for approval to the Board. There are also authority limits in place which relate to treasury management.

- *Major investments*

All major investments of the Group, whether in the ordinary course of business or of an exceptional nature, are reviewed by at least one Committee and by the Board itself before being authorised and implemented.

- *Group treasury*

The Group has a centralised treasury function which reports to the Board on a regular basis. The reports provide details of counterparties, interest rate and foreign exchange risks and derivatives. Additional information on this subject is given in note 35 on pages 121 to 126. The treasury function also monitors compliance against covenants set out under various financing arrangements.

- *Financial controls*

Key controls over major financial risks include reviews against performance indicators and exception reporting. Members of the executive management make regular assessments of their own department's exposure to major financial risks and the extent to which these risks are controlled. These assessments are considered and reviewed by the Audit Committee and the Board, and by regular internal audit visits.

- *Anti-bribery and anti-corruption*

In 2011, the Board updated the Group's Business Code of Practice, Code of Professional Conduct and Whistleblowing policy to reinforce the Company's zero tolerance approach to acts of bribery or corruption. Senior management and other staff received training on the new policies and measures introduced as a result of the Bribery Act 2010 and procedures are in place to ensure that new staff are trained where appropriate and that refresher training is provided to relevant staff if necessary. The Group's anti-bribery and anti-corruption policies and procedures are reviewed as part of the regular internal audit plan.

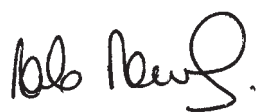
The Board has conducted a review of the effectiveness, on the basis of criteria set out in the 2005 Financial Reporting Council's internal control guidance for Directors, of systems of internal financial control and risk management for the year ended 31 December 2012 and has confirmed that there have been no material developments affecting their review which have taken place since the year end.

### **Whistleblowing policy**

The Audit Committee reviews the Group's arrangements by which staff can confidentially raise concerns about possible improprieties (whether financial or otherwise) within the Group. A confidential whistleblowing dedicated phone line is available to all staff throughout the Group, along with a procedure to record and monitor any incidents of whistleblowing which may occur. Any whistleblowing incidents are reported to the Audit Committee. There were no whistleblowing incidents during 2012. The policy and procedures are being reviewed by the Audit Committee in early 2013 to ensure that they meet current best practice and to increase staff awareness of the policy and procedures.

### **Going concern**

The Company's statement on going concern is set out in the notes to the accounts on page 102.



### **Rob Rowley**

Chairman of the Audit Committee

27 February 2013

## Relations with shareholders

### Overall approach

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

- Develop existing and potential investors' understanding of Intu's business strategy, operations, performance and investment case
- Provide to the Board and executive team an insight into the differing views of Intu's shareholders

With these objectives in mind, the executive team (including, on occasion, the Chairman) met with representatives of over 100 investment institutions during 2012 to keep them informed of our performance and plans, to answer their specific questions and to understand their views. In addition our website provides to all shareholders a great deal of immediate as well as general information and a feedback facility. Regular visits to our properties enable investors to see our operations close up.

### Key components of the investor relations programme

- *One-on-one meetings with principal shareholders:* The Chairman is available to meet with key investors to answer their questions and to better understand their views, particularly with regard to governance matters. In addition, during 2012, key shareholders were consulted regarding proposed changes to remuneration policies (see page 74).
- *Results-related meetings:* Institutional shareholders are invited to a presentation with question and answer session by the executive team on the day of announcement of final and interim results. They can choose to attend in person, by phone or join the webcast. The Chairman and a number of the Non-Executives also attend these presentations.
- *Road shows:* In the few weeks following results announcements, executive management conduct a series of one-to-one and group meetings with institutional shareholders in the UK, South Africa, Europe and the US, giving the opportunity to meet other fund managers as well as the sector specialist of each institution. Unattributable feedback from these meetings collected by our brokers is provided to the Board.
- *Investor and analyst property visits:* Institutional shareholders are invited to attend at least one property visit each year with presentations on Intu's business. This gives an opportunity for formal and informal interaction with the executive team and the 'next tier' of operational management. In 2012, investors visited The Harlequin, Watford, Lakeside and the Trafford Centre to see recent changes and to hear about significant planned projects. Such presentations are available for download from the Investors section of our website [intugroup.co.uk](http://intugroup.co.uk)

- *Investor conferences:* Several investment banks hold conferences for investors and companies in the real estate sector. They are a good opportunity for the executive team to meet a large number of current and potential investors in a mixture of group and one-to-one meetings and informally. Intu attended seven such conferences in 2012 in the UK, Europe and the US.
- *General meetings:* The annual general meeting ('AGM'), usually held in May, gives the opportunity for all shareholders (private and institutional) to ask questions of the Board, including the Chairmen of both the Audit and Remuneration Committees. The entire Board is also available to talk to shareholders before and after the meeting. The results of all shareholder votes are announced via the London and Johannesburg stock exchanges and are available on the Company's website.
- *Interaction with 'sell side' analysts:* Many investors develop their understanding of the Company partly through discussions with independent analysts. Intu engages with analysts from around 25 institutions in order to improve the accuracy and insight of their research. The Board is kept informed of analyst commentary and recommendations. A list of the analysts covering Intu can be found at [intugroup.co.uk/investors/shareholders-bondholders/analysts/](http://intugroup.co.uk/investors/shareholders-bondholders/analysts/)
- *Debt investors:* Representatives of Intu's key relationship banks are invited to the bi-annual results presentations by the executive team and meet periodically with the Finance Director. Institutional investors in certain of the Group's listed debt are invited to periodic updates on the Group's business and performance. We welcome the moves by some credit side institutional investors towards more openness regarding holdings of debt instruments and 'road show'-style one-to-one meetings.

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## Nomination and Review Committee



### Chairman

Patrick Burgess (Chairman of the Board)

### Members

Rob Rowley (Independent Non-Executive Director)

Neil Sachdev (Independent Non-Executive Director)

**Number of meetings in 2012** One

### Key responsibilities

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.

“Following a successful search process in 2012, the Committee recommended to the full Board the appointment of a new Non-Executive Director and member of the Audit Committee, Adèle Anderson. It is intended that Adèle will replace Rob Rowley as Chairman of the Audit Committee when he steps down in due course.

In 2011, the Committee recommended a reduction in the overall size of the Board and we continue to pursue the goal of a smaller, diverse Board which retains an appropriate balance of skills, experience and independence. At the end of January 2011 the Board comprised 11 Directors (excluding the Chairman) and this number will reduce to 10 Directors following our 2013 AGM, and further reduce to 9 Directors when Rob Rowley steps down at the end of the year, unless further appointments are made by then. Succession planning has been a key driver of the process, in particular to ensure that the balance of independence on the Board remains appropriate, as well as ensuring appropriate and independent Committee membership. We will maintain a balance of at least 50 per cent independent Directors throughout 2013, and will have a majority of independent Directors when Rob Rowley steps down.

With the appointment of a new Non-Executive Director, the Committee has reviewed the induction process (set out in detail in the following report) to ensure that it remains robust and appropriate, and has also considered the training requirements of existing Directors during the year.

The Terms of Reference of the Committee have been overhauled during the year, to provide, inter alia, that all Non-Executive Directors be invited to attend Nomination and Review Committee meetings when the appointment of a new Director is being recommended to the Board.”

### Responsibilities

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

### Appointment of new Non-Executive Director

During 2012, the Nomination and Review Committee led a search for a new independent Non-Executive Director which resulted in the appointment of Adèle Anderson on 22 February 2013. The Committee established a comprehensive set of criteria and in particular were looking for a candidate with the necessary skills and financial background to take on the position of Audit Committee Chair given Rob Rowley intended to step down as a Non-Executive Director at the end of 2013. Executive search firm Korn/Ferry Whitehead Man were engaged to assist with the process and compiled a shortlist consisting of both male and female candidates from a diverse range of backgrounds. The shortlist was reviewed by the Committee and a number of candidates were recommended for interview. The candidates were interviewed by the Committee and by the majority of other Board members, following which the Board unanimously approved the appointment of Adèle as being the most suitable candidate given her extensive financial expertise, as a qualified ACA and former KPMG partner, with significant relevant Audit Committee experience.

### Diversity

The Nomination and Review Committee, and the Board, recognises the importance of boardroom diversity, not just gender specific, and the Committee’s policy is to seek to ensure that all available suitable candidates are taken into account when drawing up shortlists of candidates for possible appointments to the Board. However, the priority of the Committee and the Board is to ensure that the Group continues to have the strongest and most effective Board possible, and therefore all appointments to the Board are made on merit against objective criteria. The Board is supportive of the Davies Report recommendations in relation to Board diversity and is pleased to report that there are now two female Non-Executive Directors on the Board. Female representation on the Board currently stands at 16.6 per cent; it will be 18 per cent when John Abel retires at the 2013 AGM and 20 per cent, if the composition of the Board remains as it is now, when Rob Rowley leaves us at the end of the year.

Female representation is high throughout the Group’s senior management ranks, with women occupying 42 per cent of management roles. With an increased focus within the Group on staff development and training, we are aiming to increase the pipeline of executive women who will have the necessary skills and experience to take on Board level roles either at Intu or externally, where practical, in the future.

### Succession planning

The Committee regularly reviews the skills and experience of the Non-Executive members of the Board and their unexpired terms of office. As stated in the 2011 Corporate Governance Report, Ian Henderson stepped down as a Non-Executive

Director at the 2012 AGM having served for some seven years. We also noted last year that both Rob Rowley and John Abel would step down at the 2013 AGM. It has since been agreed as noted above that Rob will remain on the Board for a period in order to provide an effective handover of his duties as Chairman of the Audit Committee to Adèle Anderson. Rob is in his third three-year term as a Non-Executive Director and is currently the longest serving Non-Executive Director on our Board. Rob is also the Senior Independent Director and the announcement of his successor in that role will be made in due course.

In accordance with the Committee's previously stated aim of reducing the overall size of the Board, the Board will not replace John Abel.

As Neil Sachdev will be entering his third three-year term as a Non-Executive Director following the AGM in May 2013, assuming that he is re-elected, the Committee has conducted a rigorous review of his independence and his continuing contribution to the Board and its Committees. The review was conducted with the other anticipated Board changes in mind, and in particular the relatively short tenure of the remaining Non-Executive Directors. The Committee has determined that Neil Sachdev remains robustly independent and continues to make a valuable contribution to the Board and Committees, and has concluded that he should continue in office for a further three-year term.

The Nomination and Review Committee believes that the balance of skills, knowledge and experience on the Board and the Board Committees is satisfactory and is expected to continue to be so following the changes referred to above.

#### Renewal of Non-Executive appointments

All Directors, with the exception of John Abel who is stepping down, will submit themselves for re-election at the forthcoming Annual General Meeting in May 2013. Shareholders will also be asked to elect Adèle Anderson to the Board.

#### 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 but 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.

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

#### Education and development

The Chairman, with the assistance of the Nomination and Review Committee, regularly considers the need for existing Directors to update and refresh their skills and knowledge. In addition, this matter is formally included as part of the annual performance evaluation exercise. Training is provided for Non-Executive Directors in the form of presentations at Board meetings. In addition seminars and courses are specifically arranged on particular topics of relevance.

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 scheduled Board meeting on these matters, drawing attention to any issues of particular relevance. In addition, the Company Secretary maintains an up-to-date comprehensive schedule summarising legislative and regulatory developments relevant to the Company and rated according to risk/impact on the Group, which is included with regular Board papers.

#### Performance evaluation

Every year, the Board conducts an evaluation of its own performance and of the performance of the Chairman and each of the Board Committees. In addition, the Chairman reviews the performance of each individual director and the Senior Independent Director oversees the review of the Chairman's performance. The 2013 performance evaluation will be conducted by an external facilitator, as required every three years.

The internal performance evaluation in 2012 was conducted by way of detailed questionnaires followed by discussion, the results of which were considered by the members of the Nomination and Review Committee, the Board, and the relevant Board Committees.

The responses to the majority of questions relating to the performance of the Board and its Committees, and of the Chairman, were positive and constructive. A summary of the outcome of the evaluation exercise is as follows:

##### Areas identified as consistently good:

- Relationship between the Non-Executive Directors and the Chairman
- Responses to problems/crises
- Sound systems of internal control
- Response of management to requests for information

##### Areas identified for further attention in 2013

- More frequent Nomination and Review Committee meetings and a revised composition
- Still more frequent communication
- Further measures to improve the Board's cohesiveness

With my colleagues, I will address all of these points during 2013. An immediate response has been to revise the schedule of Board and Committee meetings in 2013 to include, besides our monthly update calls, quarterly meetings for Non-Executive Directors alone, additional Nomination and Review Committee meetings and, so as to reduce the pressure of business at individual meetings, an additional Board meeting. Also the terms of reference of the Nomination and Review Committee have been revised to take the above into account.



**Patrick Burgess**  
Chairman

27 February 2013



# Introduction by Chairman of the Remuneration Committee

### Dear Shareholder,

I am pleased to present Intu's 2012 Directors' remuneration report to you, which has been prepared by the Remuneration Committee and approved by the Board.

### Results and context of remuneration for 2012

2012 has been another year of significant progress and strong performance for the Group, with the quality of Intu's assets and teams demonstrated by the considerable outperformance of national benchmarks against a challenging economic background.

### Summary of key features for the 2012 remuneration report

The key areas of focus for the Remuneration Committee in 2012 have been:

- Proposed new remuneration policy to be introduced effective from 1 January 2013 subject to shareholder approval at the forthcoming AGM. The proposed new policy has been the subject of a comprehensive consultation with shareholders
- The Executive Directors' salaries will be increased by 4.9 per cent from 1 April 2013, broadly in line with increases across the Group
- The annual bonus awarded to the Executive Directors for the year ended 31 December 2012 was determined by the Remuneration Committee under the rules of the existing bonus scheme, which will cease to operate, subject to approval by shareholders of the new proposals at the forthcoming AGM. If approved, the new arrangements will take effect from 1 January 2013
- Improved transparency through early adoption of the majority of the Government's new recommendations for remuneration report structure and content

### How to read this report

This report sets out the remuneration policy for the Executive and Non-Executive Directors of Intu, describes the individual remuneration of the Directors for the year ended 31 December 2012 and, in particular, how remuneration is linked to performance. In response to feedback from shareholders, and the UK Government's Department of Business Innovation & Skills (BIS) consultation and recommendations, we have made a number of enhancements to the content and format of this report. The Committee has decided to adopt the majority of these changes earlier than required under the regulations and accordingly this report is divided into:

1. A forward-looking Policy Section, for 2013 and beyond, which details Intu's remuneration policies and links to strategy;
2. An Implementation Report, which focuses on the remuneration arrangements and outcomes for the year under review; and
3. A third section containing other information required this year under the existing regulations.

### Proposed new Remuneration Policy for 2013 and Shareholder Consultation

As advised in last year's Directors' remuneration report, the Remuneration Committee undertook a root-and-branch review of remuneration during the year to ensure Intu executive remuneration appropriately:

- aligns executive and shareholder interests
- supports the attraction, motivation and retention of high calibre executives
- links executive reward to results
- reflects latest developments in best practice and is also simple and effective.

A number of objectives were identified by the Committee at the outset of the review. These were to:

- appropriately reinforce achievement of Intu's strategic objectives
- respond to shareholder feedback
- rebalance the pay mix towards the long-term
- reward a balance of absolute and relative measures of long-term performance
- ensure alignment of executives at and below the Board
- ensure short-term performance measures provide strong line-of-sight and appropriately recognise management's contribution to value creation
- ensure remuneration is sufficiently competitive to allow Intu to attract, motivate, and retain high calibre executives at all levels
- align remuneration with best practice
- encourage greater levels of personal shareholding amongst senior executives

The proposed new arrangements comprise:

- A new short-term incentive, as described on page 82
- A new long-term incentive, the Performance Share Plan, as described on page 82. The new plan will replace the existing share option scheme and accordingly no further option grants will be made to the Executive Directors

As a result of this review, the Committee has proposed changes to Intu executive remuneration which have been developed in conjunction with some of our major shareholders with whom we consulted on the proposals. The feedback from most of the shareholders was positive and supportive. The proposals are described in further detail on page 82 of this report, and will be submitted for approval by shareholders at the forthcoming AGM.

### Shareholder Annual General Meeting

This remuneration report will be put to the shareholder vote at our AGM in May 2013 and we look forward to receiving your views and support.



**Neil Sachdev**

Chairman of the Remuneration Committee

27 February 2013

## Remuneration Committee



### Chairman:

Neil Sachdev (Independent Non-Executive Director)

### Members:

Louise Patten (Independent Non-Executive Director)

Rob Rowley (Independent Non-Executive Director)

**Number of meetings in 2012:** Seven

### Key responsibilities:

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

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## Policy section

### Compliance statement

This report covers the reporting period from 1 January 2012 to 31 December 2012 and provides details of the Remuneration Committee and remuneration policy for Intu Properties plc ('the Company'). The structure of this report has been prepared by the Committee based on the proposed regulations put forward by BIS. The Government intends the reforms to be enacted by October 2013, but the Remuneration Committee believes these proposals enhance disclosure and has therefore decided to adopt the majority of the draft regulations.

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. The Company has also followed the requirements of the UK Corporate Governance Code 2010 (the 'Code'). This report contains both auditable and non-auditable information. The information subject to audit is set out in the Directors' emoluments and Executive Directors' share awards sections on pages 86 and 88 respectively. In accordance with section 439 of the Companies Act, an advisory resolution to approve this report will be proposed at the Annual General Meeting of the Company to be held in May 2013. The detail in this report sets out how the remuneration principles have been applied in 2012.

### 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 aligns directly the interests of Executive Directors and senior staff with the performance of the Company and the interests of its shareholders. In summary, the key objectives of the policy are as listed opposite on page 74.

As explained opposite, the Remuneration Committee has carried out a major review of the remuneration policy in consultation with large shareholders and the resultant proposals will be put to shareholders for approval at the forthcoming AGM.

Our incentive arrangements, both existing and proposed, are designed to reward performance on our Key Performance Indicators of:

- Total shareholder return
- Total financial return, i.e. growth in NAV per share plus dividends
- Income performance, i.e. growth in adjusted EPS
- Prime property assets, i.e. total property return relative to the IPD
- Like-for-like growth in net rental income
- Occupancy

Our aim is to focus management on delivering sustainable long-term performance and support the retention of critical talent.

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This section of our report describes the key components of the remuneration arrangements for 2013 for Executive Directors, and at the bottom of the table the remuneration arrangements for the Non-Executive Directors.

Purpose	Operation	Opportunity and performance metrics	Changes for 2013
<p><b>Base salary</b> To provide an appropriately competitive level of base pay to attract and retain talent.</p>	<p>Reviewed annually with effect from 1 April.</p> <p>Salary levels take account of:</p> <ul style="list-style-type: none"> <li>• Size and nature of the responsibilities of each role</li> <li>• Market pay levels for the role</li> <li>• The executive's experience</li> <li>• Implications for total remuneration</li> <li>• Increases for the rest of the Group</li> <li>• Overall affordability</li> </ul>	<p>Base salary increases will be applied in line with the outcome of the annual review. Individual and Company performance are considerations in setting base salary.</p> <p>Base salary increases consistent with this policy will be effective from 1 April 2013 as set out in the Implementation report on page 83.</p>	<p>✓</p>
<p><b>Pension</b> To help provide for an appropriate retirement benefit.</p>	<p>The Company operates an approved pension arrangement.</p> <p>Individuals can elect to take some/all as a cash supplement.</p>	<p>The standard Company pension contribution is 24 per cent of base salary. The CEO receives an additional 6.0 per cent of salary in recognition of the additional value of the benefit foregone on the closure of the defined benefit scheme. This amount was actuarially determined to be cost-neutral to the Company.</p>	<p>None</p>
<p><b>Other benefits</b> To provide an appropriately competitive level of benefits.</p>	<p>The Company provides a car allowance up to a maximum of £18,000 per annum for Executive Directors and senior management.</p> <p>The Company offers BUPA private medical insurance to all staff. Premiums are paid by the Company and staff are subject to income tax on the value of the benefit.</p>	<p>David Fischel and Matthew Roberts receive the full car allowance of £18,000 per annum.</p> <p>Both David Fischel and Matthew Roberts received a taxable benefit in respect of private medical insurance. Premiums for the 2012/13 tax year were £1,476.</p>	<p>None</p>
<p><b>Short-term incentive</b> To align annual reward with annual performance to support retention and alignment with shareholders' interests through significant deferral of bonus shares.</p>	<p>Intu operates a short-term incentive arrangement with a maximum individual opportunity set by the Remuneration Committee each year for Executive Directors.</p>	<p>Maximum STI opportunity for Executive Directors: 120 per cent of salary (150 per cent in 2012).</p> <p>Executive's performance is measured relative to challenging targets in key financial, operational and strategic measures. The measures selected and their weightings vary each year according to the strategic priorities.</p> <p>Measures and respective weightings used for the 2012 annual bonus are set out in the Implementation report on page 84, and those proposed for the 2013 annual bonus are set out in the changes made to remuneration arrangements for 2013 on page 82.</p> <p>50 per cent of any earned bonus is deferred in Intu shares, half for two years and half for three years, vesting subject to continued employment.</p>	<p>✓</p>

Purpose	Operation	Opportunity and performance metrics	Changes for 2013
<p><b>Long-term incentives</b></p> <p>To reward good long-term decisions which help grow the value of Intu over a three to five-year horizon and support the retention of critical executives.</p>	<p><b>Performance Share Plan ('PSP')</b></p> <p>Following the review of incentives, the Committee has proposed to replace the existing ESOS with a PSP.</p> <p>Executive Directors and senior executives participate in the PSP. Grants are made annually to eligible employees at the discretion of the Committee.</p> <p>Awards can be made as performance shares or nil-cost options over a specific number of shares and vest one-third, one-third, one-third after three, four and five years subject to performance and continued employment.</p> <p>The Committee has discretion to 'clawback' awards in certain circumstances including if there is a material misstatement in the annual financial statements or a material failure of risk management by the Company.</p> <p>The proposed PSP will be submitted for approval by shareholders at the Annual General Meeting in May 2013.</p>	<p>Normal maximum opportunity: 250 per cent of salary.</p> <p>Long-term incentive performance conditions are reviewed on an annual basis, and are chosen to be aligned with the long-term strategy of the business.</p> <p>Details of the performance conditions for the 2012 awards are provided in the Implementation report on page 84 and those proposed for 2013 onwards are set out in the changes made to remuneration arrangements on page 82.</p>	<p>✓</p>
	<p><b>Executive Share Option Scheme ('ESOS')</b></p> <p>Following the incentive review, the Committee does not intend to make further awards under the ESOS to Executive Directors and senior executives.</p>		<p>None</p>
<p><b>Executive shareholding guidelines</b></p> <p>To support shareholder alignment by encouraging executives to act like shareholders.</p>	<p>Executive Directors and other senior executives are expected to build up over a period of three to five years a beneficial shareholding based on seniority.</p> <p>To be achieved by retaining at least 50 per cent of vested share awards (net of tax).</p>	<p>Executive shareholding guidelines are set out under Total shareholdings of Directors on page 85.</p>	<p>✓</p>
<p><b>Fees</b></p> <p>To remunerate Non-Executive Directors.</p>	<p>The Chairman and Non-Executive Directors' fees are determined by the Board, taking into account the time commitment, responsibilities, and the skills and experience required.</p>	<p>Current Chairman and Non-Executive Director fees are set out in the footnotes to the Emoluments table on page 86.</p>	<p>None</p>

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**Details of Directors' service contracts***Chairman*

The terms of the Chairman's appointment broadly reflect the terms of the three-year appointments of the Non-Executive Directors.

*Non-Executive Directors*

All Non-Executive Directors have been appointed on fixed terms of two or three years, subject to renewal thereafter. Mr R.M. Gordon has served for more than nine years and is now subject to a one-year term. 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.

The Chairman and Non-Executive Directors were entitled to receive an additional payment equivalent to one-year's fee in the event of a change of control of the Company. However, following shareholder feedback at the 2012 AGM, this entitlement is to be replaced in the first half of 2013 by an agreement to recompense the Directors for any additional time commitment in certain limited circumstances, to be calculated on a per diem basis.

Non-Executive Directors receive no benefits from their office other than fees. They are not eligible to participate in Group pension arrangements.

The following table sets out the dates of appointment for the Non-Executive Directors:

	Date of appointment	Current term expires
A. Anderson	22 February 2013	2016 AGM
J.G. Abel	2 June 2010	2013 AGM
R.M. Gordon	7 May 2010	2013 AGM
A.J.M. Huntley	8 July 2009	2014 AGM
Lady Patten	22 September 2011	2014 AGM
R.O. Rowley	17 May 2004	2013 AGM
N. Sachdev	1 November 2006	2013 AGM
A.D. Strang	8 July 2009	2015 AGM
J. Whittaker*	28 January 2011	2014 AGM

\* Mr Whittaker did not receive any fees in respect of his position as Deputy Chairman and a Non-Executive Director of the Company during 2012

*Executive Directors*

Executive Directors have rolling service contracts which are terminable on 12-months' notice on either side. None of the existing service contracts for Executive Directors makes any provision for termination payments, other than for payment of salary and benefits in lieu of notice.

The Executive Directors' service contracts 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.

The following service contracts in respect of Executive Directors who were in office during the year are rolling service contracts and therefore have no end date:

	Date of commencement of contract	Notice period
D.A. Fischel	24 June 1999	12 months
E.M.G. Roberts	17 May 2010	12 months



## Termination payments

The Company's policy is to limit severance payments on termination to pre-established contractual arrangements. However, in the event of the Company terminating an Executive Director's contract, the level of compensation would be subject to mitigation if considered appropriate. In the event that the employment of an Executive Director is terminated, any compensation payable will be determined in accordance with the terms of the service contract between the Company and the employee, as well as the rules of any incentive plans.

Under normal circumstances, good leavers are entitled to receive termination payments in lieu of notice based on base salary and benefits only. The notice period for both Executive Directors is one year. Note, on a change-of-control the Remuneration Committee has discretion to permit early vesting of PSP awards subject to pro-rating for time and performance, unless the Committee in its discretion determines otherwise.

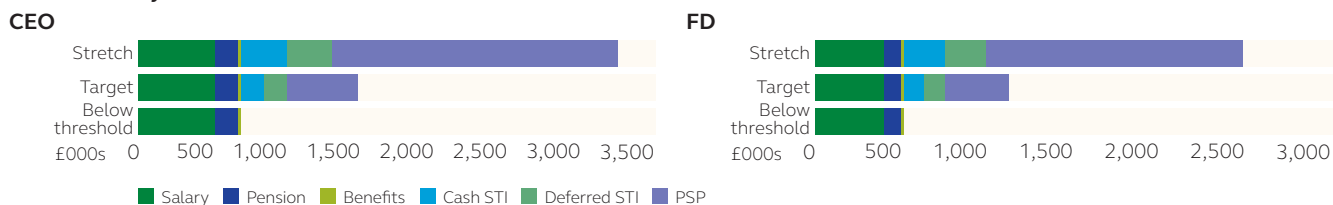
In the event an executive is a good leaver, e.g. for reasons of injury, disability etc. or for any other reason, any outstanding PSP awards will be pro-rated for time and based on performance to the end of the performance period. In the event of death, early vesting is permitted, based on the Committee's assessment of performance against the performance condition.

For all other leavers, outstanding awards lapse. The Committee retains discretion to alter these provisions (as permitted by the relevant Plan Rules) on a case-by-case basis following a review of circumstances to ensure fairness for both shareholders and participants.

## Pay for performance: scenario analysis

In determining Executive Director pay, the Remuneration Committee (the 'Committee') reviews remuneration received and the Company's performance relative to the other FTSE 200 property REITs. In addition, the Committee reviews potential remuneration for performance. The following chart shows the potential split between the different elements of the Executive Directors' remuneration under three different performance scenarios; 'Below threshold', 'Target' and 'Stretch'.

### Scenario analysis chart



Component	'Below threshold'	'Target'	'Stretch'
Base salary	Annual base salary		
Pension	30 per cent of salary for CEO; 24 per cent of salary for FD		
Benefits	Taxable value of annual benefits provided		
Annual bonus (cash and deferred shares*)	0 per cent of salary	60 per cent of salary (target opportunity)	120 per cent of salary (maximum opportunity)
Performance Share Plan†	0 per cent vesting	25 per cent vesting	100 per cent vesting

\* Excludes share price growth

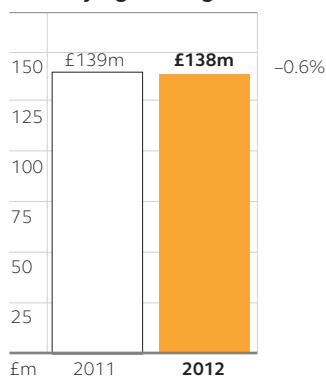
† Based on initial 2013 award, i.e. normal award enhanced by 50 per cent; excludes share price growth

A description of the annual bonus and Performance Share Plan award for 2013 is set out on page 82.

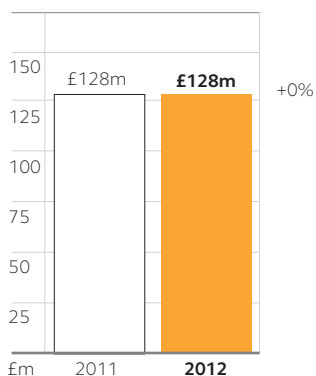
**Distribution statement**

The table below shows the percentage change in profit after tax, dividends, and total employee compensation spend from the financial year ended 31 December 2011 to the financial year ended 31 December 2012.

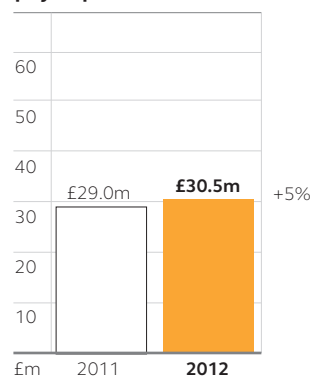
**Underlying earnings**



**Dividend**



**Total employee pay expenditure**



**Consideration of conditions elsewhere in the Group**

In making remuneration decisions, the Committee also considers the pay and employment conditions elsewhere in the Group. Prior to the annual pay review, the Committee receives a report from the HR Director setting out changes to broader employee pay. This forms part of the basis for determining Executive Director remuneration. The Company consulted with employees in 2012, as part of an employee survey, over the effectiveness and appropriateness of the remuneration policy.

The increase made to the Executive Directors' base salary for 2013 was 4.9 per cent for both the Chief Executive and the Finance Director.

In addition to salary, all Group employees are entitled to participate in the Share Incentive Plan, and may be granted an annual bonus on a discretionary basis dependent on the satisfaction of corporate and personal objectives. At the discretion of the Remuneration Committee, certain employees may also be awarded long-term incentives in the form of options granted under the Company's share option schemes.

**Consideration of shareholder views**

When determining remuneration, the Committee takes into account the guidelines of investor bodies and shareholder views. As part of the remuneration review undertaken during the year, the Committee has moved to address the concerns voiced by shareholders at last year's AGM.

In response to shareholder feedback, the Remuneration Committee carried out a comprehensive review of remuneration policy during the year as described on page 82. The Committee consulted with the Group's largest shareholders on the new proposals and a number of amendments were made to take shareholder comments into account.

## Implementation report

### Remuneration Committee membership in 2012

The principal responsibilities of the Committee, which take full account of the recommendations contained within the Code, include:

- Determining the remuneration policy for the Company's Executive Directors and senior executives
- Determining individual remuneration packages for the Chairman, Executive Directors and senior executives
- Setting appropriately stretching and achievable targets for the Company's incentive schemes in order to motivate executives to deliver high levels of performance in the interests of our shareholders, customers and employees
- Overseeing any significant changes to remuneration policy for the wider employee population

The full duties and responsibilities are set out in the terms of reference of the Committee which are available on the Company's website.

The Remuneration Committee currently comprises three independent Non-Executive Directors. Throughout the year the Committee consisted of Rob Rowley and Louise Patten, under the Chairmanship of Neil Sachdev.

The Chairman, Chief Executive, and Company Secretary 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 discussed.

The Remuneration Committee met a total of seven times in 2012, including three scheduled meetings and four additional meetings which focused on the root-and-branch review of remuneration policy. Matters covered at the scheduled meetings included:

- Executive Director salaries
- Performance outcomes for the annual bonus
- Option grants to senior executives
- The Chairman's terms of appointment
- The Directors' remuneration report
- Preparation for the AGM
- Root-and-branch review of remuneration policy and structure for 2013

### Advisers to the Committee

The Committee has appointed and received advice from Kepler Associates, a firm of independent remuneration consultants. During the year, Kepler Associates provided advice on market trends, incentive design, and other remuneration matters. Kepler Associates is independent and does not provide any other services to the Company. The fees paid to Kepler in respect of work carried out in 2012 totalled £173,385. Kepler Associates is a member of the Remuneration Consultants Group and adheres to its code of conduct.

The Committee has also appointed and been advised by Norton Rose LLP during the year on various remuneration matters. Norton Rose does not advise the Company on any other matters. Some work was carried out by Norton Rose in 2012 but this is expected to be billed in 2013.

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

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### Changes made to remuneration arrangements for 2013

As a result of the remuneration review carried out by the Remuneration Committee during the year, and following feedback from our major shareholders, the proposed Executive Director remuneration arrangements include:

- Rebalancing incentives to long-term performance by reducing the maximum annual bonus opportunity from 150 per cent of salary to 120 per cent, and replacing the long-term incentive award of up to 200 per cent of salary in options with up to 250 per cent in performance shares
- Reviewing executive salaries in 2013 to ensure appropriately positioned vs. market, taking into account implications on the total package, and move to annual reviews of salary taking into account increases for the rest of the Group, affordability, ensure appropriate competitiveness, and recognise experience, tenure and contribution of each executive
- Rebalancing annual bonus measures to recognise that NAV is more appropriate in the long-term incentive, reward steady growth in earnings and prudent cost management, and recognise individual contribution:
  - one-third on adjusted EPS performance vs. budget
  - one-third on adjusted EPS performance vs. prior year
  - one-third on performance against a scorecard of up to five personal objectives.  
Note, while 33 per cent of the annual bonus is based on personal objectives, this includes quantitatively assessed financial and operational measures specific to each role.
- Deferring 50 per cent of any earned bonus, and increase the deferral period from two years to half for two years and half for three years

- Replacing EPS options with a new Performance Share Plan which rewards TSR and NAV performance. This will improve shareholder alignment, and help ensure payouts are less 'all or nothing'. Performance will be measured one-third over three years, one-third over four years and one-third over five years, instead of 100 per cent over three years to provide balance between the typical executive time horizon and the longer time horizon of shopping centre investments. Initial awards will be enhanced by 50 per cent to ensure participants are not unduly disadvantaged by extending the performance period.

Half of awards vest by reference to Absolute Total Return (25 per cent minimum vesting for 6 per cent per annum; full vesting for 10 per cent per annum; straight-line vesting in between).

Half of awards vest by reference to TSR relative to the top 5 UK-listed REITS<sup>1</sup> (25 per cent minimum vesting for TSR in line with the third ranked company; full vesting for TSR in line with the top ranked company; straight-line vesting in between), subject to a Committee-operated discretionary assessment of underlying financial performance.

Entry vesting will be reduced from 33 per cent to 25 per cent to reflect institutional shareholder preference.

Absolute Total Return (i.e. NAV growth plus dividends) is considered by the Company to be the best internal proxy for TSR and the best internal indicator of value creation. Total Shareholder Return is the key objective of most of our shareholders. For incentive purposes it is measured over three to five years relative to peers in order to isolate the impact of Intu's management's contribution from external factors that affect all companies in the peer group.

- Increasing executive share ownership requirements from 100 per cent of salary to 200 per cent for the Chief Executive and to 150 per cent for the Finance Director, and introducing a guideline for other executives to be achieved by retaining a proportion of vested share awards (net of tax)
- Allowing the accrual of dividends on performance shares to improve shareholder alignment with respect to dividends
- Aligning leaver and change-of-control provisions with best practice
- Introducing clawback on unvested deferred bonus and LTIP awards.

<sup>1</sup> British Land, Derwent, Hammerson, Land Securities, and SEGRO.

## Total remuneration in 2012

Building on disclosures provided last year, and to aid transparency to our shareholders, the table below sets out the total remuneration received by each Executive Director for the year to 31 December 2012 together with two ESOS awards which are subject to performance to 31 December 2012 but expected to vest in 2013.

Director	D.A. Fischel		E.M.G. Roberts	
	2012	2011	2012	2011
1. Base salary	<b>£513,750</b>	£490,000	<b>£391,250</b>	£361,250
2. Benefits	<b>£19,476</b>	£19,449	<b>£19,476</b>	£19,449
3. Pension	<b>£154,125</b>	£147,000	<b>£93,900</b>	£86,700
4. Annual bonus: cash	<b>£130,000</b>	£99,000	<b>£100,000</b>	£73,000
Annual bonus: deferred	<b>£416,000</b>	£519,750	<b>£320,000</b>	£383,250
<b>Total</b>	<b>£1,233,351</b>	£1,275,199	<b>£924,626</b>	£923,649
5. ESOS: 2009 award	<b>£411,859</b>	£0	<b>£0</b>	£0
2010 award	<b>£126,863</b>	£0	<b>£94,156</b>	£0

The figures have been calculated as follows:

- 1 Base salary: amount earned for the year
- 2 Benefits: the taxable value of annual benefits received in the year
- 3 Pension: the value of the Company's contribution during the year (30 per cent salary supplement in lieu of contributions for the CEO, 24 per cent SIPP contribution, party taken as a salary supplement, for the FD).
- 4 Annual bonus: cash and deferred: the value at grant of the annual incentive payable for performance over 2012
- 5 ESOS: awards made in 2009 and 2010, subject to a 3- and 4-year vesting period respectively, vest subject to EPS performance to 31 December 2012. These awards are expected to vest in full on 28 February 2013 and 26 May 2013, respectively. Awards have been valued based on embedded gain and the 3-month average share price to 31 December 2013

## Directors' remuneration and incentives

### Base salary

Salaries of Executive Directors and other staff are reviewed annually in the light of competitive market practice, including reference to comparable data of other companies of a similar size and companies in the Real Estate sector. When determining executive remuneration, the Committee takes careful account of pay and employment conditions in the Company as a whole.

The current salaries for Executive Directors are set out below and will be increased with effect from 1 April 2013 by 4.9 per cent to reflect the policy of moving salary to median over time, supporting retention of critical talent, and recognising progression in the role:

Executive Director	2012 salary	2013 salary	% increase
David Fischel	£520,000	£545,480	4.9%
Matthew Roberts	£400,000	£419,600	4.9%

### Pensions

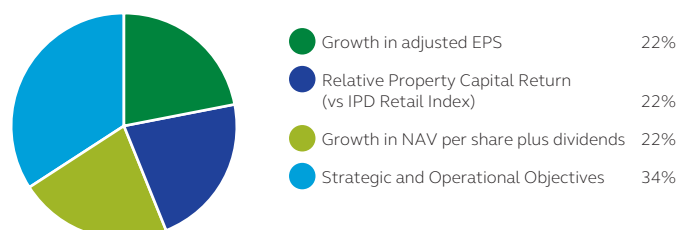
The main benefits are pension contributions, private healthcare and the provision of a company car or cash alternative. Standard company contribution is 24 per cent of base salary. The CEO receives an additional 6 per cent of salary in recognition of the additional value of the benefit foregone on the closure of the defined benefit scheme. This amount was actuarially determined to be cost-neutral to the Company.

### Annual bonus

The maximum award for both the CEO and FD in 2012 was 150 per cent of salary.

In 2012, the performance measures for the short-term incentive were weighted as illustrated by the following diagram:

### Performance metrics for 2012 short-term Incentive





Performance against each of the measures for the 2012 short-term incentive arrangements is summarised below:

Performance element	Weighting	Target	2012 performance	Remuneration Committee assessment
Growth in NAV per share + dividends reinvested	22%	+5%	+4.1%	Below target
Relative Property Capital Return	22%	in line with IPD	+6.4%	Above target
Growth in EPS (adjusted for capital transactions)	22%	*	+2.4%	Above target
Strategic and Operational Objectives <sup>†</sup>	34%		Assessed by Remuneration Committee against a scorecard for each Executive Director	Above target

\* Not disclosed due to commercial sensitivity

† With regard to performance during the year against Strategic and Operational Objectives, the Committee noted the following achievements in particular:

- High occupancy at 96 per cent; successful relettings offsetting impact of tenant failures representing 6 per cent of rent roll
- Signed 169 long-term leases for £44 million; new annual rent at average of 7 per cent above previous passing rent
- Active management and major extension projects pipeline now amounts to £1 billion programme over 10 years.

### Individual short-term incentive outcomes

A participant's bonus is also based on the Remuneration Committee's assessment of their individual contribution to the Group's performance during the year and the achievement of specific individual objectives, which are determined and communicated at the start of each year, and include key strategic, financial and operational goals.

For 2012, David Fischel and Matthew Roberts each received a total short-term incentive award of 105 per cent of salary (70 per cent of maximum opportunity), respectively.

### Deferral into shares

76 per cent of the 2012 short-term incentive for both David Fischel and Matthew Roberts was deferred into Intu shares.

Employees must remain in employment with the Company for a period of two years (three years for shares awarded under the SIP) after the date of award before such shares are released.

The approximate deferred share awards to the Executive Directors, based on a share price of £3.55 per share, are as follows:

Name	SIP (three year deferral)	Deferred shares (two year deferral)
D.A. Fischel	845	116,338
E.M.G. Roberts	845	89,296

## Executive Share Option Scheme (ESOS)

### Awards made during the year

In March 2012, in line with the 2012 remuneration policy and as disclosed in the 2011 Directors' remuneration report, David Fischel and Matthew Roberts received market value share option grants with a face value of 200 per cent of salary. Vesting is based on three-year EPS growth ranging from 4 per cent p.a. to 6 per cent p.a. 100 per cent vests for growth of 6 per cent p.a. or higher; 33 per cent vests for growth of 4 per cent p.a.; awards vest on a straight-line basis for performance between these levels. Awards will lapse for growth of less than 4 per cent p.a.

As permitted under the rules of the Executive Share Option Scheme, both David Fischel and Matthew Roberts elected to receive their awards through a Joint Ownership Structure which required them to make an upfront contribution to acquire an interest in Intu shares.

Full details of historical ESOS grants are provided in the table on page 88. Note, on a change-of-control or in the case of a good leaver, the Remuneration Committee has discretion to permit early vesting of ESOS awards and pro-rate for time and performance, as appropriate.

### Awards vesting during the year

The standard performance condition for options granted between 2004 and 2011 is as follows:

“The Company’s ‘smoothed’ earnings are to grow over a three-year period at a rate in excess of 5 per cent per annum compound. ‘Smoothed’ earnings means the percentage increase in underlying earnings per share, adjusted by (a) excluding exceptional and valuation items and (b) limiting trading or non-recurring items to 10 per cent of profit before tax.”

The base figure for comparison purposes in respect of both the 2009 and 2010 option grants is the ‘smoothed’ earnings achieved, after adjustment for the demerger, as at 31 December 2009. The ‘smoothed’ EPS base figure was 13.9 pence. Based on EPS performance to 31 December 2012 (16.1 pence), the 2009 and 2010 ESOS awards are due to vest in full in February and May 2013, respectively.

No 2011 ESOS awards are due to vest until 2014 (subject to performance). As noted above, the performance condition for grants of options in 2012 are based on a sliding scale of EPS performance.

#### Other share schemes

The Company operates an Employee Share Ownership Plan (‘ESOP’) which has in the past used funds provided to purchase shares required under the annual bonus scheme.

The Company operates a Share Incentive Plan (‘SIP’) for all eligible employees, including Executive Directors, who may receive up to £3,000 worth of shares as part of their annual bonus arrangements. The SIP arrangements offer worthwhile tax advantages to employees and to the Company. Also, as part of the SIP arrangements, the Company offers eligible employees the opportunity to participate in a ‘Partnership’ share scheme, the terms of which are governed by HM Revenue & Customs regulations.

### Exit payments made in year

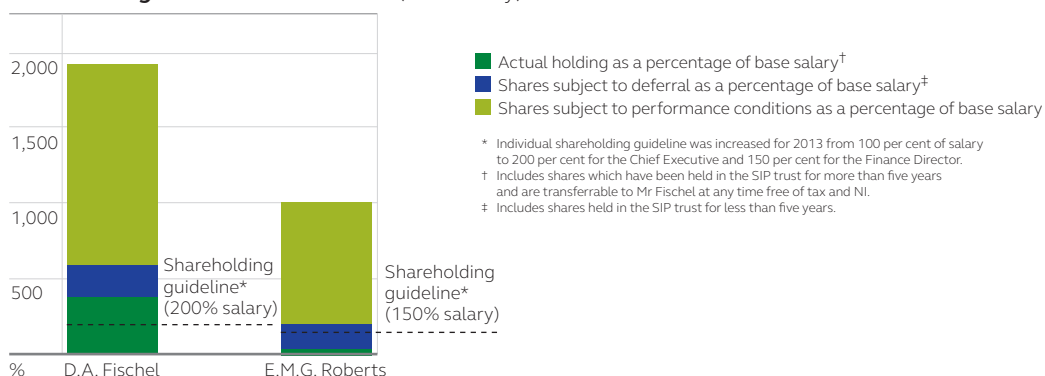
No payments for loss of office were paid to former Directors of the Company during 2012.

### Total shareholdings of Directors

In 2009 the Committee introduced a requirement for Executive Directors to build up, over a three to five-year period, and maintain a shareholding in the Company with a value equivalent to at least one year’s annual salary. The chart below illustrates the value of Executive Directors’ shareholdings against the guideline of 100 per cent of salary. The Committee reviewed this requirement as part of the root-and-branch review of policy carried out in 2012 and, as a result, the new requirement effective from 1 January 2013 is for the Executive Directors to build up, over a period of three to five years, a holding with a value equivalent to 200 per cent of salary (David Fischel) and 150 per cent of salary (Matthew Roberts).

Shareholdings at 31 December 2012 against guidelines:

Shareholdings at 31 December 2012 (% of salary)



**Shareholder context**

The table below shows the advisory vote on the 2011 Directors' remuneration report at the April 2012 AGM. It is the Committee's policy to consult with major shareholders prior to any major changes.

	For	Against	Abstentions
Votes	71.13%	28.67%	0.19%

The main areas of shareholder concern were the continued use of a single-performance criteria and cliff-vesting for awards of options, and the Remuneration Committee's discretion to accelerate the vesting of options on a change of control. As noted in the 2011 Directors' remuneration report, the Committee sought to address the issue of 'cliff-vesting' by introducing a sliding scale performance condition for options awarded to the Executive Directors and senior executives in March 2012. Long-term incentive awards for Executive Directors and senior executives made from 2013 onwards will be made under the new Performance Share Plan which provides for sliding scale vesting on two separate performance criteria measured over three, four and five-year periods. The rules of the new Performance Share Plan provide that, on a change of control, awards of Performance Shares under the plan will vest to the extent that the Committee determines that any applicable performance conditions have been or would likely have been satisfied. The number of shares to vest in such circumstances will also generally be reduced to reflect a reduced service period.

**Additional information****Emoluments table**

Name	Salary and service contract remuneration £	Benefits* in kind £	Annual cash bonus <sup>†</sup> £	Other – including car allowance (see notes below) £	Directors' fees £	Other fees £	Aggregate emoluments <sup>†</sup> 2012 £	Aggregate emoluments excluding pensions 2011 £
<b>Chairman</b>								
D.P.H. Burgess	400,000	5,416					<b>405,416</b>	392,293
<b>Executive</b>								
D.A. Fischel <sup>1</sup>	513,750	1,476	130,000	172,125			<b>817,351</b>	755,449
E.M.G. Roberts <sup>2</sup>	391,250	1,476	100,000	18,000			<b>510,726</b>	453,699
<b>Non-Executive</b>								
J.G. Abel <sup>3</sup>					54,375	11,000	<b>65,375</b>	60,875
R.M. Gordon					54,375		<b>54,375</b>	51,875
A.J.M. Huntley					54,375		<b>54,375</b>	51,875
R.O. Rowley					54,375	33,750	<b>88,125</b>	81,875
Lady Patten (appointed 22.09.11)					54,375	5,000	<b>59,375</b>	15,923
N. Sachdev					54,375	23,750	<b>78,125</b>	67,708
A.D. Strang					54,375	5,000	<b>59,375</b>	56,875
J. Whittaker (appointed 28.01.11) <sup>4</sup>					–	–	<b>–</b>	–
<b>Retired during year</b>								
I.J. Henderson (retired 25.04.12) <sup>5</sup>					17,074	9,109	<b>26,183</b>	61,042
<b>Totals</b>	<b>1,305,000</b>	<b>8,368</b>	<b>230,000</b>	<b>190,125</b>	<b>397,699</b>	<b>87,609</b>	<b>2,218,801</b>	<b>2,049,489</b>

\* Benefits provided to Executive Directors relate primarily to the provision of medical insurance. The benefits provided for the Chairman comprise medical insurance.

† Aggregate emoluments exclude deferred share bonuses and pension contributions which are detailed below.

‡ Deferred bonus is not included in this table. In the case of Mr Fischel, the amount of deferred bonus for 2012 is £103,750 lower than for 2011, and for Mr Roberts it is £63,250 lower.

1 Mr Fischel received a payment of £154,125 in lieu of accruing further benefits under the Company's pension arrangements (included in 'other').

2 In addition to the emoluments shown in the table above, Mr Roberts received contributions from the Company to his Self Invested Pension Plan of £93,900 having opted out from membership of the Group's defined contribution pension plan.

3 In addition to his role as a Non-Executive Director, Mr Abel also provides consultancy services to the Group in respect of its investments in India. Mr Abel receives consultancy fees at a rate of £1,000 per day, and received total fees of £11,000 (shown in 'other') during 2012 under the consultancy arrangements.

4 Mr Whittaker did not receive any remuneration in 2012 in connection with his position as Deputy Chairman and a Non-Executive Director of the Company.

5 Mr Henderson stepped down as a Non-Executive Director on 25 April 2012. Mr Henderson was appointed as a member of the Capital Projects Committee with effect from 2 May 2012 and received fees of £7,500 in respect of this appointment in 2012 (included in 'other').

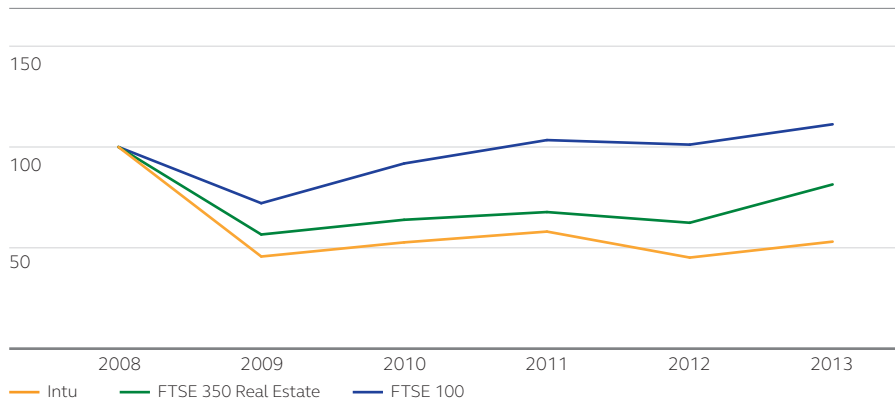
**Chairman and Non-Executive Director fees**

The Chairman receives a fee of £400,000 per annum. The current base fee for Non-Executive Directors is £55,000 per annum, increased from £52,500 p.a. on 1 April 2012. The Senior Independent Director receives an additional fee of £10,000 per annum. Committee chairmen receive £15,000 per annum, increased from £10,000 on 1 April 2012, and Committee members receive £5,000 per annum.

## Five-year TSR chart

The following graph shows the Total Shareholder Return ('TSR') for Intu Properties plc over the five-year period ended 31 December 2012, compared with our closest comparator group for this purpose, the FTSE 350 Real Estate Index. TSR is defined as share price growth plus reinvested dividends.

### Five-year Total Shareholder Return (TSR) performance



## Other directorships

Executive Directors are not generally encouraged to hold external directorships unless the Chairman determines that such appointment is in the Group's interest and does not cause any conflict of interest. Where such appointments are approved and held, it is a matter for the Director in question and the Chairman to agree whether fees paid in respect of the appointment are retained by the individual or paid to the Company.

David Fischel currently holds three external directorships. In two cases he receives and retains the fees. His principal external appointment is as a non-executive director of US company Equity One, Inc, in which Intu retains an investment through a joint venture company EQY-CSC LLC. Mr Fischel also holds another external appointment as a non-executive director of Marlowe Investments (Kent) Limited, a UK private company which relates to Mr Fischel's family affairs and does not require any significant time commitment and does not conflict in any way with Mr Fischel's role as Chief Executive of Intu. Mr Fischel is also a Non-Executive Director of Prozone Capital Shopping Centres Limited, an Indian shopping centre owner and developer in which Intu has a 33 per cent interest. Mr Fischel does not receive a fee in respect of this appointment.

During 2012, Mr Fischel received a fee of \$50,500 in respect of his directorship of Equity One, Inc. Mr Fischel retained the fees paid in respect of his appointment. In addition to his fee, restricted stock in Equity One, Inc. awarded to Mr Fischel vested during the year with a value on vesting of \$69,217.50. Mr Fischel also received and retained a fee of £5,000 in respect of his non-executive directorship of Marlowe Investments (Kent) Limited.

## Quasi-loan to Director

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 Mr Fischel nor Mr Roberts received a season ticket or other loan from the Group during 2012.

## Payments to former Directors

A Life Presidency fee of £150,000 (2011 – £150,000) was paid to Sir Donald Gordon, the Group's Life President and former Chairman who founded the Company in 1980. The Life Presidency fee was agreed by the Board at the time of his retirement in July 2005 in recognition of his outstanding contribution to the Group. The payment is guaranteed under a legally binding Deed, and is payable annually for the remainder of Sir Donald's life, Sir Donald Gordon is 82 and remains a major shareholder.

In addition, the Company entered into a consultancy agreement with Sir Donald following his retirement. The consultancy arrangements ceased on 30 June 2011 and no further payments have been made. The payment for 2011 was £100,000.

Mrs Kay Chaldecott resigned from the Board on 30 September 2011 but continues to provide consultancy services to the Group, relating to new business opportunities, development projects and senior retailer relations. These consultancy services are provided under the terms of a two-year Consultancy Agreement which will terminate in October 2013. During 2012, Mrs Chaldecott received a total of £80,000 in respect of such consultancy arrangements. Further payments of a total of £66,666 are anticipated to be made to Mrs Chaldecott in 2013 in respect of the remaining term of the Consultancy Agreement.

Mr Ian Henderson stepped down as a Non-Executive Director on 25 April 2012. Mr Henderson was appointed as a member of the Capital Projects Committee on 2 May 2012 and receives an annual fee of £3,000 plus £1,500 per meeting attended. Mr Henderson's Capital Projects Committee fees for 2012 are shown in the Emoluments table on page 86.

### Alternate Directors

Steven Underwood and Raymond Fine serve as alternate Directors to John Whittaker and Richard Gordon respectively. Neither Mr Underwood nor Mr Fine received any fees in 2012 in respect of their appointment as alternate Directors. Mr Fine received a fee of £156,875 in respect of consultancy services provided to the Company in connection with South African tax and shareholder issues (particularly in respect of South African dividends tax), liaison with the Gordon Family and other related matters.

### Summary of share awards tables

Executive Directors are entitled to participate in the Company's Approved and Unapproved share option schemes and the proposed new Performance Share Plan ('PSP'). No awards have yet been made under the PSP which is subject to approval by shareholders at the Company's 2013 Annual General Meeting. Full details relating to the holding, grant and exercise of share options by Executive Directors are set out below:

#### Approved Share Option Scheme

Director	Year granted	Option price (pence)	Held at 31 December 2011	Granted in year	Adjustment in year	Exercised in year	Lapsed in year	Held at 31 December 2012	Exercisable between
D.A. Fischel	2009	271.69*	11,041	-	-	-	-	<b>11,041</b>	28/02/13 – 28/05/19
E.M.G. Roberts	2010	313	9,584	-	-	-	-	<b>9,584</b>	26/05/13 – 26/05/20

#### Unapproved Share Option Scheme

Director	Year granted	Option price (pence)	Held at 31 December 2011	Granted in year	Adjustment in year	Exercised in year	Lapsed in year	Held at 31 December 2012	Exercisable between
D.A. Fischel	2009	271.69*	649,648	-	-	-	-	<b>649,648</b>	28/02/13 – 28/05/19
	2010	313	607,000	-	-	-	-	<b>607,000</b>	26/05/13 – 26/05/20
	2011	387	350,000	-	-	-	-	<b>350,000</b>	03/03/14 – 03/03/21
	2012	336	-	309,000	-	-	-	<b>309,000</b>	05/03/15 – 05/03/22
E.M.G. Roberts	2010	313	437,416	-	-	-	-	<b>437,416</b>	26/05/13 – 26/05/20
	2011	387	250,000	-	-	-	-	<b>250,000</b>	03/03/14 – 03/03/21
	2012	336	-	238,000	-	-	-	<b>238,000</b>	05/03/15 – 05/03/22

\* Exercise price following adjustment in respect of demerger in 2010. Pre-adjustment exercise price was 359 pence.

The market price of Intu Properties plc ordinary shares as at 31 December 2012 was 350.2 pence and during the year the price varied between 300.9 pence and 365.6 pence.

The interests of Directors in conditional awards of ordinary shares under the annual bonus scheme are detailed in note 52 on pages 137 and 138.

On behalf of the Board



### Neil Sachdev

Chairman of the Remuneration Committee

27 February 2013



# Directors' report

The Directors have pleasure in presenting their Annual Report and the audited financial statements of the Group and Company for the year ended 31 December 2012.

## Principal activities

During the period the principal activity of Intu Properties plc ('Intu') was that of an investment holding company incorporated in the United Kingdom whose business is the management of a portfolio of investments in the property sector predominantly, but not exclusively, in the United Kingdom. Intu has been a Real Estate Investment Trust ('REIT') since 1 January 2007.

Intu is a specialist developer, owner and manager of pre-eminent UK regional shopping centres.

## Business review

The Chairman's statement on pages 10 to 12, the Business review on pages 31 to 41, the Financial review on pages 44 to 49, the Key performance indicators on pages 20 and 21, and Key risks and uncertainties on pages 26 and 27 provide detailed information relating to the Group, the operation, development and future prospects of the business, the results and financial position for the year ended 31 December 2012 and the principal risks and uncertainties facing the Group. The Corporate responsibility review on pages 51 to 57 contains information about environmental matters, the Group's employees and social and community matters. The Financial review, accounting policies on pages 102 to 105 and note 35 on pages 122 to 126 contain information on the use of financial instruments.

## Dividends

The Directors declared an interim ordinary dividend of 5.0 pence (2011 – 5.0 pence) per share on 26 July 2012, which was paid on 20 November 2012, and have recommended a final ordinary dividend of 10.0 pence per share (2011 – 10.0 pence).

## Share capital and control of the Company

Details of the Company's share capital including changes during the year in the issued share capital and details of the rights attaching to the Company's ordinary shares are set out in note 38 on page 127. No shareholder holds securities carrying special rights with regards 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 £375 million Revolving Facility agreement dated 25 February 2009 (as amended by amendment agreements dated 2 October 2009 and 19 February 2010, and further amended and restated on 18 November 2011) between, amongst others, the Company and HSBC Bank PLC (as 'Agent'), on a change of control, if directed by a lender, the Agent may by notice to the Company cancel the commitment of that lender and declare the participation of that lender in all outstanding loans, together with accrued interest and all other amounts accrued and owing to that lender under the finance documents, immediately due and payable.

Under the terms and conditions of the £300 million 2.5 per cent Guaranteed Convertible Bonds issued on 4 October 2012 by Intu (Jersey) Limited (formerly Capital Shopping Centres (Jersey) Limited) (the 'Issuer') and guaranteed by the Company, on a change of control of the Company bondholders would have a right for a limited period of 60 days to exercise their exchange rights at an enhanced exchange price (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.

The Company is not party to any other significant agreements that would take effect, alter or terminate following a change of control of the Company.

The Company does not have any agreements with any Executive Director or employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Company share schemes may cause options and awards outstanding under such schemes to vest on a takeover. The terms of appointment of the Non-Executive Directors currently provide for a payment equal to their basic annual fee in the event of change of control in recognition of the additional work involved in such an event, however this entitlement is to be replaced in the first half of 2013 by an agreement to recompense the Directors for any additional time commitment in certain limited circumstances, to be calculated on a per diem basis.

## Going concern

After making enquiries, the Directors have reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Shareholders' attention is drawn to the going concern disclosure contained in the Notes to the accounts on page 102.

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### Internal control

The statement on corporate governance on pages 63 to 73 includes the Board's assessment following a review of internal controls and consideration of the 2005 Financial Reporting Council's internal control guidance for Directors.

### Directors

The Directors of Intu who held office during the year were as follows:

Chairman:

D.P.H. Burgess

Deputy Chairman:

J. Whittaker<sup>1</sup>

Executive:

D.A. Fischel

E.M.G. Roberts

Non-Executive:

J.G. Abel

R.M. Gordon<sup>1</sup>

A.J.M. Huntley

Lady Patten

R.O. Rowley

N. Sachdev

A.D. Strang

Retired during the year:

I.J. Henderson (stepped down 25 April 2012)

<sup>1</sup> Mr Whittaker and Mr Gordon have appointed Steven Underwood and Raymond Fine respectively as their alternates under the terms of the Company's Articles of Association.

Adèle Anderson was appointed as a Non-Executive Director on 22 February 2013.

In accordance with provision B.7.1 of the UK Corporate Governance Code, all Directors are subject to re-election at the forthcoming Annual General Meeting.

Pursuant to the Articles of Association of the Company, the Company has indemnified the Directors to the full extent allowed by law. The Company maintains Directors' and Officers' insurance which is reviewed annually.

Additional information relating to the Directors can be found in note 52 on pages 137 and 138 on Directors' interests, in the Corporate governance report on pages 64 to 73, and in the Directors' remuneration report on pages 74 to 88.

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 38 on page 127.

### 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

As at 22 February 2013 Intu had been notified of the following substantial holdings of voting rights over ordinary shares of Intu:

- The Peel Group 173,566,817 (19.99 per cent)
- Coronation Asset Management (Pty) Limited 126,312,499 (14.54 per cent)
- The family interests of Sir Donald Gordon 92,143,203 (10.61 per cent)
- Public Investment Corporation 36,870,928 (4.25 per cent)
- BlackRock, Inc. 34,952,303 (4.03 per cent)

### Employees

Intu actively encourages employee involvement and consultation and places emphasis on keeping its employees informed of the Company's activities and financial performance by such means as employee briefings and publication to all staff of relevant information and corporate announcements. In 2012, Intu conducted an all employee survey covering a range of topics to which 88 per cent of staff responded.

The annual bonus arrangements help develop employees' interest in the Company's performance; full details of these arrangements are given in the Directors' remuneration report on pages 74 to 88. Note 52 on pages 137 to 138 contains details of conditional awards of shares under the annual bonus scheme and bonus shares currently outstanding, as well as outstanding options.

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 22 to 25 and in note 10 on page 107. The Group provides retirement benefits for the majority of its employees. Details of the Group pension arrangements are set out in note 50 on page 136.

## The environment

We have developed a Corporate Responsibility ('CR') strategy and details of our policies and the Group's aims alongside the latest full version of our annual CR report are to be found on the Company's website. An overview of the Group's CR activity is printed on pages 51 to 57, and a summary booklet is also available for download from the website or on request from the Company Secretary's office.

The Company recognises the importance of minimising the adverse impact on the environment of its operations and the obligation to carefully manage energy and water consumption and waste recycling.

The Company strives continuously to improve its environmental performance. The Environmental Management System and associated Environmental Policy and Guide are regularly reviewed to ensure that the Company maintains its commitment to environmental matters.

## Charitable donations

During the year, the Group made charitable donations amounting to £335,000 (2011 – £332,000). In addition, the directly managed shopping centres provided the equivalent of £1,114,000 (2011 – £1,394,000) in support, including staff time working in the community and the provision of free mall space and services. They facilitated a further £468,000 (2011 – £406,000) through collections by charities on the malls. The total cash equivalent community support for the year was £1,917,000 (2011 – £2,132,000). No political donations were made in the year.

## Creditor payment policy

The Group's policy and practice is to pay creditors in accordance with agreed terms of business.

The Company does not ordinarily pay its creditors directly as this is carried out by other companies in the Group. As a result, the Company has a nil trade creditor balance and it is not practical to calculate creditor days for the Company as at 31 December 2012 (2011 – nil trade creditor balance).

## Directors' disclosure of information to the auditors

So far as the Directors are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all reasonable steps to make himself or herself aware of any relevant audit information and to establish that the auditors are aware of that information.

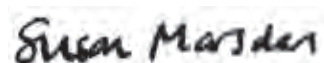
## Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution seeking to reappoint them will be proposed at the forthcoming Annual General Meeting.

## Annual General Meeting

The notice convening the 2013 Annual General Meeting of the Company will be published separately and will be available on the Company's website and distributed to those shareholders who have elected to receive hard copies of shareholder information.

By order of the Board



**Susan Marsden**

Secretary

27 February 2013

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# Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, the Directors are required to:

- (a) select suitable accounting policies and then apply them consistently
- (b) make judgements and accounting estimates that are reasonable and prudent
- (c) state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements
- (d) prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

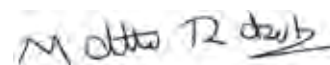
Each of the Directors, whose names and functions are listed in the Governance section on pages 60 and 61 confirm that, to the best of their knowledge:

- (a) the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group
- (b) the Directors' report contained in the Governance section of the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces

Signed on behalf of the Board on 27 February 2013



**David Fischel**  
Chief Executive



**Matthew Roberts**  
Finance Director

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# Independent auditors' report to the members of Intu Properties plc

## Independent auditors' report to the members of Intu Properties plc (company registration number 03685527)

We have audited the Group and Company financial statements ('the financial statements') of Intu Properties plc (formerly Capital Shopping Centres Group PLC) for the year ended 31 December 2012, which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Group and Company Balance sheets, the Group and Company Statements of changes in equity, the Group and Company Statements of cash flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

### Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on page 92, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2012 and of the Group's profit and Group's and Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

## Opinion 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;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 63 to 73 with respect to internal control and risk management systems and in the Directors' report on pages 89 to 91 about share capital structures is consistent with the financial statements.

### Matters on which we are required to report by exception

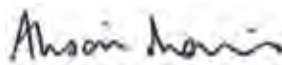
We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 102, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.



**Alison Morris**

(Senior Statutory Auditor) for and on behalf of PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors

London

27 February 2013

# Consolidated income statement

for the year ended 31 December 2012

	Notes	2012 £m	2011 £m
<b>Continuing operations</b>			
<b>Revenue</b>	4	<b>525.7</b>	516.1
<b>Net rental income</b>	5	<b>362.6</b>	364.0
Net other income	6	<b>6.3</b>	7.8
Revaluation and sale of investment and development property	7	<b>40.9</b>	63.0
Gain on acquisition of subsidiaries	41	<b>2.3</b>	52.9
Gain on sale of subsidiaries	42	<b>-</b>	40.4
Sale and impairment of other investments		<b>1.4</b>	(8.7)
Impairment of goodwill	41	<b>(8.8)</b>	-
Distribution of shares received from Provogue	24	<b>10.2</b>	-
Administration expenses – ongoing		<b>(26.7)</b>	(24.1)
Administration expenses – exceptional	8	<b>(1.1)</b>	(20.9)
<b>Operating profit</b>		<b>387.1</b>	474.4
Finance costs	12	<b>(197.3)</b>	(198.9)
Finance income		<b>0.2</b>	0.8
Other finance costs	13	<b>(67.9)</b>	(55.7)
Change in fair value of financial instruments	14	<b>30.5</b>	(193.4)
Net finance costs		<b>(234.5)</b>	(447.2)
<b>Profit before tax and associates</b>		<b>152.6</b>	27.2
Current tax	15	<b>(0.5)</b>	(0.3)
Deferred tax	15	<b>5.6</b>	(2.3)
Taxation	15	<b>5.1</b>	(2.6)
Share of profit of associates	24	<b>0.9</b>	9.0
<b>Profit for the year</b>		<b>158.6</b>	33.6
Attributable to:			
Owners of Intu Properties plc		<b>155.9</b>	30.0
Non-controlling interest		<b>2.7</b>	3.6
		<b>158.6</b>	33.6
Basic earnings per share	18	<b>17.6p</b>	2.9p
Diluted earnings per share	18	<b>17.3p</b>	2.9p

Details of underlying earnings are presented in the underlying profit statement on page 143. Underlying earnings per share are shown in note 18(c).

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# Consolidated statement of comprehensive income

for the year ended 31 December 2012

	Notes	2012 £m	2011 £m
<b>Profit for the year</b>		<b>158.6</b>	33.6
<b>Other comprehensive income</b>			
Revaluation of other investments	25	<b>28.7</b>	(17.3)
Recognised in sale and impairment of other investments		<b>2.7</b>	8.7
Recognised in gain on sale of subsidiaries	42	<b>-</b>	(10.9)
Exchange differences		<b>(7.4)</b>	(5.5)
Tax relating to components of other comprehensive income	15	<b>(6.0)</b>	2.3
Other comprehensive income for the year		<b>18.0</b>	(22.7)
<b>Total comprehensive income for the year</b>		<b>176.6</b>	10.9
Attributable to:			
Owners of Intu Properties plc		<b>173.9</b>	7.3
Non-controlling interest		<b>2.7</b>	3.6
		<b>176.6</b>	10.9

# Balance sheets

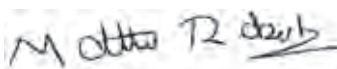
as at 31 December 2012

	Notes	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
<b>Non-current assets</b>					
Investment and development property	20	7,009.7	6,896.2	-	-
Plant and equipment	21	5.6	5.1	4.7	4.9
Investment in group companies	22	-	-	2,225.5	2,167.9
Investment in associate companies	24	40.9	32.5	-	-
Other investments	25	148.8	171.2	-	-
Goodwill		4.0	9.3	-	-
Derivative financial instruments	29	21.2	22.7	-	-
Trade and other receivables	27	104.0	91.1	0.4	1.2
		<b>7,334.2</b>	<b>7,228.1</b>	<b>2,230.6</b>	<b>2,174.0</b>
<b>Current assets</b>					
Trading property	26	2.1	7.5	-	-
Current tax assets		-	4.0	-	-
Derivative financial instruments	29	0.7	-	-	-
Trade and other receivables	27	66.6	69.6	680.5	564.8
Cash and cash equivalents	28	188.1	90.7	0.3	0.5
		<b>257.5</b>	<b>171.8</b>	<b>680.8</b>	<b>565.3</b>
<b>Total assets</b>		<b>7,591.7</b>	<b>7,399.9</b>	<b>2,911.4</b>	<b>2,739.3</b>
<b>Current liabilities</b>					
Trade and other payables	30	(220.9)	(278.3)	(344.6)	(43.3)
Current tax liabilities		(0.6)	-	-	-
Borrowings	31	(94.2)	(65.4)	-	-
Derivative financial instruments	29	(19.1)	(27.5)	-	-
		<b>(334.8)</b>	<b>(371.2)</b>	<b>(344.6)</b>	<b>(43.3)</b>
<b>Non-current liabilities</b>					
Borrowings	31	(3,751.6)	(3,546.1)	-	(45.0)
Derivative financial instruments	29	(495.8)	(535.7)	(11.0)	-
Other provisions	37	-	(1.2)	-	-
Other payables		(3.3)	(0.1)	-	-
		<b>(4,250.7)</b>	<b>(4,083.1)</b>	<b>(11.0)</b>	<b>(45.0)</b>
<b>Total liabilities</b>		<b>(4,585.5)</b>	<b>(4,454.3)</b>	<b>(355.6)</b>	<b>(88.3)</b>
<b>Net assets</b>		<b>3,006.2</b>	<b>2,945.6</b>	<b>2,555.8</b>	<b>2,651.0</b>
<b>Equity</b>					
Share capital	38	434.2	430.2	434.2	430.2
Share premium		577.4	564.1	577.4	564.1
Treasury shares	40	(43.9)	(29.5)	(43.9)	(29.5)
Convertible bonds	33	143.7	143.7	143.7	143.7
Other reserves	39	336.7	318.7	61.4	61.4
Retained earnings		1,528.9	1,494.9	1,383.0	1,481.1
<b>Attributable to owners of Intu Properties plc</b>		<b>2,977.0</b>	<b>2,922.1</b>	<b>2,555.8</b>	<b>2,651.0</b>
Non-controlling interest		29.2	23.5	-	-
<b>Total equity</b>		<b>3,006.2</b>	<b>2,945.6</b>	<b>2,555.8</b>	<b>2,651.0</b>

These consolidated financial statements have been approved for issue by the Board of Directors on 27 February 2013.



David Fischel  
Chief Executive



Matthew Roberts  
Finance Director

Notes on pages 102 to 138 form part of these consolidated financial statements.

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# Statements of changes in equity

for the year ended 31 December 2012

Group	Attributable to owners of Intu Properties plc							Non-controlling interest £m	Total equity £m
	Share capital £m	Share premium £m	Treasury shares £m	Convertible bonds £m	Other reserves £m	Retained earnings £m	Total £m		
At 1 January 2012	430.2	564.1	(29.5)	143.7	318.7	1,494.9	2,922.1	23.5	2,945.6
Profit for the year	-	-	-	-	-	155.9	155.9	2.7	158.6
Other comprehensive income:									
Revaluation of other investments (note 25)	-	-	-	-	28.7	-	28.7	-	28.7
Recognised in sale of other investments	-	-	-	-	2.7	-	2.7	-	2.7
Exchange differences	-	-	-	-	(7.4)	-	(7.4)	-	(7.4)
Tax relating to components of other comprehensive income (note 15)	-	-	-	-	(6.0)	-	(6.0)	-	(6.0)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18.0</b>	<b>155.9</b>	<b>173.9</b>	<b>2.7</b>	<b>176.6</b>
Ordinary shares issued	4.0	22.3	-	-	-	-	26.3	-	26.3
Dividends (note 17)	-	-	-	-	-	(127.8)	(127.8)	-	(127.8)
Transfer relating to scrip dividends	-	(9.0)	-	-	-	9.0	-	-	-
Interest on convertible bonds (note 33)	-	-	-	-	-	(5.8)	(5.8)	-	(5.8)
Share-based payments (note 49)	-	-	-	-	-	3.8	3.8	-	3.8
Acquisition of treasury shares	-	-	(15.6)	-	-	-	(15.6)	-	(15.6)
Disposal of treasury shares	-	-	1.2	-	-	(1.1)	0.1	-	0.1
Non-controlling interest additions	-	-	-	-	-	-	-	3.0	3.0
	4.0	13.3	(14.4)	-	-	(121.9)	(119.0)	3.0	(116.0)
<b>At 31 December 2012</b>	<b>434.2</b>	<b>577.4</b>	<b>(43.9)</b>	<b>143.7</b>	<b>336.7</b>	<b>1,528.9</b>	<b>2,977.0</b>	<b>29.2</b>	<b>3,006.2</b>



# Statements of changes in equity

for the year ended 31 December 2012 continued

Group	Attributable to owners of Intu Properties plc								Total equity £m
	Share capital £m	Share premium £m	Treasury shares £m	Convertible bonds £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	
At 1 January 2011	346.3	20.4	(29.9)	–	526.5	1,410.1	2,273.4	19.9	2,293.3
Profit for the year	–	–	–	–	–	30.0	30.0	3.6	33.6
Other comprehensive income:									
Revaluation of other investments (note 25)	–	–	–	–	(17.3)	–	(17.3)	–	(17.3)
Recognised in impairment of other investments	–	–	–	–	8.7	–	8.7	–	8.7
Recognised in gain on sale of subsidiaries (note 42)	–	–	–	–	(10.9)	–	(10.9)	–	(10.9)
Exchange differences	–	–	–	–	(5.5)	–	(5.5)	–	(5.5)
Tax relating to components of other comprehensive income (note 15)	–	–	–	–	2.3	–	2.3	–	2.3
Total comprehensive income for the year	–	–	–	–	(22.7)	30.0	7.3	3.6	10.9
Ordinary shares issued	83.9	543.7	–	–	–	–	627.6	–	627.6
Dividends (note 17)	–	–	–	–	–	(127.8)	(127.8)	–	(127.8)
Convertible bonds issued (note 33)	–	–	–	143.7	–	–	143.7	–	143.7
Interest on convertible bonds (note 33)	–	–	–	–	–	(5.3)	(5.3)	–	(5.3)
Share-based payments (note 49)	–	–	–	–	–	3.6	3.6	–	3.6
Acquisition of treasury shares	–	–	(0.2)	–	–	–	(0.2)	–	(0.2)
Disposal of treasury shares	–	–	0.6	–	–	(0.8)	(0.2)	–	(0.2)
Realisation of merger reserve	–	–	–	–	(185.1)	185.1	–	–	–
	83.9	543.7	0.4	143.7	(185.1)	54.8	641.4	–	641.4
At 31 December 2011	430.2	564.1	(29.5)	143.7	318.7	1,494.9	2,922.1	23.5	2,945.6

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# Statements of changes in equity

for the year ended 31 December 2012 continued

Company	Attributable to owners of Intu Properties plc						
	Share capital £m	Share premium £m	Treasury shares £m	Convertible bonds £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2012	430.2	564.1	(29.5)	143.7	61.4	1,481.1	2,651.0
Profit for the year	-	-	-	-	-	23.8	23.8
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23.8</b>	<b>23.8</b>
Ordinary shares issued	4.0	22.3	-	-	-	-	26.3
Dividends (note 17)	-	-	-	-	-	(127.8)	(127.8)
Transfer relating to scrip dividends	-	(9.0)	-	-	-	9.0	-
Interest on convertible bonds (note 33)	-	-	-	-	-	(5.8)	(5.8)
Share-based payments (note 49)	-	-	-	-	-	3.8	3.8
Acquisition of treasury shares	-	-	(15.6)	-	-	-	(15.6)
Disposal of treasury shares	-	-	1.2	-	-	(1.1)	0.1
	4.0	13.3	(14.4)	-	-	(121.9)	(119.0)
<b>At 31 December 2012</b>	<b>434.2</b>	<b>577.4</b>	<b>(43.9)</b>	<b>143.7</b>	<b>61.4</b>	<b>1,383.0</b>	<b>2,555.8</b>

Company	Attributable to owners of Intu Properties plc						
	Share capital £m	Share premium £m	Treasury shares £m	Convertible bonds £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2011	346.3	20.4	(29.9)	-	246.5	1,470.4	2,053.7
Loss for the year	-	-	-	-	-	(44.1)	(44.1)
Total comprehensive income for the year	-	-	-	-	-	(44.1)	(44.1)
Ordinary shares issued	83.9	543.7	-	-	-	-	627.6
Dividends (note 17)	-	-	-	-	-	(127.8)	(127.8)
Convertible bonds issued (note 33)	-	-	-	143.7	-	-	143.7
Interest on convertible bonds (note 33)	-	-	-	-	-	(5.3)	(5.3)
Share-based payments (note 49)	-	-	-	-	-	3.6	3.6
Acquisition of treasury shares	-	-	(0.2)	-	-	-	(0.2)
Disposal of treasury shares	-	-	0.6	-	-	(0.8)	(0.2)
Realisation of merger reserve	-	-	-	-	(185.1)	185.1	-
	83.9	543.7	0.4	143.7	(185.1)	54.8	641.4
At 31 December 2011	430.2	564.1	(29.5)	143.7	61.4	1,481.1	2,651.0

# Statements of cash flows

for the year ended 31 December 2012

	Notes	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
<b>Cash flows from continuing operations</b>					
<b>Cash generated from operations</b>	45	<b>339.2</b>	323.0	<b>180.7</b>	33.1
Interest paid		<b>(252.7)</b>	(250.0)	<b>(11.8)</b>	(13.1)
Interest received		<b>0.2</b>	0.8	-	-
Taxation		<b>4.2</b>	(2.2)	-	-
REIT entry charge		<b>(15.2)</b>	(38.9)	-	-
<b>Cash flows from operating activities</b>		<b>75.7</b>	32.7	<b>168.9</b>	20.0
<b>Cash flows from investing activities</b>					
Purchase and development of property, plant and equipment		<b>(81.2)</b>	(26.9)	<b>(1.2)</b>	(2.1)
Sale of property		<b>1.2</b>	1.7	-	-
Sale of other investments		<b>48.7</b>	-	-	-
Acquisition of businesses		<b>(4.2)</b>	(72.8)	-	-
Cash sold with businesses		-	(20.3)	-	-
Cash acquired with businesses		<b>1.6</b>	37.6	-	-
Other investing activities		<b>(17.2)</b>	(8.3)	-	-
<b>Cash flows from investing activities</b>		<b>(51.1)</b>	(89.0)	<b>(1.2)</b>	(2.1)
<b>Cash flows from financing activities</b>					
Issue of ordinary shares		<b>0.1</b>	44.7	<b>0.1</b>	44.7
Issue of convertible bonds	33	<b>300.0</b>	23.7	-	23.7
Acquisition of treasury shares		<b>(0.1)</b>	(0.2)	<b>(0.1)</b>	(0.2)
Sale of treasury shares		<b>0.1</b>	0.3	<b>0.1</b>	0.3
Partnership equity introduced		<b>3.0</b>	-	-	-
Cash transferred from restricted accounts		<b>0.5</b>	1.1	-	-
Borrowings drawn		-	101.4	-	45.0
Borrowings repaid		<b>(107.3)</b>	(138.2)	<b>(45.0)</b>	-
Interest on convertible bonds		<b>(5.8)</b>	(5.3)	<b>(5.8)</b>	(5.3)
Equity dividends paid		<b>(117.2)</b>	(125.6)	<b>(117.2)</b>	(125.6)
<b>Cash flows from financing activities</b>		<b>73.3</b>	(98.1)	<b>(167.9)</b>	(17.4)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>97.9</b>	(154.4)	<b>(0.2)</b>	0.5
Cash and cash equivalents at 1 January		<b>88.2</b>	242.6	<b>0.5</b>	-
<b>Cash and cash equivalents at 31 December</b>	28	<b>186.1</b>	88.2	<b>0.3</b>	0.5

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# Notes to the accounts

## 1 Accounting convention and basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ('IFRS'), IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Directors have taken advantage of the exemption offered by Section 408 of the Companies Act not to present a separate income statement for the Company.

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of property, available-for-sale investments, and certain other financial assets and liabilities. A summary of the more important Group accounting policies is set out in note 2.

The accounting policies used are consistent with those applied in the last annual financial statements, as amended to reflect the adoption of new standards, amendments, and interpretations which became effective in the year. During 2012, the following standards, amendments and interpretations endorsed by the EU became effective for the first time for the Group's 31 December 2012 year end:

- IFRS 7 Financial Instruments: Disclosures (amendment – disclosures on transfers of financial assets)

This amendment had no impact on the financial statements.

The following standards have been issued and adopted by the EU but are not effective for the year ended 31 December 2012 and have not been adopted early:

- IFRS 7 Financial Instruments: Disclosures (amendment – offsetting requirements and converged disclosure) (effective from 1 January 2013);
- IFRS 10 Consolidated Financial Statements (effective from 1 January 2014);
- IFRS 11 Joint Arrangements (effective from 1 January 2014);
- IFRS 12 Disclosure of Interests in Other Entities (effective from 1 January 2014);
- IFRS 13 Fair Value Measurement (effective from 1 January 2013);
- IAS 1 Presentation of Financial Statements (amendment) (effective from 1 July 2013);
- IAS 12 Income Taxes (amendment) (effective from 1 January 2013);
- IAS 19 Employee Benefits (revised) (effective from 1 January 2013);
- IAS 27 Separate Financial Statements (revised) (effective from 1 January 2014);
- IAS 28 Investments in Associates and Joint Ventures (revised) (effective from 1 January 2014); and
- IAS 32 Financial Instruments: Presentation (amendment) (effective from 1 January 2014).

IFRS 11, which has recently been endorsed by the EU, removes the choice of accounting treatments currently available under IAS 31 Interests in Joint Ventures. This will impact the Group's existing accounting policy in respect of joint ventures but the accounting for joint operations will remain unchanged. The Group's interest in joint ventures will be accounted for using the equity method rather than proportionally consolidating the Group's share of assets, liabilities, income and expenses on a line-by-line basis. This change will reduce total assets and total liabilities as currently presented, with no change expected in net assets. The Group does not intend to early adopt this standard.

Other pronouncements are not expected to have a material impact on the financial statements, but may result in changes to presentation or disclosure.

Additionally a number of standards have been issued but are not yet adopted by the EU and so are not available for early adoption. The most significant of these are:

- IFRS 9 Financial Instruments;
- IFRS 10 Consolidated Financial Statements (amendment);
- IFRS 12 Disclosure of Interests in Other Entities (amendment);
- IAS 27 Separate Financial Statements (amendment);
- IAS 32 Financial Instruments: Presentation (amendment);
- Amendments to (transition guidance) IFRS 10, IFRS 11 and IFRS 12; and
- Amendments arising from annual improvements 2009-2011 cycle.

The impact of these on the Group is being reviewed.

### Use of estimates and assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. In particular significant judgement is required in the use of estimates and assumptions in the accounting for investment and development property and in the valuation of derivative financial instruments. Additional detail on these two areas is provided in the relevant accounting policy in note 2.

### Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's statement on pages 10 to 12 and the Business review on pages 31 to 41. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 44 to 49. In addition note 35 includes the Group's risk management objectives, details of its financial instruments and hedging activities, its exposures to liquidity risk and details of its capital structure.

The Group prepares regular forecasts and projections which include sensitivity analysis taking into account reasonably possible changes in trading performance and asset values and assesses the potential impact of these on the Group's liquidity position and available resources.

Following the issue of the £300 million 2.5 per cent convertible bond on 4 October 2012, as at 31 December 2012 the Group had £188.1 million of cash and £375.0 million of undrawn facilities. The Group has no major asset-specific debt refinancing in 2013. The Group is currently working with its banks and advisers on a new debt funding platform, which is intended to become a central source of financing for the Group. This platform would enable the Group to access the capital markets on an ongoing basis alongside bank debt, thereby diversifying the Group's sources of funds and lengthening its maturities.

Based on the most recent projections the Directors have concluded that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the Group's financial statements.

## 2 Accounting policies – Group and Company

### Basis of consolidation

The consolidated financial information includes the Company and its subsidiaries and their interests in joint ventures 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 for which the Company has the ability, either directly or indirectly, to govern the financial and operating policies, whether through a majority of the voting rights or otherwise. 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 ventures

A joint venture is an entity or operation for which the Company, either directly or indirectly, is in a position to jointly control the financial and operating policies of the entity or operation.

The Group's interest in a joint venture is accounted for using proportional consolidation. The Group's share of the assets, liabilities, income and expenses are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

#### – associates

An associate is an entity over which the Company, either directly or indirectly, is in a position to exercise significant influence by participating in, but without control or joint control of, the financial and operating policies of the entity.

The Group's interest in an associate is accounted for using the equity method.

#### – 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 equity owners of the Company. Profit or loss and each component of other comprehensive income is attributed to equity owners of the Company and to non-controlling interests in the appropriate proportions.

### Foreign currencies

The assets and liabilities of foreign entities are translated into pounds sterling at the rate of exchange ruling at the reporting date and their income statement and cash flows are translated at the average rate for the period. Exchange differences arising are dealt with in other comprehensive income.

At entity level, transactions in currencies other than an entity's functional currency are recorded at the exchange rate prevailing at the transaction dates. Foreign exchange gains and losses resulting from settlement of these transactions and from retranslation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except for some types of hedging arrangement which are dealt with in other comprehensive income.

### Revenue recognition

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

#### – property revenue

Rental income receivable is recognised on a straight-line basis over the term of the lease. Directly attributable lease incentives are recognised within rental income on the same basis.

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

Service charge income is recognised on an accruals basis in line with the service being provided.

#### – trading property income

Revenue on the sale of trading property is recognised when the significant risks and rewards of ownership have been transferred to the buyer. This will normally take place on exchange of contracts.

### Interest income

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

### Dividend income

Dividend income is recognised when the right to receive payment has been established.

### Share-based payments

The cost of granting share options and other share-based remuneration to employees and Directors 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 an equity settled with the credit entry being taken directly to equity.

For share options an option pricing model is used applying assumptions around expected yields, forfeiture rates, exercise price and volatility.

Investments held in the Company's own shares in connection with employee share plans and other share-based payment arrangements are accounted for as treasury shares.

### Exceptional items

Exceptional items are those items that in the Directors' view are required to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance.

### Taxation

Current tax is the amount payable on the taxable income for the year and any adjustment in respect of prior years. It is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided using the balance sheet liability method in respect of temporary differences between the carrying amounts of assets and liabilities in the balance sheet and their tax bases.

Temporary differences are not provided on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that management believe it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are offset only when they relate to taxes levied by the same authority and the Group intends to settle them on a net basis.

Tax is included in the income statement except when it relates to items recognised directly in other comprehensive income or equity, in which case the related tax is also recognised directly in other comprehensive income or equity.

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## 2 Accounting policies – Group and Company (continued)

### Investment and development property

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

The Group has elected to use the fair value model. Properties are initially recognised at cost and subsequently revalued at the balance sheet date to fair value as determined by professionally qualified external valuers on the basis of market value. Valuations conform with the Royal Institution of Chartered Surveyors ('RICS'), Valuation Standards 8th Edition and IVS1 of International Valuation Standards.

The main estimates and judgements underlying the valuations are in relation to market rent, taking into account forecast growth rates and yields based on known transactions for similar properties, vacancies, letting periods and likely incentives offered to tenants.

Properties held under leases are stated gross of the recognised finance lease liability.

The cost of investment and development property includes capitalised interest and other directly attributable outgoings incurred during development. Interest is capitalised on the basis of the average rate of interest paid on the relevant debt outstanding. Interest ceases to be capitalised on the date of practical completion.

Gains or losses arising from changes in the fair value of investment and development property are recognised in the income statement.

Depreciation is not provided in respect of investment and development property.

Gains or losses arising on the sale of investment and development property are recognised when the significant risks and rewards of ownership have been transferred to the buyer. This will normally take place on exchange of contracts. The gain or loss recognised is the proceeds received less the carrying value of the property and costs directly associated with the sale.

### Leases

Leases are classified according to the substance of the transaction. A lease that transfers substantially all the risks and rewards of ownership to the lessee is classified as a finance lease. All other leases are normally classified as operating leases.

#### – Group as lessee

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

Other finance lease assets are capitalised at the lower of the fair value of the leased asset or the present value of the minimum lease payments and depreciated over the shorter of the lease term and the useful life of the asset.

Lease payments are allocated between the liability and finance charges so as to achieve a constant financing rate.

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

#### – Group as lessor

Investment properties are leased to tenants under operating leases, with rental income being recognised on a straight-line basis over the lease term. For more detail see the revenue recognition accounting policy.

### Plant and equipment

Plant and equipment consists of vehicles, fixtures, fittings and other equipment. Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged to the income statement on a straight-line basis over an asset's estimated useful life up to a maximum of five years.

### Other investments

Available-for-sale investments, being investments intended to be held for an indefinite period, are initially and subsequently measured at fair value. For listed investments, fair value is the current bid market value at the reporting date. For unlisted investments where there is no active market, fair value is assessed using an appropriate methodology.

Gains or losses arising from changes in fair value are included in other comprehensive income, except to the extent that losses are considered to represent a permanent impairment, in which case they are recognised in the income statement.

Upon disposal, accumulated fair value adjustments are recycled from reserves to the income statement.

### Goodwill

Goodwill arising on business contributions is carried at cost less accumulated impairment losses. Goodwill is assessed for impairment on an annual basis.

### Impairment of assets

The Group's assets are reviewed at each balance sheet date to determine whether events or changes in circumstances exist that indicate that their carrying amount may not be recoverable. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

### Trading property

Trading property comprises those properties either intended for sale or in the process of construction for sale. Trading property is carried at the lower of cost and net realisable value.

### Trade receivables

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

The Directors' exercise judgement as to the collectability of trade receivables and determine if it is appropriate to impair these assets. Factors such as days past due, credit status of the counterparty and historical evidence of collection are considered.

### Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits with banks, whether restricted or unrestricted, and other short-term liquid investments with original maturities of three months or less.

### Trade payables

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

### Provisions

Provisions are recognised when the Group has a current obligation arising from a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle that obligation at the balance sheet date.

### Pensions

The costs of defined contribution schemes and contributions to personal plans are charged to the income statement in the year in which they are incurred.

### Borrowings

Borrowings are recognised initially at their net proceeds on issue and subsequently carried at amortised cost. Any transaction costs and premiums or discounts are recognised over the contractual life using the effective interest method.



## 2 Accounting policies – Group and Company (continued)

In the event of early repayment, all unamortised transaction costs are recognised immediately in the income statement.

### Derivative financial instruments

The Group uses derivative financial instruments to manage exposure to interest rate and foreign exchange risk. They are initially recognised on the trade date at fair value and subsequently re-measured at fair value. In assessing fair value the Group uses its judgement to select suitable valuation techniques and make assumptions which are mainly based on market conditions existing at the balance sheet date.

Changes in fair value are recognised directly in the income statement, except for the effective portion of gains or losses on derivative financial instruments designated as a hedge of net investment in foreign operations, in which case they are recognised in other comprehensive income. Where derivative financial instruments are designated as a fair value hedge, the relevant fair value movements on the hedged item are also taken to the income statement.

### Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

### Dividends

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

### Convertible bonds

Convertible bonds are assessed on issue, based on their terms and in accordance with IAS 32, to identify their classification as a financial liability, as equity or as a compound financial instrument with both debt and equity components. Each bond is assessed separately and the detailed accounting treatment of each is given in note 33.

### Treasury shares

Investments held in the Company's own shares are deducted from equity at cost. Where such shares are subsequently sold, any consideration received is recognised directly in equity.

### Current/non-current classification

Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or consumption in, the course of the Group's operating cycle. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the Group's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non-current liabilities.

### Business combinations

Business combinations are accounted for under IFRS 3 using the acquisition method of accounting. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Costs associated with the acquisition are expensed as incurred. Identifiable assets and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Goodwill arising on an acquisition comprises the excess of the consideration over the fair value of the identifiable assets and liabilities acquired. Where the fair value of the identifiable assets and liabilities acquired exceeds the consideration this difference is recognised in the income statement at the date of the acquisition.

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## 3 Segmental reporting

Operating segments are determined based on the internal reporting and operational management of the Group. The Group is a UK shopping centre focused business and has one reportable operating segment being UK Shopping Centres.

The principal profit indicator used to measure performance is net rental income. All net rental income is derived from the UK Shopping Centres segment and an analysis of net rental income is given in note 5.

The Group's geographical segments are set out below. This represents where the Group's assets reside and where revenues are generated. In the case of investments this reflects where the investee is located.

	Revenue		Non-current assets <sup>1</sup>	
	2012 £m	2011 £m	2012 £m	2011 £m
United Kingdom	525.7	516.1	7,123.3	7,001.7
United States	–	–	146.9	168.5
India	–	–	42.8	35.2
	<b>525.7</b>	516.1	<b>7,313.0</b>	7,205.4

<sup>1</sup> Non-current assets excluding financial instruments and deferred tax assets.

## 4 Revenue

	2012 £m	2011 £m
Rent receivable and service charge income	520.1	508.6
Sale of trading property	5.6	7.5
<b>Revenue</b>	<b>525.7</b>	516.1

## 5 Net rental income

	2012 £m	2011 £m
Rent receivable	441.4	432.1
Service charge income	78.7	76.5
	520.1	508.6
Rent payable	(24.7)	(25.5)
Service charge costs	(87.0)	(82.1)
Other non-recoverable costs	(45.8)	(37.0)
<b>Net rental income</b>	<b>362.6</b>	364.0

## 6 Net other income

	2012 £m	2011 £m
Sale of trading property	5.6	7.5
Cost of sales	(5.5)	(7.0)
Profit on sale of trading property	0.1	0.5
Write down of trading property	(0.1)	(1.0)
Dividends received from other investments	6.3	8.3
<b>Net other income</b>	<b>6.3</b>	7.8

## 7 Revaluation and sale of investment and development property

	2012 £m	2011 £m
Revaluation of investment and development property (note 20)	40.8	63.0
Sale of investment property	0.1	–
<b>Revaluation and sale of investment and development property</b>	<b>40.9</b>	63.0

## 8 Administration expenses – exceptional

Exceptional administration expenses in the year totalled £1.1 million (2011 – £20.9 million) which primarily relates to costs of acquisitions. For 2011, £17.6 million related to the acquisition and integration of The Trafford Centre and £3.3 million related to the acquisition of Broadmarsh, Nottingham.

## 9 Operating profit

	2012 £m	2011 £m
Operating profit is arrived at after charging:		
Staff costs (note 10)	30.5	29.0
Depreciation	1.5	1.4
Remuneration paid to the Company's auditors (note 11)	0.4	1.4

## 10 Employees' information

	Group 2012 £m	Group 2011 £m
Wages and salaries	23.1	22.0
Social security costs	2.4	2.3
Other pension costs	1.2	1.1
Share based payments (note 49)	3.8	3.6
	30.5	29.0

At 31 December 2012 the number of persons employed by the Group was 645 (2011 – 624). The Company had no employees during the year (2011 – nil). The monthly average number of persons employed by the Group during the year was:

	2012 Number	2011 Number
Head Office	144	134
Shopping Centres	494	452
	638	586

The Trafford Centre employees are included from 28 January 2011 and Broadmarsh, Nottingham employees from 1 December 2011.

## 11 Auditors' remuneration

The analysis of the auditor's remuneration is as follows:

	2012 £000	2011 £000
Fees payable to the Company's auditor and their associates for:		
The audit of the Company's annual accounts	202	218
Other services to the Group – statutory audit of the Company's subsidiaries	136	132
Fees related to the audit of the Company and its subsidiaries	338	350
Audit-related assurance services <sup>1</sup>	40	40
Total fees for audit and audit related services	378	390
Other assurance services	18	9
Corporate finance advisory services <sup>2</sup>	50	958
Total non-audit related services	68	967
Fees payable to the Company's auditor and their associates in respect of associated pension schemes:		
Statutory audit	-	5
Total fees	446	1,362

Fees payable to PricewaterhouseCoopers LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

- Relates to fees in respect of the review of the Group's Interim Report.
- In 2011, fees payable to the principal auditor in respect of corporate finance advisory services include fees in respect of work required for the Group's acquisition of The Trafford Centre. PwC were selected to undertake this work after consideration of the impact this may have on their independence, which it was concluded would not be impinged by undertaking the work. A further consideration in the decision was, given their prior knowledge of the Group's activities, PwC were best placed to carry out the work, taking into account general efficiency and cost effectiveness. Fees of this type are ad hoc in nature and occur in respect of major corporate transactions.

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## 12 Finance costs

	2012 £m	2011 £m
On bank loans and overdrafts	191.7	195.0
On convertible bonds	1.8	–
On obligations under finance leases	3.8	3.9
<b>Finance costs</b>	<b>197.3</b>	<b>198.9</b>

No finance costs were capitalised in the year ended 31 December 2012 (2011 – nil).

## 13 Other finance costs

	2012 £m	2011 £m
Amortisation of Metrocentre compound financial instrument	6.9	7.9
Cost of termination of derivative financial instruments and other fees <sup>1</sup>	59.9	47.8
Foreign currency movements <sup>1</sup>	1.1	–
<b>Other finance costs</b>	<b>67.9</b>	<b>55.7</b>

<sup>1</sup> Amounts totalling £61.0 million in the year ended 31 December 2012 are treated as exceptional and therefore excluded from the calculation of underlying earnings (2011 – £47.8 million).

## 14 Change in fair value of financial instruments

	2012 £m	2011 £m
On convertible bonds designated as at fair value through profit or loss (note 33)	(11.0)	–
On derivative financial instruments	41.5	(193.4)
<b>Change in fair value of financial instruments</b>	<b>30.5</b>	<b>(193.4)</b>

## 15 Taxation

Taxation for the year:

	2012 £m	2011 £m
Overseas taxation	0.5	0.3
<b>Current tax</b>	<b>0.5</b>	<b>0.3</b>
Deferred tax:		
On other investments	(1.9)	7.6
On derivative financial instruments	(3.2)	(4.1)
On other temporary differences	(0.5)	(1.2)
<b>Deferred tax</b>	<b>(5.6)</b>	<b>2.3</b>
<b>Total tax (credit)/expense</b>	<b>(5.1)</b>	<b>2.6</b>

The tax credit (2011 – expense) for the year is lower (2011 – lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2012 £m	2011 £m
Profit before tax	152.6	27.2
Profit before tax multiplied by the standard rate in the UK of 24.5% (2011 – 26.5%)	37.4	7.2
Disposals of properties and investments	(0.5)	(8.9)
Prior year deferred tax items	(4.0)	(7.2)
REIT exemption – corporation tax	(29.7)	(27.8)
REIT exemption – deferred tax	(25.2)	(0.2)
Non-deductible and other items	(0.5)	3.1
Unprovided deferred tax	11.5	32.6
Reduction in tax rate	5.9	3.8
<b>Total tax (credit)/expense</b>	<b>(5.1)</b>	<b>2.6</b>

## 15 Taxation (continued)

Tax relating to components of other comprehensive income is analysed as:

	2012 £m	2011 £m
Current tax:		
On disposal of other investments	0.4	-
Deferred tax:		
On other investments	5.6	(2.6)
On derivative financial instruments	-	0.3
<b>Tax relating to components of other comprehensive income</b>	<b>6.0</b>	<b>(2.3)</b>

## 16 Profit for the year attributable to owners of Intu Properties plc

Profits of £23.8 million are dealt with in the accounts of the Company in respect of the year (2011 – losses of £44.1 million). No income statement is presented for the Company as permitted by Section 408 of the Companies Act 2006.

## 17 Dividends

	2012 £m	2011 £m
Ordinary shares		
Prior year final dividend paid of 10.0 pence per share (2011 – 10.0 pence per share)	85.4	85.2
Interim dividend paid of 5.0 pence per share (2011 – 5.0 pence per share)	42.4	42.6
<b>Dividends paid</b>	<b>127.8</b>	<b>127.8</b>
Proposed final dividend of 10.0 pence per share	85.7	

Following the approval by shareholders of the Scrip Dividend Scheme at the Annual General Meeting on 25 April 2012, the Company offered shareholders the option to receive ordinary shares in lieu of the cash 2012 interim dividend of 5 pence per share which was payable wholly as a PID. In acquiring such shares, shareholders do not incur dealing or stamp duty reserve tax costs. Shareholders retain the right to receive the cash dividend instead of the share alternative.

As a result of elections made by shareholders, 3,268,230 new ordinary shares of 50 pence each were issued on 20 November 2012 in lieu of dividends otherwise payable, and £10.6 million of cash was retained in the business.

Details of the shares in issue and dividends waived are given in notes 38 and 40.

## 18 Earnings per share

### (a) Earnings per share

Basic and diluted earnings per share as calculated in accordance with IAS 33 Earnings per Share.

	2012			2011		
	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
<b>Basic earnings per share<sup>1</sup></b>	<b>150.1</b>	<b>853.8</b>	<b>17.6p</b>	24.7	840.9	2.9p
Dilutive convertible bonds, share options and share awards	7.6	56.2		-	0.6	
<b>Diluted earnings per share</b>	<b>157.7</b>	<b>910.0</b>	<b>17.3p</b>	24.7	841.5	2.9p

<sup>1</sup> The weighted average number of shares used for the calculation of basic earnings per share has been adjusted for shares held in the ESOP and treasury shares. Basic earnings per share are stated after deducting interest on convertible bonds recognised directly in equity of £5.8 million in the year ended 31 December 2012 (2011 – £5.3 million) in accordance with IAS 33 Earnings per Share.

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## 18 Earnings per share (continued)

### (b) Headline earnings per share

Headline earnings per share has been calculated and presented as required by the Johannesburg Stock Exchange listing requirements.

	2012		2011	
	Gross £m	Net <sup>1</sup> £m	Gross £m	Net <sup>1</sup> £m
Basic earnings		<b>150.1</b>		24.7
Remove:				
Revaluation and sale of investment and development property (including associates)	<b>(41.5)</b>	<b>(40.1)</b>	(72.1)	(66.3)
Sale and impairment of other investments	<b>(1.4)</b>	<b>(1.8)</b>	8.7	8.7
Gain on acquisition of subsidiaries	<b>(2.3)</b>	<b>(2.3)</b>	(52.9)	(52.9)
Impairment of goodwill	<b>8.8</b>	<b>8.8</b>	–	–
Gain on sale of subsidiaries	–	–	(40.4)	(25.9)
Headline earnings/(loss)		<b>114.7</b>		(111.7)
Dilution <sup>2</sup>		<b>7.6</b>		–
Diluted headline earnings/(loss)		<b>122.3</b>		(111.7)
Weighted average number of shares		<b>853.8</b>		840.9
Dilution <sup>2</sup>		<b>56.2</b>		0.6
Diluted weighted average number of shares		<b>910.0</b>		841.5
Headline earnings/(loss) per share (pence)		<b>13.4p</b>		(13.3)p
Diluted headline earnings/(loss) per share (pence)		<b>13.4p</b>		(13.3)p

1 Net of tax and non-controlling interest.

2 The dilution impact is required to be included as for earnings per share as calculated in note 18(a) even where this is not dilutive for headline earnings per share.

### (c) Underlying earnings per share

Underlying earnings per share is a non-GAAP measure but has been included as it is considered to be a key measure of the Group's performance and an indication of the extent to which dividend payments are supported by current earnings.

	2012			2011		
	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic earnings per share from continuing operations <sup>1</sup>	<b>150.1</b>	<b>853.8</b>	<b>17.6p</b>	24.7	840.9	2.9p
Remove:						
Revaluation and sale of investment and development property	<b>(40.9)</b>		<b>(4.8)p</b>	(63.0)		(7.5)p
Share of associates' revaluation of investment and development property	<b>(0.6)</b>		<b>(0.1)p</b>	(9.1)		(1.1)p
Gain on acquisition of subsidiaries	<b>(2.3)</b>		<b>(0.3)p</b>	(52.9)		(6.3)p
Gain on sale of subsidiaries	–		–	(40.4)		(4.8)p
Sale and impairment of other investments	<b>(1.4)</b>		<b>(0.2)p</b>	8.7		1.1p
Impairment of goodwill	<b>8.8</b>		<b>1.0p</b>	–		–
Distribution of shares received from Provogue	<b>(10.2)</b>		<b>(1.2)p</b>	–		–
Exceptional administration expenses	<b>1.1</b>		<b>0.2p</b>	20.9		2.5p
Exceptional finance costs	<b>61.0</b>		<b>7.2p</b>	47.8		5.7p
Change in fair value of financial instruments	<b>(30.5)</b>		<b>(3.6)p</b>	193.4		23.0p
Tax on the above	<b>(5.9)</b>		<b>(0.7)p</b>	1.6		0.2p
Non-controlling interest in respect of the above	<b>8.5</b>		<b>1.0p</b>	6.9		0.8p
<b>Underlying earnings per share</b>	<b>137.7</b>	<b>853.8</b>	<b>16.1p</b>	138.6	840.9	16.5p
Dilutive convertible bonds, share options and share awards	<b>7.6</b>	<b>56.2</b>		–	0.6	
<b>Underlying, diluted earnings per share</b>	<b>145.3</b>	<b>910.0</b>	<b>16.0p</b>	138.6	841.5	16.5p

1 The weighted average number of shares used for the calculation of basic earnings per share has been adjusted for shares held in the ESOP and treasury shares. Basic earnings per share are stated after deducting interest on convertible bonds recognised directly in equity of £5.8 million in the year ended 31 December 2012 (2011 – £5.3 million) in accordance with IAS 33 Earnings per Share.



## 19 Net assets per share

NAV per share (diluted, adjusted) is a non-GAAP measure but has been included as it is considered to be a key measure of the Group's performance.

	2012			2011		
	Net assets £m	Shares million	NAV per share (pence)	Net assets £m	Shares million	NAV per share (pence)
NAV per share attributable to owners of Intu Properties plc <sup>1</sup>	2,977.0	857.1	347p	2,922.1	853.5	342p
Dilutive convertible bonds, share options and share awards	–	39.6		3.8	40.3	
Diluted NAV per share	2,977.0	896.7	332p	2,925.9	893.8	327p
Remove:						
Fair value of derivative financial instruments (net of tax)	481.8		54p	520.9		58p
Deferred tax on investment and development property and other investments	8.7		1p	5.0		1p
Non-controlling interest in respect of the above	(23.4)		(3)p	(30.4)		(3)p
Add:						
Non-controlling interest recoverable balance not recognised	71.3		8p	71.3		8p
<b>NAV per share (diluted, adjusted)</b>	<b>3,515.4</b>	<b>896.7</b>	<b>392p</b>	<b>3,492.7</b>	<b>893.8</b>	<b>391p</b>

1 The number of shares used has been adjusted for shares held in the ESOP and treasury shares.

## 20 Investment and development property

	Freehold £m	Leasehold £m	Total £m
At 1 January 2011	2,679.9	2,371.1	5,051.0
Trafford Centre acquisition	1,650.0	–	1,650.0
Broadmarsh acquisition	–	65.0	65.0
Additions	12.3	45.0	57.3
Disposals	–	(1.6)	(1.6)
Transferred from trading property	11.5	–	11.5
Surplus on revaluation	41.5	21.5	63.0
At 31 December 2011	4,395.2	2,501.0	6,896.2
Additions	62.0	11.8	73.8
Disposals	(0.6)	(0.5)	(1.1)
Surplus on revaluation	63.7	(22.9)	40.8
<b>At 31 December 2012</b>	<b>4,520.3</b>	<b>2,489.4</b>	<b>7,009.7</b>

	2012 £m	2011 £m
Balance sheet carrying value of investment and development property	7,009.7	6,896.2
Adjustment in respect of tenant incentives	100.4	101.9
Adjustment in respect of head leases	(37.0)	(37.9)
<b>Market value of investment and development property</b>	<b>7,073.1</b>	<b>6,960.2</b>

The fair value of the Group's investment and development property as at 31 December 2012 was determined by independent external valuers at that date. The valuations conform with the Royal Institution of Chartered Surveyors ('RICS') Valuation Standards 8th Edition and with IVS 1 of International Valuation Standards, and were arrived at by reference to market transactions for similar properties.

The main assumptions underlying the valuations are in relation to market rent, taking into account forecast growth rates and yields based on known transactions for similar properties, vacancies, letting periods and likely incentives offered to tenants.

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## 20 Investment and development property (continued)

A summary of the market value of investment and development property by valuer is given below:

	2012 £m	2011 £m
DTZ	4,056.2	4,012.6
Cushman & Wakefield	1,800.0	1,700.0
CBRE	936.1	931.4
Knight Frank	275.8	286.3
Others	5.0	29.9
	<b>7,073.1</b>	<b>6,960.2</b>

Valuation fees are based on a fixed amount agreed between the Group and the valuers and are independent of the portfolio value.

There are certain restrictions on the realisability of investment property where a credit facility secured on that property is in place. In most circumstances the Group can realise up to 50 per cent without restriction providing the Group continues to manage the asset. Realising an amount in excess of this would trigger a change of control and mandatory repayment of the facility.

## 21 Plant and equipment

Group	2012			2011		
	Cost £m	Accumulated depreciation £m	Net £m	Cost £m	Accumulated depreciation £m	Net £m
At 1 January	9.8	(4.7)	5.1	7.4	(3.3)	4.1
Trafford Centre acquisition	–	–	–	0.4	–	0.4
Additions	2.0	–	2.0	2.0	–	2.0
Charge for the year	–	(1.5)	(1.5)	–	(1.4)	(1.4)
<b>At 31 December</b>	<b>11.8</b>	<b>(6.2)</b>	<b>5.6</b>	<b>9.8</b>	<b>(4.7)</b>	<b>5.1</b>

Company	2012			2011		
	Cost £m	Accumulated depreciation £m	Net £m	Cost £m	Accumulated depreciation £m	Net £m
At 1 January	6.8	(1.9)	4.9	4.8	(0.7)	4.1
Additions	1.2	–	1.2	2.0	–	2.0
Charge for the year	–	(1.4)	(1.4)	–	(1.2)	(1.2)
<b>At 31 December</b>	<b>8.0</b>	<b>(3.3)</b>	<b>4.7</b>	<b>6.8</b>	<b>(1.9)</b>	<b>4.9</b>

Plant and equipment consists of vehicles, fixtures, fittings and other office equipment.

## 22 Investment in group companies

Company	2012			2011		
	Cost £m	Accumulated impairment £m	Net £m	Cost £m	Accumulated impairment £m	Net £m
At 1 January	3,130.9	(963.0)	2,167.9	2,655.3	(953.7)	1,701.6
Additions	–	–	–	702.7	–	702.7
Disposals	–	–	–	(6.6)	4.8	(1.8)
Redemption of preference shares	–	–	–	(220.5)	–	(220.5)
Impairment in the year	–	–	–	–	(32.3)	(32.3)
Impairment reversed in the year	–	57.6	57.6	–	18.2	18.2
<b>At 31 December</b>	<b>3,130.9</b>	<b>(905.4)</b>	<b>2,225.5</b>	<b>3,130.9</b>	<b>(963.0)</b>	<b>2,167.9</b>

Additions in the year ended 31 December 2011 reflect the Trafford Centre acquisition. Details of principal subsidiary undertakings are provided in note 46.

## 23 Joint ventures

	2012			
	St David's Limited Partnership £m	Xscape Braehead Partnership £m	Other £m	Total £m
<b>Summarised income statement</b>				
Revenue	24.1	2.4	0.5	27.0
Net rental income	11.2	1.5	0.7	13.4
Revaluation and sale of investment and development property	(4.4)	1.6	(0.5)	(3.3)
Net finance costs	(4.6)	(1.4)	–	(6.0)
<b>Profit for the year</b>	<b>2.2</b>	<b>1.7</b>	<b>0.2</b>	<b>4.1</b>
<b>Summarised balance sheet</b>				
Investment and development property	263.4	–	12.2	275.6
Other non-current assets	11.5	–	–	11.5
Current assets	10.4	–	0.9	11.3
Partners' loans	(72.0)	–	–	(72.0)
Current liabilities	(10.2)	–	(0.1)	(10.3)
Non-current liabilities	(96.1)	–	–	(96.1)
<b>Net assets</b>	<b>107.0</b>	<b>–</b>	<b>13.0</b>	<b>120.0</b>
				2011
	St David's Limited Partnership £m	Xscape Braehead Partnership £m	Other £m	Total £m
<b>Summarised income statement</b>				
Revenue	23.6	2.4	–	26.0
Net rental income	9.4	1.6	0.2	11.2
Net other income	0.6	–	–	0.6
Revaluation and sale of investment and development property	5.3	1.4	–	6.7
Net finance costs	(7.5)	(1.3)	–	(8.8)
<b>Profit for the year</b>	<b>7.8</b>	<b>1.7</b>	<b>0.2</b>	<b>9.7</b>
<b>Summarised balance sheet</b>				
Investment and development property	272.6	24.1	–	296.7
Other non-current assets	1.0	2.6	–	3.6
Current assets	31.5	1.4	0.3	33.2
Partners' loans	(38.6)	(8.4)	–	(47.0)
Current liabilities	(65.1)	(3.4)	–	(68.5)
Non-current liabilities	(96.3)	(22.7)	–	(119.0)
<b>Net assets/(liabilities)</b>	<b>105.1</b>	<b>(6.4)</b>	<b>0.3</b>	<b>99.0</b>

Joint ventures are accounted for in the consolidated financial statements using proportional consolidation. The Group's share of the assets, liabilities, income and expenditure of joint ventures is included on a line-by-line basis.

The joint ventures include the St David's Limited Partnership, Centaurus Retail LLP and the Xscape Braehead Partnership. The St David's Limited Partnership was established in 2004 for investment in the existing St David's shopping centre, Cardiff, and development of a 967,500 sq. ft. retail-led mixed-use extension. Included in the 'Other' category above is Centaurus Retail LLP which was established on 20 April 2012 for investment in the Centaurus Retail Park, Bristol. The Xscape Braehead Partnership was established in 2004, for investment in the Xscape Leisure Scheme at Braehead, Renfrew, Glasgow. On 24 December 2012 the Group acquired the remaining 50 per cent interest in the Xscape Braehead Partnership (see note 41) from which date this has been accounted for as a subsidiary.

All joint ventures are held with other joint venture investors on a 50:50 basis.

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## 24 Investment in associate companies

	Group 2012 £m	Group 2011 £m
At 1 January	32.5	28.8
Share of profit of associates	0.9	9.0
Distribution of shares received from Provogue	10.2	–
Foreign exchange movements	(2.7)	(5.3)
<b>At 31 December</b>	<b>40.9</b>	<b>32.5</b>

Investment in associates comprises a 32.4 per cent holding in the ordinary shares of Prozone Capital Shopping Centres Limited (incorporated in India) and a 20 per cent holding in the ordinary shares of Lewis's Liverpool LLP. In the first half of the year, Provogue (India) Limited, in which the Group holds a 9.9 per cent stake, undertook a demerger of its 75 per cent holding in Prozone Capital Shopping Centres Limited. The demerger was achieved by way of a distribution of shares in Prozone. The receipt of additional shares is treated as a distribution valued at £10.2 million. The demerger increased the Group's holding in Prozone from 25 per cent to 32.4 per cent.

The equity method of accounting is applied using the results of Prozone Capital Shopping Centres Limited for the year to 30 September as 31 December information is not available in time for these financial statements. Those results include property valuations as at 31 March 2012 as valuations are only produced once a year in accordance with reporting requirements. The property valuation was determined by professionally qualified external valuers using the 'Red Book' guidelines.

## 25 Other investments

	Group 2012 £m	Group 2011 £m
At 1 January	171.2	16.4
Additions	–	179.3
Disposal of Equity One shares	(44.4)	–
Reclassification to intercompany	–	(6.3)
Revaluation	28.7	(17.3)
Foreign exchange movements	(6.7)	(0.9)
<b>At 31 December</b>	<b>148.8</b>	<b>171.2</b>

In 2011 additions represent the consideration received for C&C US consisting of 11.35 million units, convertible into Equity One shares, and 4.05 million shares in Equity One. The reclassification to intercompany results from the Trafford Centre acquisition and the elimination of the Group's investment in Trafford CMBS.

On 6 March 2012, the Group disposed of its 4.05 million shares in Equity One for £48.7 million.

All these investments are available-for-sale investments and are analysed by type of investment as follows:

	Group 2012 £m	Group 2011 £m
Listed securities – equity	1.9	47.1
Unlisted securities – equity	146.9	124.1
<b>Other investments</b>	<b>148.8</b>	<b>171.2</b>

Listed investments are accounted for at fair value using the bid market value at the reporting date. The Group's unlisted securities all relate to a US venture controlled by Equity One. This is accounted for as an available-for-sale investment as the Group does not have control nor significant influence over the venture. The fair value of the investment is measured by reference to the Equity One listed share price as the Group can convert its investment into shares in Equity One.

## 26 Trading property

	Group 2012 £m	Group 2011 £m
Property in development	–	3.2
Completed property	2.1	4.3
<b>Trading property</b>	<b>2.1</b>	<b>7.5</b>

The estimated replacement cost of trading property, based on their market value at 31 December 2012, is £2.1 million (2011 – £7.5 million).

## 27 Trade and other receivables

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
<b>Current</b>				
Trade receivables	16.8	19.2	–	–
Amounts owed by subsidiary undertakings	–	–	678.3	562.8
Other receivables	18.3	23.4	0.8	0.9
Prepayments and accrued income	31.5	27.0	1.4	1.1
<b>Trade and other receivables – current</b>	<b>66.6</b>	<b>69.6</b>	<b>680.5</b>	<b>564.8</b>
<b>Non-current</b>				
Other receivables	8.9	0.2	0.4	1.2
Prepayments and accrued income	95.1	90.9	–	–
<b>Trade and other receivables – non-current</b>	<b>104.0</b>	<b>91.1</b>	<b>0.4</b>	<b>1.2</b>

Included within prepayments and accrued income for the Group are tenant lease incentives of £100.4 million (2011 – £101.9 million).

Amounts owed by subsidiary undertakings are unsecured, repayable on demand and for amounts falling within formalised loan agreements, interest bearing.

## 28 Cash and cash equivalents

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Unrestricted cash	186.1	88.2	0.3	0.5
Restricted cash	2.0	2.5	–	–
<b>Cash and cash equivalents</b>	<b>188.1</b>	<b>90.7</b>	<b>0.3</b>	<b>0.5</b>

Restricted cash reflects amounts held to match the 2014 loan notes shown within borrowings.

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## 29 Derivative financial instruments

### Derivative financial instruments – assets

Group	2012			2011		
	Held for trading £m	Hedging instruments £m	Total £m	Held for trading £m	Hedging instruments £m	Total £m
<b>Current</b>						
Interest rate swaps	0.7	–	0.7	–	–	–
	0.7	–	0.7	–	–	–
<b>Non-current</b>						
Interest rate swaps	21.2	–	21.2	22.7	–	22.7
	21.2	–	21.2	22.7	–	22.7

### Derivative financial instruments – liabilities

Group	2012			2011		
	Held for trading £m	Hedging instruments £m	Total £m	Held for trading £m	Hedging instruments £m	Total £m
<b>Current</b>						
Forward foreign exchange contracts	–	–	–	–	(11.6)	(11.6)
Interest rate swaps	(19.1)	–	(19.1)	(15.9)	–	(15.9)
	(19.1)	–	(19.1)	(15.9)	(11.6)	(27.5)
<b>Non-current</b>						
Interest rate swaps	(495.8)	–	(495.8)	(535.7)	–	(535.7)
	(495.8)	–	(495.8)	(535.7)	–	(535.7)

Company	2012			2011		
	Held for trading £m	Hedging instruments £m	Total £m	Held for trading £m	Hedging instruments £m	Total £m
<b>Non-current</b>						
Bondholder option (note 33)	(11.0)	–	(11.0)	–	–	–
	(11.0)	–	(11.0)	–	–	–

## 30 Trade and other payables

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
<b>Current</b>				
Rents received in advance	95.0	98.4	–	–
Trade payables	2.0	5.4	–	–
Amounts owed to subsidiary undertakings	–	–	329.7	27.9
Accruals and deferred income	78.1	112.0	6.5	6.8
Other payables	17.6	17.3	0.3	–
Other taxes and social security	28.2	45.2	8.1	8.6
<b>Trade and other payables</b>	<b>220.9</b>	<b>278.3</b>	<b>344.6</b>	<b>43.3</b>

Amounts owed to subsidiary undertakings are unsecured, repayable on demand and for amounts falling within formalised loan agreements, interest bearing.



## 31 Borrowings

Group	2012					
	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m
<b>Current</b>						
Bank loans and overdrafts	21.2	21.2	–	–	21.2	21.2
Commercial mortgage backed securities ('CMBS') notes	40.8	40.8	–	6.6	34.2	41.3
Loan notes 2014	2.0	–	2.0	2.0	–	2.0
CSC bonds 2013	26.8	–	26.8	26.8	–	26.9
Current borrowings, excluding finance leases	90.8	62.0	28.8	35.4	55.4	91.4
Finance lease obligations	3.4	3.4	–	3.4	–	3.4
	94.2	65.4	28.8	38.8	55.4	94.8
<b>Non-current</b>						
CMBS notes 2015	960.6	960.6	–	–	960.6	907.4
CMBS notes 2022	51.8	51.8	–	51.8	–	58.8
CMBS notes 2029	97.9	97.9	–	97.9	–	111.0
CMBS notes 2033	375.4	375.4	–	375.4	–	441.1
CMBS notes 2035	181.8	181.8	–	–	181.8	172.0
Bank loan 2014	135.4	135.4	–	–	135.4	135.4
Bank loans 2016	720.7	720.7	–	–	720.7	720.7
Bank loan 2017	502.5	502.5	–	–	502.5	502.5
Debentures 2027	227.4	227.4	–	227.4	–	206.5
2.5% convertible bonds 2018 (note 33)	311.0	–	311.0	311.0	–	311.0
Non-current borrowings, excluding finance leases and Metrocentre compound financial instrument	3,564.5	3,253.5	311.0	1,063.5	2,501.0	3,566.4
Metrocentre compound financial instrument	153.5	–	153.5	153.5	–	153.5
Finance lease obligations	33.6	33.6	–	33.6	–	33.6
	3,751.6	3,287.1	464.5	1,250.6	2,501.0	3,753.5
<b>Total borrowings</b>	<b>3,845.8</b>	<b>3,352.5</b>	<b>493.3</b>	<b>1,289.4</b>	<b>2,556.4</b>	<b>3,848.3</b>
Cash and cash equivalents	(188.1)					
<b>Net debt</b>	<b>3,657.7</b>					

Net external debt (adjusted for Metrocentre compound financial instrument) at 31 December 2012 was £3,504.2 million (2011 – £3,374.2 million).

The Group substantially eliminates its interest rate exposure to floating rate debt through interest rate swaps as illustrated in note 35.

The market value of assets secured as collateral against borrowings at 31 December 2012 is £6,950.1 million.

The fair values have been established using the market value, where available. For those instruments without a market value, a discounted cash flow approach has been used.

The Company had no borrowings as at 31 December 2012.

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## 31 Borrowings (continued)

Group	2011					
	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m
<b>Current</b>						
Bank loans and overdrafts	18.5	18.5	–	–	18.5	18.5
Commercial mortgage backed securities ('CMBS') notes	41.1	41.1	–	4.1	37.0	38.1
Loan notes 2014	2.5	–	2.5	2.5	–	2.5
Current borrowings, excluding finance leases	62.1	59.6	2.5	6.6	55.5	59.1
Finance lease obligations	3.3	3.3	–	3.3	–	3.3
	65.4	62.9	2.5	9.9	55.5	62.4
<b>Non-current</b>						
CMBS notes 2015	994.4	994.4	–	–	994.4	843.7
CMBS notes 2022	52.1	52.1	–	52.1	–	56.7
CMBS notes 2029	103.1	103.1	–	103.1	–	110.6
CMBS notes 2033	380.4	380.4	–	380.4	–	404.6
CMBS notes 2035	179.5	179.5	–	–	179.5	167.4
Bank loan 2014	114.8	114.8	–	–	114.8	114.8
Bank loans 2016	779.9	779.9	–	–	779.9	779.9
Bank loan 2017	506.8	506.8	–	–	506.8	506.8
Debentures 2027	227.1	227.1	–	227.1	–	215.5
CSC bonds 2013	26.8	–	26.8	26.8	–	26.9
Non-current borrowings, excluding finance leases and Metrocentre compound financial instrument	3,364.9	3,338.1	26.8	789.5	2,575.4	3,226.9
Metrocentre compound financial instrument	146.6	–	146.6	146.6	–	146.6
Finance lease obligations	34.6	34.6	–	34.6	–	34.6
	3,546.1	3,372.7	173.4	970.7	2,575.4	3,408.1
Total borrowings	3,611.5	3,435.6	175.9	980.6	2,630.9	3,470.5
Cash and cash equivalents	(90.7)					
Net debt	3,520.8					

Net external debt (adjusted for Metrocentre compound financial instrument) at 31 December 2011 was £3,374.2 million.

Company	2011					
	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m
<b>Non-current</b>						
Bank loan 2016	45.0	45.0	–	–	45.0	45.0
	45.0	45.0	–	–	45.0	45.0
Total borrowings	45.0	45.0	–	–	45.0	45.0
Cash and cash equivalents	(0.5)					
Net debt	44.5					

The maturity profile of gross debt (excluding finance leases) is as follows:

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Wholly repayable within one year	90.8	62.1	–	–
Wholly repayable in more than one year but not more than two years	194.6	87.2	–	–
Wholly repayable in more than two years but not more than five years	2,180.2	1,893.3	–	45.0
Wholly repayable in more than five years	1,343.2	1,531.0	–	–
	3,808.8	3,573.6	–	45.0

Certain borrowing agreements contain financial and other conditions that, if contravened, could alter the repayment profile. During the year there were no breaches of these conditions.

The Group has undrawn committed borrowing facilities. As at 31 December 2012 the Group had available facilities of £375.0 million of which £375.0 million was undrawn (2011 – undrawn £330.0 million) expiring in 2018.

## 31 Borrowings (continued)

Finance lease disclosures:

	Group 2012 £m	Group 2011 £m
<b>Minimum lease payments under finance leases fall due:</b>		
Not later than one year	4.8	4.7
Later than one year and not later than five years	17.4	17.9
Later than five years	68.1	71.3
	<b>90.3</b>	93.9
Future finance charges on finance leases	<b>(53.3)</b>	(56.0)
<b>Present value of finance lease liabilities</b>	<b>37.0</b>	37.9
<b>Present value of finance lease liabilities:</b>		
Not later than one year	3.4	3.3
Later than one year and not later than five years	13.2	13.3
Later than five years	20.4	21.3
	<b>37.0</b>	37.9

Finance lease liabilities are in respect of leasehold investment property. A number of the Group's head leases provide for payment of contingent rent, usually a proportion of net rental income, in addition to the rents above.

## 32 Movement in net debt

Group	2012			
	Cash and cash equivalents £m	Current borrowings £m	Non- current borrowings £m	Net debt £m
Balance at 1 January 2012	90.7	(65.4)	(3,546.1)	(3,520.8)
Acquired with businesses	1.6	(1.4)	(21.4)	(21.2)
Borrowings repaid	(107.3)	62.3	45.0	-
Issue of ordinary shares	0.1	-	-	0.1
Issue of convertible bonds	300.0	-	(300.0)	-
Other net cash movements	(97.0)	-	-	(97.0)
Other non-cash movements	-	(89.7)	70.9	(18.8)
<b>Balance at 31 December 2012</b>	<b>188.1</b>	<b>(94.2)</b>	<b>(3,751.6)</b>	<b>(3,657.7)</b>
	2011			
Group	Cash and cash equivalents £m	Current borrowings £m	Non- current borrowings £m	Net debt £m
Balance at 1 January 2011	222.3	(46.0)	(2,751.5)	(2,575.2)
Acquired with businesses	41.2	(98.1)	(751.8)	(808.7)
Borrowings repaid	(138.2)	138.2	-	-
Borrowings drawdown	101.4	-	(101.4)	-
Issue of ordinary shares	44.7	-	-	44.7
Issue of convertible bonds	23.7	-	-	23.7
Other net cash movements	(204.4)	-	-	(204.4)
Other non-cash movements	-	(59.5)	58.6	(0.9)
Balance at 31 December 2011	90.7	(65.4)	(3,546.1)	(3,520.8)

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## 33 Convertible bonds

### 2.5 per cent convertible bonds ('the 2.5 per cent bonds')

On 4 October 2012 Intu (Jersey) Limited (formerly Capital Shopping Centres (Jersey) Limited) (the 'Issuer') issued £300.0 million 2.5 per cent Guaranteed Convertible Bonds due 2018 (the 'Bonds') at par. The Company has unconditionally and irrevocably guaranteed the due and punctual performance by the Issuer of all of its obligations (including payments) in respect of the Bonds and the obligations of the Company, as Guarantor, constitute direct, unsubordinated and unsecured obligations of the Company.

Subject to certain conditions, the 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 Bonds can be converted at any time from 14 November 2012 up to the 20<sup>th</sup> dealing day before the maturity date.

The initial exchange price was £4.3752 per ordinary share, a conversion rate of approximately 22,856 ordinary shares for every £100,000 nominal of the Bonds. Under the terms of the Bonds, the exchange price is adjusted on the happening of certain events including the payment of dividends by the Company. Accordingly, following the declaration of the Company's 2012 interim dividend of 5.0 pence per ordinary share, the exchange price was adjusted to £4.3098 per ordinary share with effect from 17 October 2012. There were no further adjustments to the exchange price in the year and so at 31 December 2012 the exchange price was £4.3098 per ordinary share.

The 2.5 per cent bonds may be redeemed at par at the Company's option subject to the Company's ordinary share price having traded at 30 per cent above the conversion price for a specified period, or at any time once 85 per cent by nominal value of the Bonds originally issued have been converted or cancelled. If not previously converted, redeemed or purchased and cancelled, the 2.5 per cent bonds will be redeemed at par on 4 October 2018.

A total of £300.0 million nominal of the Bonds were issued and remain outstanding at 31 December 2012. The Bonds are designated as at fair value through profit or loss and so are presented on the balance sheet at fair value with all gains and losses taken to the income statement through the changes in fair value of financial instruments line. At 31 December 2012, the fair value of the Bonds was £311.0 million, with the change in fair value presented in note 14. The Bonds are listed on the Professional Securities Market.

During the year interest of £1.8 million in respect of the coupon rate has been recognised on the Bonds within finance costs.

### 3.75 per cent convertible bonds ('the 3.75 per cent bonds')

On 28 January 2011 the Company issued £127.6 million, 3.75 per cent perpetual subordinated convertible bonds as part of the consideration for the acquisition of The Trafford Centre (note 41). As a condition of the acquisition the Company also issued to the Peel Group £26.7 million of convertible bonds for a subscription amount of £23.7 million and an implied issue price of the underlying shares of £3.55 per share.

A total of £154.3 million of the 3.75 per cent bonds were issued and remain outstanding at 31 December 2012 (2011 – £154.3 million). These are accounted for as equity at their fair value on issue which totalled £143.7 million (2011 – £143.7 million).

The 3.75 per cent bonds can be converted at the option of the bondholder at any time from 28 January 2013 at £4.00 per ordinary share, a conversion rate of 250 ordinary shares for every £1,000 nominal. Full conversion would result in 38,579,250 ordinary shares being issued.

The 3.75 per cent bonds may be redeemed at their principal amount at the Company's option on 28 January 2014 or any subsequent interest payment date thereafter, or at any time once 85 per cent or more of the principal amount of the bonds originally issued have been converted or cancelled.

During the year interest of £5.8 million (2011 – £5.3 million) has been recognised on these bonds directly in equity.

## 34 Operating leases

The Group earns rental income by leasing its investment properties to tenants under operating leases.

In the UK the standard shopping centre lease is for a term of 10 to 15 years. Standard lease provisions include service charge payments, recovery of other direct costs and review every five years to market rent. Standard turnover based leases have a turnover percentage agreed with each lessee which is applied to a retail unit's annual sales and any excess between the resulting turnover rent and the minimum rent is receivable by the Group.

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

	2012 £m	2011 £m
Not later than one year	413.5	421.6
Later than one year and not later than five years	1,326.8	1,342.6
Later than five years	1,649.0	1,344.5
	<b>3,389.3</b>	<b>3,108.7</b>

The income statement includes £0.7 million (2011 – £1.0 million) recognised in respect of expected increased rent resulting from outstanding reviews where the actual rent will only be determined on settlement of the rent review.

## 35 Financial risk management

The Group is exposed to a variety of financial risks arising from the Group's operations being principally market risk (including interest rate risk, foreign exchange and market price risk), liquidity risk and credit risk.

The majority of the Group's financial risk management is carried out by the Group treasury department and the policies for managing each of these risks and the principal effects of these policies on the results for the year are summarised below.

### Market risk

#### a) Interest rate risk

Interest rate risk comprises of both cash flow and fair value risks. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in market interest rates.

The Group's interest rate risk arises from borrowings issued at variable rates that expose the Group to cash flow interest rate risk, whereas borrowings issued at fixed interest rates expose the Group to fair value interest rate risk.

Bank debt is typically issued at floating rates linked to LIBOR. Bond debt and other capital market debt are generally issued at fixed rates.

It is Group policy, and often a requirement of the Group's lenders, to eliminate substantially all short and medium-term exposure to interest rate fluctuations in order to establish certainty over medium-term cash flows by using floating to fixed interest rate swaps. Such swaps have the economic effect of converting borrowings from floating to fixed rates.

As a consequence, the Group is exposed to market price risk in respect of the fair value of its fixed rate interest rate swaps, as discussed in the Financial review on pages 44 to 49.

The table below shows the effects of interest rate swaps on the borrowings profile of the Group:

	Fixed 2012 £m	Floating 2012 £m	Fixed 2011 £m	Floating 2011 £m
Borrowings	1,289.4	2,556.4	980.6	2,630.9
Derivative impact (nominal value of interest rate swaps)	2,440.4	(2,440.4)	2,476.7	(2,476.7)
Net borrowings profile	3,729.8	116.0	3,457.3	154.2
Interest rate protection on floating debt		95.5%		94.1%

Group policy is to target interest rate protection within the range of 75 per cent to 100 per cent.

The weighted average rate for interest rate swaps currently effective is 3.95 per cent (2011 – 4.43 per cent).

Unallocated and forward starting swaps are excluded from the above calculation. The nominal value of those swaps is £615.0 million.

The approximate impact of a 50 basis point shift upwards in the level of interest rates would be a positive movement of £101.9 million (2011 – £93.6 million) in the fair value of derivatives. The approximate impact of a 50 basis point shift downwards in the level of interest rates would be a negative movement of £108.3 million (2011 – £102.7 million) in the fair value of derivatives. Movements in the fair value of derivatives are dealt with in the income statement. In practice, a parallel shift in the yield curve is highly unlikely. However, the above sensitivity analysis is a reasonable illustration of the possible effect from the changes in slope and shifts in the yield curve that may actually occur. Where the fixed rate derivative financial instruments are matched by floating rate debt, the overall effect on Group cash flow of such a movement would be very small.

Details of interest rate swap contracts in place as at 31 December 2012 are included in the Financial review on page 49, which shows the interest cost to the Group will be subject to in the future regardless of changes in market interest rates for the nominal amount of debt in the contract.

#### b) Foreign exchange

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a functional currency other than sterling. It was previously Group policy to eliminate partially the foreign exchange risk through hedging instruments and foreign currency denominated borrowings. The Group no longer has operating subsidiaries located overseas with investments now being through associates and available for sale investments. As existing swaps matured the decision was taken not to renew these. As at 31 December 2012 no foreign exchange hedging arrangements were in place.

The table summarises the Group exposure to foreign currency risk arising from the Group's investments at 31 December 2012:

	Group 2012 INRm	Group 2011 INRm	Group 2012 US\$m	Group 2011 US\$m
Net assets	3,815.4	2,905.7	238.6	261.8
Derivative impact (nominal forward foreign exchange swaps)	-	-	-	(140.0)
Net exposure	3,815.4	2,905.7	238.6	121.8

There was no ineffectiveness arising as a result of these hedges in either year.

The approximate impact of a 10 per cent appreciation in foreign exchange rates would be positive movement of £21.1 million (2011 – £22.6 million) on Group reserves. The approximate impact of a 10 per cent depreciation in foreign exchange rates would be a negative movement of £17.2 million (2011 – £17.2 million (2011 – £18.5 million) on Group reserves.

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## 35 Financial risk management (continued)

### Liquidity risk

Liquidity risk is managed to ensure that the Group is able to meet future payment obligations when financial liabilities fall due. Liquidity analysis is conducted to ensure that sufficient headroom is available to meet the Group's operational requirements and committed investments. The Group treasury policy aims to meet this objective through maintaining adequate cash, marketable securities and committed facilities to meet these requirements. Undrawn borrowing facilities are detailed in note 31. The Group's policy is to seek to optimise its exposure to liquidity risk by balancing its exposure to interest rate risk and to refinancing risk. In effect the Group seeks to borrow for as long as possible at the lowest acceptable cost.

Group policy is to maintain a weighted average debt maturity of over five years. As at 31 December 2012, the maturity profile of Group debt showed an average maturity of six years (2011 – seven years). The Group regularly reviews the maturity profile of its borrowings and seeks to avoid bunching of maturities through the regular replacement of facilities and by using a selection of maturity dates. Refinancing risk may be reduced by re-borrowing prior to the contracted maturity date, effectively switching liquidity risk for market risk.

The Group may choose to pre-fund significant capital expenditure by arranging facilities or raising debt in the capital markets and then placing surplus funds on deposit until required for the project. Efficient treasury management and strict credit control minimise the costs and risk associated with this policy which ensures that funds are available to meet commitments as they fall due.

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 (including notional principal in the case of gross settled foreign exchange contracts). 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 ruling at the balance sheet date is used.

					2012
Group	Within 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m	Total £m
Borrowings (including interest)	(192.2)	(295.6)	(2,427.1)	(1,806.8)	(4,721.7)
Finance lease obligations	(4.8)	(4.8)	(12.6)	(68.1)	(90.3)
Other financial liabilities	(19.7)	(3.3)	–	–	(23.0)
Derivative payments	(134.4)	(133.9)	(209.5)	(558.1)	(1,035.9)
Derivative receipts	24.4	26.2	56.8	400.7	508.1
	<b>(326.7)</b>	<b>(411.4)</b>	<b>(2,592.4)</b>	<b>(2,032.3)</b>	<b>(5,362.8)</b>

					2011
Group	Within 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m	Total £m
Borrowings (including interest)	(158.7)	(195.4)	(2,189.5)	(2,075.5)	(4,619.1)
Finance lease obligations	(4.7)	(4.7)	(13.2)	(71.3)	(93.9)
Other financial liabilities	(22.6)	(0.1)	–	–	(22.7)
Derivative payments	(225.7)	(143.2)	(319.9)	(604.1)	(1,292.9)
Derivative receipts	120.0	40.9	115.9	421.1	697.9
	<b>(291.7)</b>	<b>(302.5)</b>	<b>(2,406.7)</b>	<b>(2,329.8)</b>	<b>(5,330.7)</b>

					2012
Company	Within 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m	Total £m
Borrowings (including interest)	–	–	–	–	–
Other financial liabilities	(0.3)	–	–	–	(0.3)
	<b>(0.3)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(0.3)</b>



## 35 Financial risk management (continued)

Company					2011
	Within 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m	Total £m
Borrowings (including interest)	(1.3)	(1.3)	(48.8)	–	(51.4)
Other financial liabilities	(0.5)	–	–	–	(0.5)
	(1.8)	(1.3)	(48.8)	–	(51.9)

### Credit risk

Credit risk is the risk of financial loss if a tenant or counterparty fails to meet an obligation under a contract. Credit risk arises primarily from trade receivables relating to tenants but also from the Group's holdings of assets with counterparties such as cash deposits, loans and derivative instruments.

Credit risk associated with trade receivables is actively managed; tenants are managed individually by asset managers, who continuously monitor and work with tenants, 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 2012 is £2.7 million (2011 – £3.1 million).

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

The ageing analysis of trade receivables is as follows:

	Group 2012 £m	Group 2011 £m
Up to three months	15.9	17.8
Three to six months	0.9	1.4
Trade receivables	16.8	19.2

At 31 December 2012 trade receivables are shown net of provisions totalling £6.8 million (2011 – £4.8 million).

The credit risk relating to cash, deposits and derivative financial instruments is actively managed by the Group's treasury department. Relationships are maintained with a number of tier one institutional counterparties, ensuring compliance with Group policy relating to limits on the credit ratings of counterparties (between BBB+ and AAA).

Excessive credit risk concentration is avoided through adhering to authorised limits for all counterparties.

Counterparty	Credit rating	Authorised limit	Group Exposure 31 December 2012 £m
Counterparty #1	AAA	150	70.0
Counterparty #2	AA–	100	63.1
Counterparty #3	A	100	55.0
Counterparty #4	A–	15	11.0
Counterparty #5	A	100	7.0
Sum of five largest exposures			206.1
Sum of cash deposits and derivative financial instrument assets			210.0
Five largest exposures as a percentage of total amount at risk			98%

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## 35 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 at 31 December 2012 and 31 December 2011.

The fair values of quoted borrowings are based on the ask price. 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.

	2012			
	Carrying value £m	Fair value £m	Profit to income statement £m	Profit to other comprehensive income £m
Derivative financial instrument assets	21.9	21.9	-	-
Total held for trading assets	21.9	21.9	-	-
Trade and other receivables	41.6	41.6	-	-
Cash and cash equivalents	188.1	188.1	-	-
Total cash and receivables	229.7	229.7	-	-
Other investments	148.8	148.8	1.4	31.4
Total available-for-sale investments	148.8	148.8	1.4	31.4
Derivative financial instrument liabilities	(514.9)	(514.9)	41.4	-
Total held for trading liabilities	(514.9)	(514.9)	41.4	-
Trade and other payables	(94.5)	(94.5)	-	-
Borrowings	(3,845.8)	(3,848.3)	-	-
Total loans and payables	(3,940.3)	(3,942.8)	-	-

	2011			
	Carrying value £m	Fair value £m	Loss to income statement £m	Loss to other comprehensive income £m
Derivative financial instrument assets	22.7	22.7	-	-
Total held for trading assets	22.7	22.7	-	-
Trade and other receivables	42.8	42.8	-	-
Cash and cash equivalents	90.7	90.7	-	-
Total cash and receivables	133.5	133.5	-	-
Other investments	171.2	171.2	(8.7)	(8.6)
Total available-for-sale investments	171.2	171.2	(8.7)	(8.6)
Derivative financial instrument liabilities	(563.2)	(563.2)	(193.4)	-
Total held for trading liabilities	(563.2)	(563.2)	(193.4)	-
Trade and other payables	(128.7)	(128.7)	-	-
Borrowings	(3,611.5)	(3,470.5)	-	-
Total loans and payables	(3,740.2)	(3,599.2)	-	-

## 35 Financial risk management (continued)

The table below presents the Group's financial assets and liabilities recognised at fair value.

				2012
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Assets</b>				
Derivative financial instruments:				
– Fair value through profit or loss	–	21.9	–	21.9
Available for sale investments	1.9	146.9	–	148.8
<b>Total assets</b>	<b>1.9</b>	<b>168.8</b>	<b>–</b>	<b>170.7</b>
<b>Liabilities</b>				
Convertible bonds				
– Designated as at fair value through profit or loss	311.0	–	–	311.0
Derivative financial instruments:				
– Fair value through profit or loss	–	514.9	–	514.9
<b>Total liabilities</b>	<b>311.0</b>	<b>514.9</b>	<b>–</b>	<b>825.9</b>
<hr/>				
				2011
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Assets</b>				
Derivative financial instruments:				
– Fair value through profit or loss	–	22.7	–	22.7
– Derivatives used for hedging	–	–	–	–
Available for sale investments	44.4	126.8	–	171.2
<b>Total assets</b>	<b>44.4</b>	<b>149.5</b>	<b>–</b>	<b>193.9</b>
<b>Liabilities</b>				
Derivative financial instruments:				
– Fair value through profit or loss	–	(551.6)	–	(551.6)
– Derivatives used for hedging	–	(11.6)	–	(11.6)
<b>Total liabilities</b>	<b>–</b>	<b>(563.2)</b>	<b>–</b>	<b>(563.2)</b>

### Fair value hierarchy

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

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

Level 3: Where one or more inputs to valuation are not based on observable market data. Valuations at this level are more subjective and therefore more closely managed, including sensitivity analysis of inputs to valuation models. Such testing has not indicated that any material difference would arise due to a change in input variables.

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## 35 Financial risk management (continued)

The table below presents a reconciliation of level 3 fair value measurements for the year:

	Debt securities £m
At 1 January 2011	5.9
Unrealised gains	0.4
Reclassified to intercompany	(6.3)
At 31 December 2011	–
<b>At 31 December 2012</b>	<b>–</b>

### 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 hybrid financial instruments. The Group aims to access both debt and equity capital markets with maximum efficiency and flexibility.

The key ratios used to monitor the capital structure of the Group are the debt to assets ratio and interest cover. The Group's stated medium to long-term preference is for the debt to assets ratio to be within the 40–50 per cent range and interest cover to be greater than 1.60x. At 31 December 2012 the debt to asset ratio remains within the preferred range and the interest cover ratio continues to be above the preferred level.

	Group 2012 £m	Group 2011 £m
<b>Debt to assets ratio</b>		
Market value of investment and development property	<b>7,073.1</b>	6,960.2
Net external debt	<b>(3,504.2)</b>	(3,374.2)
	<b>49.5%</b>	48.5%

	Group 2012 £m	Group 2011 £m
<b>Interest cover</b>		
Interest payable	<b>(197.3)</b>	(198.9)
Interest receivable	<b>0.2</b>	0.8
Interest on convertible bonds recognised directly in equity	<b>(5.8)</b>	(5.3)
	<b>(202.9)</b>	(203.4)
Underlying operating profit	<b>342.2</b>	347.7
Remove trading property related items	<b>–</b>	0.5
	<b>342.2</b>	348.2
	<b>1.69x</b>	1.71x

## 36 Deferred tax provision

Under IAS 12 Income Taxes, provision is made for the deferred tax assets and liabilities associated with the revaluation of assets and liabilities at the corporate tax rate expected to apply to the Group at the time the temporary differences are expected to reverse. For those UK assets and liabilities benefitting from REIT exemption, the relevant tax rate will be 0 per cent (2011 – 0 per cent), for other UK assets and liabilities the relevant rate is 23 per cent (2011 – 25 per cent) and for other assets and liabilities the relevant tax rate will be the prevailing corporate tax rate in the relevant country.

Movements in the provision for deferred tax:

	Other investments £m	Derivative financial instruments £m	Other temporary differences £m	Total £m
Provided deferred tax provision/(asset):				
At 1 January 2011	–	(4.2)	4.2	–
Recognised in the income statement	7.6	(4.1)	(1.2)	2.3
Recognised in other comprehensive income	(2.6)	0.3	–	(2.3)
At 31 December 2011	5.0	(8.0)	3.0	–
Recognised in the income statement	(1.9)	(3.2)	(0.5)	(5.6)
Recognised in other comprehensive income	5.6	–	–	5.6
<b>At 31 December 2012</b>	<b>8.7</b>	<b>(11.2)</b>	<b>2.5</b>	<b>–</b>
Unrecognised deferred tax asset:				
At 1 January 2012	–	(39.1)	(23.1)	(62.2)
Income statement items	–	2.0	(13.5)	(11.5)
<b>At 31 December 2012</b>	<b>–</b>	<b>(37.1)</b>	<b>(36.6)</b>	<b>(73.7)</b>

In accordance with the requirements of IAS 12 Income Taxes, the deferred tax asset has not been recognised in the Group financial statements due to uncertainty over the level of profits that will be available in the non-REIT elements of the Group in future periods.

## 37 Other provisions

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
At 1 January	1.2	1.2	–	–
Utilised during the year	(1.2)	–	–	–
<b>At 31 December</b>	<b>–</b>	<b>1.2</b>	<b>–</b>	<b>–</b>

## 38 Share capital

	£m
Issued and fully paid	
At 31 December 2011 – 860,347,169 ordinary shares of 50p each	430.2
Shares issued	4.0
<b>At 31 December 2012 – 868,473,001 ordinary shares of 50p each</b>	<b>434.2</b>

During the year the Company issued a total of 67,468 ordinary shares in connection with the exercise of options by former employees under the Intu Properties plc Approved Share Option Scheme and the Intu Properties plc Unapproved Share Option Scheme.

Additionally, in connection with joint ownership elections by participants under the Company's Joint Share Ownership Plan ('JSOP') a total of 4,790,134 ordinary shares were issued during the year to the Trustee of the Employee Share Ownership Plan ('ESOP').

On 20 November 2012 the Company issued 3,268,230 new ordinary shares to shareholders who elected to receive their 2012 interim dividend in shares under the Scrip Dividend Scheme. The value of the Scrip Shares was calculated in accordance with the terms of the Scrip Dividend Scheme, being the average middle market quotations for each day between 28 September to 4 October 2012 inclusive less the gross amount of dividend payable.

Full details of the rights and obligations attaching to the ordinary shares are contained in the Company's Articles of Association. These rights include an entitlement to receive the Company's report and financial statements, to attend and speak at General Meetings of the Company, to appoint proxies and to exercise voting rights. Holders of ordinary shares may also receive dividends and may receive a share of the Company's assets on the Company's liquidation. There are no restrictions on the transfer of the ordinary shares.

At 27 February 2013, the Company had an unexpired authority to repurchase shares up to a maximum of 86,034,716 shares with a nominal value of £43.0 million, and the Directors have an unexpired authority to allot up to a maximum of 214,921,400 shares with a nominal value of £107.5 million.

Included within the issued share capital as at 31 December 2012 are 11,351,172 ordinary shares (2011 – 6,840,963) held by the Trustee of the ESOP which is operated by the Company (note 40). The nominal value of these shares at 31 December 2012 is £5.7 million (2011 – £3.4 million).

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## 39 Other reserves

Group	Capital redemption £m	Translation reserve £m	Other £m	Total £m
At 1 January 2011	61.4	12.7	452.4	526.5
Revaluation of other investments	-	-	(17.3)	(17.3)
Recognised in impairment of other investments	-	-	8.7	8.7
Recognised in gain on disposal of subsidiaries	-	-	(10.9)	(10.9)
Exchange differences	-	(5.5)	-	(5.5)
Tax relating to components of other comprehensive income	-	-	2.3	2.3
Realisation of merger reserve	-	-	(185.1)	(185.1)
At 31 December 2011	61.4	7.2	250.1	318.7
Revaluation of other investments	-	-	28.7	28.7
Recognised in sale of other investments	-	-	2.7	2.7
Exchange differences	-	(7.4)	-	(7.4)
Tax relating to components of other comprehensive income	-	-	(6.0)	(6.0)
<b>At 31 December 2012</b>	<b>61.4</b>	<b>(0.2)</b>	<b>275.5</b>	<b>336.7</b>

Company	Capital redemption £m	Other £m	Total £m
At 1 January 2011	61.4	185.1	246.5
Realisation of merger reserve	-	(185.1)	(185.1)
At 31 December 2011	61.4	-	61.4
<b>At 31 December 2012</b>	<b>61.4</b>	<b>-</b>	<b>61.4</b>

During 2011 the merger reserve, created as part of the November 2010 capital raise associated with the acquisition of The Trafford Centre, was realised and transferred to retained earnings.

## 40 Treasury shares and Employee Share Ownership Plan ('ESOP')

The cost of shares in Intu Properties plc held either as treasury shares or by the Trustee of the Employee Share Ownership Plan ('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 49 and the Director's remuneration report on pages 74 to 88, including joint ownership of shares in its role as Trustee of the Joint Share Ownership Plan. Dividends of £1.72 million (2011 - £0.79 million) in respect of these shares have been waived by agreement.

	Group and Company			
	2012 Shares million	2012 £m	2011 Shares million	2011 £m
At 1 January	6.8	29.5	6.9	29.9
Acquisition of treasury shares	4.8	15.6	0.1	0.2
Disposal of treasury shares	(0.2)	(1.2)	(0.2)	(0.6)
<b>At 31 December</b>	<b>11.4</b>	<b>43.9</b>	<b>6.8</b>	<b>29.5</b>



# 41 Business combinations

## Acquisitions during 2012

On 19 December 2012 the Group acquired 100 per cent of the share capital of StyleMeTV Limited for total consideration with a fair value of £3.4 million including £3.2 million of contingent consideration which is subject to the satisfaction of various performance conditions. The fair value of net liabilities acquired was £0.6 million resulting in goodwill of £4.0 million being recognised on the acquisition.

On 24 December 2012 the Group acquired 100 per cent of the share capital of Capital & Regional (Braehead) Limited (renamed Intu Braehead Limited), which holds a 50 per cent interest in the Xscape Braehead Partnership for consideration of £4.0 million. As a result of this transaction, the Group's interest in the Xscape Braehead Partnership is now 100 per cent. Assets with a fair value of £30.3 million and liabilities with a fair value of £24.0 million were acquired with the difference from the consideration being included in the income statement.

## Acquisitions during 2011

### Acquisition of The Trafford Centre

On 28 January 2011 the Group acquired 100 per cent of the share capital of Tokenhouse Holdings Limited (renamed CSC Trafford Centre Group Limited) for consideration consisting of 155.0 million ordinary shares in the Company and £127.6 million, 3.75 per cent perpetual subordinated convertible bonds (the 'convertible bonds'). As a condition of the acquisition the Company also issued to the Peel Group 12,316,817 ordinary shares for £3.55 each and convertible bonds with a nominal value of £26.7 million convertible into 6,679,250 ordinary shares, for a subscription amount of £23.7 million and an implied issue price of the underlying shares of £3.55 each. Total exceptional administration expenses associated with the acquisition and integration were £21.6 million.

Through its subsidiaries CSC Trafford Centre Group Limited owns and operates The Trafford Centre in Manchester.

The fair value of the consideration paid was assessed as £702.7 million, consisting of £582.8 million in respect of the ordinary shares and £119.9 million in respect of the convertible bonds. The fair value was assessed using the Intu Properties plc opening share price on 28 January 2011 of £3.76, being the share price at the point the acquisition took place.

The fair value of assets and liabilities acquired is set out in the table below.

	Book value £m	Fair value adjustment £m	Fair value £m
<b>Assets</b>			
Investment and development property	1,653.6	(3.6)	1,650.0
Plant and equipment	0.4	-	0.4
Cash and cash equivalents (including restricted cash of £3.6 million)	41.2	-	41.2
Trade and other receivables	18.8	(12.9)	5.9
<b>Total assets</b>	<b>1,714.0</b>	<b>(16.5)</b>	<b>1,697.5</b>
<b>Liabilities</b>			
Borrowings	(833.3)	(16.6)	(849.9)
Trade and other payables	(90.1)	15.6	(74.5)
Derivative financial instruments	(17.5)	-	(17.5)
<b>Total liabilities</b>	<b>(940.9)</b>	<b>(1.0)</b>	<b>(941.9)</b>
<b>Net assets</b>	<b>773.1</b>	<b>(17.5)</b>	<b>755.6</b>
Fair value of consideration paid			702.7
Gain on acquisition of subsidiaries			52.9

The book values disclosed are under IFRS and after allowing for the impact of joining the REIT regime. The trade and other liabilities book value includes the REIT entry charge of £33.0 million.

The fair value of the assets and liabilities acquired exceeds the fair value of the consideration and as a result a gain of £52.9 million is recognised in the income statement on acquisition. This gain reflects the Intu share price at the date of the acquisition of £3.76 which, in accordance with IFRS 3 Business Combinations, is required to be used to assess the fair value of the consideration for acquisition accounting purposes. The acquisition was however agreed based on an issue price of the Intu ordinary shares of £4.00. The difference between the agreed issue price of £4.00 and the share price at the date the acquisition was completed of £3.76 is the principal reason for recording an accounting gain on the acquisition.

Amounts disclosed have been adjusted from those reported in the Group's interim financial statements to reflect the finalisation of the review of the acquired net assets and liabilities. This has resulted in an increase of £1.4 million in the trade and other payables recognised with a resulting reduction in the gain in the income statement.

During the year ended 31 December 2011 the acquired companies contributed £80.5 million to the revenue of the Group and £25.4 million to the profit for the year ended 31 December 2011. The acquisition of The Trafford Centre contributed £29.6 million to the underlying earnings of the Group for the year ended 31 December 2011 including the deduction of £5.3 million in relation to interest on the convertible bonds which is deducted directly in equity. Had the acquisition taken place at 1 January 2011 the revenue of the Group for the year ended 31 December 2011 would have been £524.1 million and the profit for the year ended 31 December 2011 would have been £36.3 million.

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## 41 Business combinations (continued)

### Acquisition of Broadmarsh

On 1 December 2011 the Group acquired a 100 per cent interest in The Broadmarsh Retail Limited Partnership for an initial cash consideration of £72.8 million. The final consideration was subsequently adjusted for the agreed net assets value of the business at 1 December 2011 which is expected to result in a reduction to the purchase price of £2.1 million. The fair value of the consideration was therefore assessed as £70.7 million.

The Broadmarsh Retail Limited Partnership owns and manages the Broadmarsh shopping centre, Nottingham.

The fair value of assets and liabilities acquired is set out in the table below.

	Book value £m	Fair value adjustment £m	Fair value £m
Investment and development property	63.9	1.1	65.0
Trade and other receivables	1.6	(1.1)	0.5
Trade and other payables	(4.1)	–	(4.1)
Net assets	61.4	–	61.4
Fair value of consideration paid			70.7
Goodwill recognised on acquisition			9.3

The fair value of the consideration exceeds the fair value of the assets and liabilities acquired and as a result goodwill of £9.3 million was recognised in the balance sheet on acquisition. This goodwill represents future cash flows which the Group expects to receive as a result of the acquisition.

During the year ended 31 December 2011 the acquired business contributed £0.3 million to the revenue of the Group and £0.1 million to the profit for the year ended 31 December 2011. Had the acquisition taken place at 1 January 2011 the revenue of the Group for the year ended 31 December 2011 would have been £521.2 million and the profit for the year would have been £53.0 million.

In 2012 the fair value of consideration was reassessed, reducing goodwill to £8.8 million. Due to a reduction in the 2012 year end property valuation, the remaining goodwill has been impaired.

## 42 Sale of subsidiaries

### Disposal of C&C US in 2011

In 2010 the Group entered into an agreement with Equity One, pursuant to which Equity One agreed to acquire the Group's interests in its US subsidiaries ('C&C US'), through a venture with Intu. The transaction was completed on 4 January 2011. Consideration consisted of 11.35 million units in the venture and 4.05 million shares in Equity One common stock. Based on the Equity One share price on 4 January of \$18.15 and an exchange rate on that day of 1.56, the consideration had a fair value of £179.3 million at the date of the transaction and the net assets exchanged had a book value of £147.3 million including a deferred tax liability on investment property of £47.7 million. After taking into account costs of the transaction of £2.5 million, and the transfer of related hedging and foreign currency balances from equity of £10.9 million, a profit of £40.4 million was recognised in the income statement as summarised in the table below.

	£m
Fair value of consideration received	179.3
Book value of net assets	(147.3)
Costs of the transactions	(2.5)
Cumulative foreign currency and hedging balances transferred from reserves	10.9
Gain on sale of subsidiaries	40.4

## 43 Capital commitments

At 31 December 2012, the Board had approved £50.0 million (2011 – £34.6 million) of future expenditure for the purchase, construction, development and enhancement of investment property. Of this, £20 million (2011 – £7.7 million) is contractually committed. The majority of this is expected to be spent in 2013.

The Group's share of joint venture commitments approved by the Board included above at 31 December 2012 was £6.0 million (2011 – £13.3 million). Of this none (2011 – none) is contractually committed.

## 44 Contingent liabilities

As at 31 December 2012, the Group has no material contingent liabilities other than those arising in the normal course of business.

## 45 Cash generated from operations

	Notes	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
<b>Continuing operations</b>					
<b>Profit/(loss) before tax</b>		<b>152.6</b>	27.2	<b>24.3</b>	(43.9)
Remove:					
Revaluation and sale of investment and development property	7	<b>(40.9)</b>	(63.0)	-	-
Gain on acquisition of subsidiaries	41	<b>(2.3)</b>	(52.9)	-	-
Gain on sale of subsidiaries	42	-	(40.4)	-	-
Sale and impairment of other investments		<b>(1.4)</b>	8.7	-	-
Impairment of goodwill		<b>8.8</b>	-	-	-
Distribution of shares received from Provogue	24	<b>(10.2)</b>	-	-	-
Depreciation		<b>1.5</b>	1.4	<b>1.4</b>	1.2
Share-based payments		<b>3.8</b>	3.6	<b>3.8</b>	3.6
Lease incentives and letting costs		<b>(3.2)</b>	(4.0)	-	-
(Reversal of impairment)/impairment of investment in Group companies		-	-	<b>(57.6)</b>	14.1
Finance costs	12	<b>197.3</b>	198.9	<b>6.0</b>	7.2
Finance income		<b>(0.2)</b>	(0.8)	<b>(6.6)</b>	-
Other finance costs	13	<b>67.9</b>	55.7	<b>8.7</b>	5.5
Change in fair value of financial instruments	14	<b>(30.5)</b>	193.4	<b>11.0</b>	-
Changes in working capital:					
Change in trading property		<b>5.4</b>	6.5	-	-
Change in trade and other receivables		<b>(0.7)</b>	(11.6)	<b>(111.0)</b>	(0.9)
Change in trade and other payables		<b>(8.7)</b>	0.3	<b>300.7</b>	46.3
<b>Cash generated from operations</b>		<b>339.2</b>	323.0	<b>180.7</b>	33.1

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## 46 Principal subsidiary undertakings

Company and principal activity	Class of share capital	% held
• Barton Square Limited <sup>1</sup> (property)	Ordinary shares of £1 each	100
• Capital Shopping Centres PLC <sup>1</sup> (property) and its principal subsidiary undertakings:	Ordinary shares of 50p each	100
Belside Limited (property) (Jersey)	Ordinary shares of £1 each	100
Braehead Glasgow Limited (property)	'A' Ordinary shares of £1 each	100
	'B' Ordinary shares of 1.3 Euros each	100
Braehead Park Investments Limited (property)	Ordinary shares of £1 each	100
Braehead Park Estates Limited (property)	Ordinary shares of £1 each	100
Broadmarsh Retail General Partner Limited <sup>1</sup> acting as General Partner of The Broadmarsh Retail Limited Partnership	'A' Ordinary shares of £1 each	100
	'B' Ordinary shares of £1 each	100
Chapelfield GP Limited acting as General Partner of The Chapelfield Partnership (property)	Ordinary shares of £1 each	100
CSC Enterprises Limited (commercial promotion)	Ordinary shares of £1 each	100
CSC Properties Investments Limited (property)	Ordinary shares of £1 each	100
Curley Limited (property) (Jersey)	Ordinary shares of £1 each	100
Intu Watford Limited (formerly CSC Harlequin Limited) (property)	Ordinary shares of £1 each	100
Intu Lakeside Limited (formerly CSC Lakeside Limited) (property)	Ordinary shares of £1 each	100
Intu Bromley Limited (formerly CSC Bromley Limited) (property)	Ordinary shares of £1 each	100
Intu Uxbridge Limited (formerly CSC Uxbridge (Jersey) Limited) (property) (Jersey)	Ordinary shares of £1 each	100
Metrocentre (GP) Limited acting as General Partner of The Metrocentre Partnership (property)	Ordinary shares of £1 each	100 <sup>2</sup>
VCP (GP) Limited acting as General Partner of The Victoria Centre Partnership	Ordinary shares of £1 each	100
• CSC Ventures Limited <sup>1</sup> (holding company)	Ordinary shares of £1 each	100
• Intu Debenture plc <sup>1</sup> (formerly Capital Shopping Centres Debenture PLC) (finance) and its principal subsidiary undertakings:	Ordinary shares of £1 each	100
Intu Eldon Square Limited (formerly CSC (Eldon Square) Limited) (property)	Ordinary shares of £1 each	100
Potteries (GP) Limited acting as General Partner of The Potteries Shopping Centre Limited Partnership (property)	Ordinary shares of £1 each	100
Steventon Limited (property) (Jersey)	Ordinary shares of £1 each	100
WRP Management Limited (property)	Ordinary shares of £1 each	100
• Intu (Jersey) Limited (formerly Capital Shopping Centres (Jersey) Limited) (finance) (Jersey)	Ordinary shares of £100 each	100
• Liberty International Group Treasury Limited <sup>1</sup> (treasury management)	Ordinary shares of £1 each	100
• Liberty International Holdings Limited <sup>1</sup> (holding company)	Ordinary shares of 50p each	100
• Nailsfield Limited (holding company) (Mauritius)	Ordinary shares of US\$1 each	100
• The Trafford Centre Finance Limited <sup>1</sup> (finance) (Cayman Islands)	Ordinary shares of £1 each	100
• The Trafford Centre Limited <sup>1</sup> (property)	Ordinary shares of £1 each	100
	'A' Preference shares of 17p each	100
	'B' Preference shares of £1 each	100

1 Shareholdings in these companies are held by intermediate subsidiary undertakings except for Capital Shopping Centres PLC where 82.5 per cent is held by Intu Properties plc and 17.5 per cent is held by Liberty International Financial Services Limited, and Liberty International Holdings Limited where 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 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. The non-controlling interest balance of £29.2 million shown in the balance sheet as at 31 December 2011 (2011 – £23.5 million) relates to GIC Real Estate's interest and is calculated in accordance with IAS 27 Consolidated and Separate Financial Statements.

The companies listed above are those subsidiary undertakings whose results or financial position, in the opinion of the Directors, principally affected the figures in the Company's consolidated financial statements. A full list of related undertakings will be annexed to the Company's next annual return.

Companies are incorporated and registered in England and Wales unless otherwise stated. All subsidiary undertakings have been included in the consolidated results.

## 47 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation for the Group.

Significant transactions between the Company and its subsidiaries are shown below:

	2012 £m	2011 £m
Interest paid	(1.8)	(12.7)
Interest received	6.6	7.7
Dividend received	-	14.5
Redemption of preference shares	-	(220.9)

The Company has provided Intu (Jersey) Limited (formerly Capital Shopping Centres (Jersey) Limited) a guarantee over obligations in relation to the 2.5 per cent convertible bonds. Further details are provided in note 33.

Significant balances outstanding between the Company and its subsidiaries are shown below:

	2012 £m	2011 £m
Amounts owed by subsidiary undertakings	678.3	562.8
Amounts owed to subsidiary undertakings	(329.7)	(27.9)

Key management compensation is analysed below:<sup>1</sup>

	2012 £m	2011 £m
Salaries and short-term employee benefits	4.6	4.6
Pensions and other post-employment benefits	0.4	0.3
Share-based payments	2.2	1.8
Termination benefits	-	0.9
	7.2	7.6

1 Key management comprises the Directors of Intu Properties plc and those employees who have been designated as persons discharging managerial responsibility.

As John Whittaker, Deputy Chairman and Non-Executive Director of Intu, is the Chairman of the Peel Group, members of the Peel Group are considered to be related parties. Total transactions between the Group and members of the Peel Group are shown below:

	2012 £m	2011 £m
Income	2.4	2.4
Expenditure	(0.6)	(0.6)

Income predominantly relates to leases of office space and a contract to provide advertising services. Expenditure predominantly relates to costs incurred under the transitional services agreement and the supply of utilities. All contracts are on an arms length basis at commercial rates.

Balances outstanding between the Group and members of the Peel Group as at 31 December 2012 are shown below:

	2012 £m	2011 £m
Amounts owed by members of the Peel Group	-	0.1
Amounts owed to members of the Peel Group	(0.1)	(0.1)

Under the terms of the Group's acquisition of the Trafford Centre from the Peel Group, the Peel Group have provided a guarantee in respect of Section 106 liabilities at Barton Square which as at 31 December 2012 totalled £11.0 million (2011 – £10.6 million).

During the year the Group acquired from the Peel Group a 30.96 acre site known as King George V Docks (West) adjacent to Intu's shopping centre at Braehead for £4.7 million. The Group also acquired for €2.5 million, alongside a refundable deposit of €7.5 million, a three year option to purchase two parcels of land in the province of Malaga, Spain.

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## 48 Directors' emoluments

The details of individual Directors' remuneration and pension benefits as set out in the tables contained in the Directors' remuneration report on pages 74 to 88 form part of these financial statements.

## 49 Share-based payment

The Group operates a number of share-based payment arrangements providing employee benefits and incentives. All schemes are equity settled, and as such the expense recognised in the income statement is assessed based on the fair value of the equity instruments awarded as determined at their grant date. The expense is recognised on a straight-line basis over the vesting period based on Group estimates of the number of shares that are expected to vest.

### Share Option Schemes

Options to subscribe for ordinary shares may be awarded under the Intu Properties plc Approved Share Option Scheme and the Intu Properties plc Unapproved Share Option Scheme.

Exercise is subject to an earnings per share ('EPS') performance condition. The performance condition for options granted up to 2011 requires Intu Group 'smoothed' earnings to grow over a three year period commencing with the year of grant at a rate in excess of 5 per cent per annum compound. 'smoothed' earnings growth means the percentage increase in underlying earnings per share, adjusted by (a) excluding exceptional and valuation items and (b) limiting trading or non-recurring items to 10 per cent of profit before tax. For the award made in 2009 exceptionally, the base figure for comparison purposes is the 'smoothed' earnings achieved in 2009 for comparison with the three year period commencing with 2010.

Options granted to members of the Executive Committee in 2012 are subject to a sliding scale performance condition based on EPS growth of between 4–6 per cent per annum over a three year period. Options granted to staff who are not members of the Executive Committee 2012 are not subject to a performance condition.

Except in the case of a 'good' leaver, options may not be exercised within three years of grant and before satisfaction or waiver of any applicable performance condition, and are forfeited if the employee leaves the Group before the options become capable of exercise. The options automatically lapse if not exercised within 10 years of the date of grant.

In 2012, individuals who received awards of unapproved options in 2011 and 2012 were given the option to exchange their awards for jointly owned shares under the JSOP. As required by IFRS 2 Share-based Payment, the fair value of the award is measured immediately before the modification and immediately after and any increase in fair value must be recognised as an expense through the income statement over the performance period. Under this test an additional £0.1 million will be charged over the remaining vesting period.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2012		2011	
	Number of options	Weighted average exercise price (pence)	Number of options	Weighted average exercise price (pence)
Outstanding at 1 January	10,047,091	332	7,572,945	306
Awarded during the year	2,976,465	336	3,135,000	387
Forfeited during the year	–	–	(282,923)	330
Transferred to JSOP	(4,788,154)	360	–	–
Expired during the year	(675,892)	409	(20,588)	387
Exercised during the year	(1,357,474)	293	(357,343)	275
Outstanding at 31 December	6,202,036	312	10,047,091	332
Exercisable at 31 December	245,402	458	2,197,749	348

The weighted average share price at the date of exercise during the year was 328p (2011 – 396p).

The number of options outstanding at 31 December 2012 includes a total of 4,252,205 (2011 – 5,531,170) which are subject to a capped gain. 3,569,537 (2011 – 4,848,502) are subject to a capped price of £3.339 per share and 682,668 (2011 – 682,668) are subject to a capped price of £3.584 per share. If the market price of shares at the date of exercise exceeds the capped price, the maximum gain the holder of such options can realise is the difference between exercise price and the capped price per share.

Share options outstanding at 31 December 2012 had exercise prices between 272p and 528p (2011 – between 272p and 528p) and a weighted average remaining contractual life of approximately seven years (2011 – eight years). More detail by exercise price ranges is shown below:

Exercise price (pence)	2012		2011
	Number of options	Weighted average remaining contractual life	
272 to 336	5,562,392	7	Weighted average remaining contractual life
387 to 528	639,644	6	
Exercise price (pence)	Number of options	2011	
272 to 313	6,526,816	8	
387 to 528	3,520,275	8	



## 49 Share-based payment (continued)

The weighted average fair value of options granted during the year, determined using the Black-Scholes option pricing model, was £0.62 per option (2011 – £0.87). The significant inputs to the model for the majority of options awarded during the year were as follows:

	2012	2011
Share price and exercise price at grant date	<b>£3.36</b>	£3.87
Expected option life in years	<b>4 years</b>	4 years
Risk free rate	<b>1.4%</b>	2.8%
Expected volatility	<b>33.8%</b>	35.5%
Expected dividend yield	<b>4.5%</b>	3.9%

Expected dividend yield is based on public pronouncements about future dividend levels. All other measures are based on historical data.

### Joint Share Ownership Plan

Eligible employees may be invited to participate in the Joint Share Ownership Plan ('JSOP') which forms part of the Intu Properties plc Unapproved Share Option Scheme. Under the JSOP shares are held jointly by the employee and the Employee Share Ownership Plan Trustee with any increases in the share price and dividends paid on those shares being allocated between the joint owners in accordance with the terms of the scheme.

Conditions for exercise (including satisfaction of the same performance condition), forfeiture and lapsing are as set out above for options generally.

In 2012, individuals who received awards of unapproved options in 2011 and 2012 were given the option to exchange their awards for jointly owned shares under the JSOP.

### Bonus Share Scheme

Under the Intu Group Bonus Scheme (the 'Bonus Scheme'), deferred shares may be awarded as part of any bonus.

Such awards comprise 'Restricted' shares and 'Additional' shares. Where awarded, Additional shares are equal to 50 per cent of the Restricted shares and SIP shares (see below) combined. The release of deferred share awards is not dependent on the achievement of any further performance conditions other than that participants remain employed by the Group for a specified time from the date of the award, typically two years in the case of Restricted shares and four years in the case of Additional shares. The fair value of Restricted shares granted during the year, determined using the Black-Scholes option pricing model, was £3.07 per share (2011 – £3.58 per share). The significant inputs to the model were as follows:

	2012	2011
Share price at grant date	<b>£3.36</b>	£3.87
Expected option life in years	<b>2 years</b>	2 years
Risk free rate	<b>1.2%</b>	2.8%
Expected volatility	<b>22.9%</b>	35.5%
Expected dividend yield	<b>4.5%</b>	3.9%

Year of grant	2012		2011	
	Restricted	Additional	Restricted	Additional
Outstanding at 1 January	<b>444,853</b>	–	–	–
Awarded during the year	<b>578,073</b>	–	526,097	–
Forfeited during the year	<b>(6,361)</b>	–	(7,602)	–
Vested during the year	<b>(21,466)</b>	–	(73,642)	–
Outstanding at 31 December	<b>995,099</b>	–	444,853	–

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## 49 Share-based payment (continued)

### Share incentive plan ('SIP')

The Company operates a SIP for all eligible employees, who may receive up to £3,000 worth of shares as part of their annual bonus arrangements. The SIP arrangements offer worthwhile tax advantages to employees and to the Company.

The SIP Bonus shares can be released three years after the date of the award, provided the individual employee has remained in employment, but the shares must then be held in trust for a further two years in order to qualify for tax advantages. The fair value of shares granted during the year, determined using the Black-Scholes option pricing model, was £3.36 per share (2011 – £3.58 per share). The significant input to the model were as follows:

	2012	2011
Share price at grant date	<b>£3.36</b>	£3.87
Expected option life in years	<b>4 years</b>	4 years
Risk free rate	<b>2.8%</b>	2.8%
Expected volatility	<b>33.4%</b>	35.5%
Expected dividend yield	<b>0.0%</b>	0.0%

As part of the SIP arrangements, the Company also offers eligible employees the opportunity to participate in a 'Partnership' share scheme, under which employees can save up to £125 a month. The Group offers one free Matching share for every two Partnership shares purchased by the employee at the end of a twelve-month saving period. Matching shares are forfeited if the employee leaves the Group within three years of the date of award, and qualify for tax advantages if they are held in the SIP for five years. The fair value of Matching shares is determined by the market price at the grant date.

The dividend payable in respect of the shares held in the SIP is used to purchase additional shares, known as Dividend Shares, which are also held in trust and allocated to individuals and are subject to the same conditions of release.

Movements in SIP bonus shares granted are as follows:

	2012	2011
Outstanding at 1 January	<b>68,854</b>	16,556
Awarded during the year	<b>90,082</b>	74,325
Forfeited during the year	<b>(7,081)</b>	(4,738)
Vested during the year <sup>1</sup>	<b>(3,920)</b>	(17,289)
Outstanding at 31 December <sup>2</sup>	<b>147,935</b>	68,854

1 May still be held in trust.

2 Shares that remain within their three year holding period.

## 50 Pensions

The Group operates for Trafford Centre employees a trustee-based money purchase scheme (The Trafford Centre Limited Retirements Benefits Scheme) and a stakeholder scheme. For all other employees the Group operates a defined contribution group pension plan (the 'GPP'). Additionally the Group makes contributions to self-invested personal pension arrangements ('SIPPs') on behalf of an executive director. All contributions are invested in funds administered outside of the Group.

The pension charge for the Group's contributions to these arrangements is the actual amount paid which totalled £1.2 million for the year ended 31 December 2012 (2011 – £1.1 million).

## 51 Events after the reporting period

There have been no events after the reporting period that require disclosure in these financial statements.

## 52 Directors' interests

### (a) In shares in the Company

The number of ordinary shares of the Company in which the Directors were beneficially interested were:

	2012	2011
<b>Chairman:</b>		
D.P.H. Burgess	29,266	29,266
<b>Deputy Chairman:</b>		
J. Whittaker*	174,131,209	172,731,549
<b>Executive:</b>		
D.A. Fischel	556,010	549,322
E.M.G. Roberts	30,000	30,000
<b>Non-Executive:</b>		
J.G. Abel	122,221	122,221
A. Anderson (appointed 27.02.13)	-	-
R.M. Gordon	5,436,526	5,436,526
I.J. Henderson (retired 25.04.12)	12,601	12,601
A.J.M. Huntley	12,000	12,000
Lady Patten	10,000	10,000
R.O. Rowley	1,260	1,260
N. Sachdev	-	-
A.D. Strang	-	-

\* Total beneficial interest includes shares held by subsidiaries of the Peel Group of which J Whittaker is the chairman. In addition, the 3.75 per cent convertible bonds issued on 28 January 2011, which are explained in detail in note 33, are held by the Peel Group and therefore constitute as an interest of J Whittaker. J Whittaker's total interest in ordinary shares of the Company (including shares issuable on conversion of the 3.75 per cent convertible bonds) is therefore 212,710,459, representing 23.45 per cent of issued share capital following such conversion. During the year, interest on the 3.75 per cent convertible bonds, recognised directly in equity totalled £5.8 million (2011 – £5.3 million).

Conditional awards of shares have previously been made to Executive Directors under the Company's annual bonus scheme.

The awards comprise 'Restricted' shares and 'Additional' shares, the latter equal to 50 per cent of the restricted and Share Incentive Plan shares combined. As noted in the Directors' remuneration report contained in the Company's 2010 Annual Report, all outstanding deferred bonus shares held by Directors and staff vested in March 2010. Executive Directors were required to retain the shares, net of shares sold to meet tax and PAYE deductions, which vested ahead of the normal vesting date.

Awards to Executive Directors under the scheme since January 2011 are as follows:

	Award date	Market price at award (pence)	Original vesting date	Market price at vesting (pence)	Number of shares at 31 December 2011	Number of shares lapsed during 2012	Number of shares awarded during 2012	Number of shares vested during 2012	Number of shares at 31 December 2012
D.A. Fischel	03/03/2011	387	03/03/2013	-	158,784	-	-	-	158,784
	05/03/2012	336	05/03/2014	-	-	-	153,795	-	153,795
E.M.G. Roberts	03/03/2011	387	03/03/2013	-	65,470	-	-	-	65,470
	05/03/2012	336	05/03/2014	-	-	-	113,170	-	113,170

Details of Restricted and Additional shares awarded in respect of the year ended 31 December 2012 are given in the Directors' remuneration report on pages 74 to 88.

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## 52 Directors' interests (continued)

Awards may also be made under the Company's Share Incentive Plan ("SIP"). The SIP shares can be released three years after the date of the award provided the individual Director has remained in employment but the shares must be held in trust for a further two years in order to qualify for tax advantages. The dividend payable in respect of the shares held in trust is used to purchase additional shares, known as Dividend Shares, which are also held in trust.

	At 31 December 2011	Removed from trust	Lapsed	Awarded <sup>1</sup>	Partnership, matching and dividend shares	At 31 December 2012 <sup>2</sup>
<b>Current Directors:</b>						
D.A. Fischel	7,612	–	–	892	1,076	<b>9,580</b>
E.M.G. Roberts	804	–	–	892	792	<b>2,488</b>

1 SIP shares awarded in respect of the year ended 31 December 2011 awarded in March 2012. Details of SIP shares awarded in respect of the year ended 31 December 2012 are given in the Directors' remuneration report on pages 74 to 88.

### (b) In share options in the Company

Executive Directors interests in share options are given in the Directors' remuneration report on pages 74 to 88.

### (c) Other disclosures

No Director had any dealings in the shares of any Group company between 31 December 2012 and 27 February 2013, being a date less than one month prior to the date of the notice convening the Annual General Meeting.

Other than as disclosed in these accounts, no Director of the Company had a material interest in any contract (other than service contracts), transaction or arrangement with any Group company during the year ended 31 December 2012.

# Other information

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# Investment and development property (unaudited)

## 1. Property valuation data as at 31 December 2012

	Market value £m	Net initial yield (EPRA)	'Topped-up' NIY (EPRA)	Nominal equivalent yield	Occupancy
<b>As at 31 December 2012</b>					
Trafford Centre	1,800.0	4.5%	4.8%	5.4%	97%
Lakeside	1,092.5	5.0%	5.1%	5.6%	97%
Metrocentre	878.0	5.1%	5.5%	5.8%	96%
Braehead	601.4	4.9%	5.1%	5.9%	95%
Manchester Arndale	383.3	5.2%	5.3%	5.7%	98%
The Harlequin, Watford	324.0	5.4%	5.5%	6.6%	92%
Victoria Centre, Nottingham	308.0	5.1%	5.3%	6.7%	94%
St David's, Cardiff	275.8	5.2%	5.5%	5.9%	97%
Eldon Square, Newcastle	251.0	5.1%	5.2%	6.7%	97%
Chapelfield, Norwich	242.3	5.9%	6.0%	6.7%	98%
Cribbs Causeway	232.0	5.1%	5.3%	6.0%	95%
The Chimes, Uxbridge	213.0	5.7%	5.8%	6.5%	100%
The Potteries, Stoke-on-Trent	166.3	7.6%	7.6%	7.7%	100%
The Glades, Bromley	163.7	5.8%	5.9%	7.5%	93%
Other	141.8				
<b>Total investment and development property</b>	<b>7,073.1</b>	<b>5.04%</b>	<b>5.24%</b>	<b>5.94%</b>	<b>96%</b>
As at 31 December 2011	6,960.2	5.12%	5.34%	5.98%	97%

	31 December 2012 £m	31 December 2011 £m
Passing rent	357.5	358.4
ERV	456.0	455.7
Weighted average unexpired lease term	7.8 years	7.5 years

Please refer to the glossary for the definition of terms.

## 2. Analysis of capital return in the year

	Market value		Revaluation surplus	
	2012 £m	2011 £m	£m	2012 %
Like-for-like property	7,016.9	6,954.4	41.5	0.6
Acquisitions	48.8	-	(0.7)	(1.3)
Developments	7.4	5.8	-	-
<b>Total investment and development property</b>	<b>7,073.1</b>	<b>6,960.2</b>	<b>40.8</b>	<b>0.6</b>

### 3. Additional property information as at 31 December 2012

	Ownership	Note	Form of ownership <sup>I</sup>	Vacancy rate (EPRA) <sup>E</sup>	Gross area million sq. ft. <sup>F</sup>	Year opened	Acquisition date <sup>G</sup>
<b>As at 31 December 2012</b>							
Trafford Centre	100%		FH	0.5%	2.0	1998	2011
Lakeside	100%		FH	1.8%	1.4	1990	–
Metrocentre	90%	A	LH	2.6%	2.1	1986	1995
Braehead	100%		FH	2.5%	1.1	1999	–
Manchester Arndale	48%	B	LH	1.0%	1.6	1976	2005
The Harlequin, Watford	93%		LH	2.3%	0.7	1992	–
Victoria Centre, Nottingham	100%		FH	4.0%	1.0	1972	2002 <sup>H</sup>
St David's, Cardiff	50%		FH/LH	2.8%	1.4	2009	2006
Eldon Square, Newcastle	60%		FH/LH	2.1%	1.4	1976	–
Chapelfield, Norwich	100%		FH	1.3%	0.5	2005	–
Cribbs Causeway	33%	C	FH/LH	4.5%	1.1	1998	2005
The Chimes, Uxbridge	100%		FH	0.0%	0.4	2001	–
The Potteries, Stoke-on-Trent	100%		FH	0.0%	0.6	1998	–
The Glades, Bromley	64%		LH	3.9%	0.5	1991	–
Other		D			0.8		
<b>Total investment and development property</b>				<b>1.9%</b>	<b>16.6</b>		
As at 31 December 2011				2.4%	16.6		

#### Notes

- A Interest shown is that of the Metrocentre Partnership in the Metrocentre (90 per cent) and the Metro Retail Park (100 per cent). The Group has a 60 per cent interest in the Metrocentre Partnership which is consolidated as a subsidiary of the Group.
- B The Group's interest is through a joint venture ownership of a 95 per cent interest in The Arndale, Manchester, and 90 per cent interest in New Cathedral Street, Manchester.
- C The Group's interest is through a joint venture ownership of a 66 per cent interest in The Mall at Cribbs Causeway and a 100 per cent interest in The Retail Park, Cribbs Causeway.
- D Includes the Group's 67 per cent economic interest in Broadmarsh, Nottingham and the Group's 100 per cent economic interest in Xscape, Braehead.
- E As defined in the glossary.
- F Area shown is not adjusted for the proportional ownership.
- G The acquisition date is presented only where the centre was not built by the Group.
- H Intu held a 20 per cent stake in Victoria Centre, Nottingham prior to 2002 when it acquired the remaining 80 per cent to take its holding to 100 per cent.
- I Form of ownership is shown as either freehold ('FH'), leasehold ('LH') or freehold and leasehold ('FH/LH').

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# Financial covenants (unaudited)

## Financial covenants on asset-specific debt excluding joint ventures

	Maturity	Loan outstanding at 31 January 2013 <sup>1</sup> £m	LTV covenant	Loan to 31 December 2012 <sup>2</sup> market value	Interest cover covenant	Interest cover <sup>3</sup> actual
Metrocentre	2015	522.7	90%	59%	120%	138%
Braehead	2015	314.8	N/A	N/A	120%	330%
The Harlequin, Watford	2015	244.6	N/A	N/A	120%	260%
Victoria Centre, Nottingham	2016	237.3	90%	77%	120%	397%
Chapelfield, Norwich	2016	207.4	N/A	N/A	120%	159%
The Chimes, Uxbridge	2016	149.5	85%	70%	120%	177%
The Glades, Bromley	2016	118.0	85%	72%	120%	197%
Lakeside	2017	509.3	75%	47%	140%	198%
Xscape	2014	45.6	90%	80%	120%	250%

### The Trafford Centre

There are no financial covenants on the Trafford Centre debt. However a debt service cover ratio is assessed quarterly and where this falls below specified levels certain restrictions come into force. The loan to 31 December 2012 market value ratio is 43 per cent.

## Financial covenants on joint venture asset-specific debt

	Maturity	Loan outstanding at 31 January 2013 <sup>1</sup> £m	LTV covenant	Loan to 31 December 2012 <sup>2</sup> market value	Interest cover covenant	Interest cover <sup>3</sup> actual
St David's, Cardiff	2014	93.4 <sup>4</sup>	75%	34%	180%	275%

- 1 The loan values are the actual principal balances outstanding at 31 January 2013, which take into account any principal repayments made in January 2013. The balance sheet value of the loans includes any unamortised fees. Voluntary pre-payments of £15 million and £5 million were made in January 2013 for The Glades, Bromley and The Chimes, Uxbridge respectively.
- 2 The Loan to 31 December 2012 market value provides an indication of the impact the 31 December 2012 property valuations could have on the LTV covenants. The actual timing and manner of testing LTV covenants varies and is loan specific.
- 3 Based on latest certified figures, calculated in accordance with loan agreements, which have been submitted between 31 December 2012 and 31 January 2013. The calculations are loan specific and include a variety of historic, forecast and, in certain instances, a combined historic and forecast basis.
- 4 50 per cent of the debt is shown which is consistent with accounting treatment and the Group's economic interest.

## Financial covenants on corporate facilities at 31 December 2012

	Net worth covenant	Net worth actual	Interest cover covenant	Interest cover actual	Borrowings/net worth covenant	Borrowings/net worth actual
£375m facility, maturing in 2018*	£750m	£2,027.1m	120%	178%	110%	59%
£300m due in 2018 2.5 per cent convertible bonds	n/a	n/a	n/a	n/a	175%	106%

- 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.

## Intu Debenture plc at 31 December 2012

	Maturity	Loan £m	Capital cover covenant	Capital cover actual	Interest cover covenant	Interest cover actual
	2027	231.4	150%	207%	100%	108%

The debenture is currently secured on the Group's interests in The Potteries, Stoke-on-Trent, Eldon Square, Newcastle and Broadmarsh, Nottingham. Should the capital cover or interest cover test be breached Intu Debenture plc (formerly Capital Shopping Centres Debenture PLC) (the 'issuer') has three months from the date of delivery of the valuation or the latest certificate to the Trustees to make good any deficiencies. The issuer may withdraw property secured on the debenture by paying a sum of money or through the substitution of alternative property provided that the capital cover and interest cover tests are satisfied immediately following the substitution.

# Underlying profit statement (unaudited)

for the year ended 31 December 2012

	Year ended 31 December 2012 £m	Year ended 31 December 2011 £m	Six months ended 31 December 2012 £m	Six months ended 31 December 2011 £m	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m
Net rental income	362.6	364.0	180.8	186.1	181.8	177.9
Net other income	6.3	7.8	3.2	4.1	3.1	3.7
	<b>368.9</b>	371.8	<b>184.0</b>	190.2	<b>184.9</b>	181.6
Administration expenses	(26.7)	(24.1)	(13.4)	(12.3)	(13.3)	(11.8)
<b>Underlying operating profit</b>	<b>342.2</b>	347.7	<b>170.6</b>	177.9	<b>171.6</b>	169.8
Finance costs	(197.3)	(198.9)	(98.8)	(100.8)	(98.5)	(98.1)
Finance income	0.2	0.8	0.1	0.2	0.1	0.6
Other finance costs	(6.9)	(7.9)	(3.4)	(3.9)	(3.5)	(4.0)
Underlying net finance costs	(204.0)	(206.0)	(102.1)	(104.5)	(101.9)	(101.5)
<b>Underlying profit before tax and associates</b>	<b>138.2</b>	141.7	<b>68.5</b>	73.4	<b>69.7</b>	68.3
Tax on underlying profit	(0.8)	(1.0)	(0.3)	(0.3)	(0.5)	(0.7)
Remove amounts attributable to non-controlling interest	5.8	3.3	2.8	2.1	3.0	1.2
Share of underlying profit/(loss) of associates	0.3	(0.1)	0.1	-	0.2	(0.1)
Interest on convertible bonds deducted directly in equity	(5.8)	(5.3)	(2.9)	(2.9)	(2.9)	(2.4)
<b>Underlying earnings</b>	<b>137.7</b>	138.6	<b>68.2</b>	72.3	<b>69.5</b>	66.3
<b>Underlying earnings per share (pence)</b>	<b>16.1p</b>	16.5p	<b>8.0p</b>	8.5p	<b>8.1p</b>	8.0p

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# EPRA performance measures (unaudited)

## 1. Summary

The EPRA Best Practice Recommendations identify five key performance measures. The measures are deemed to be of importance for investors in property companies and aim to encourage more consistent and widespread disclosure. The Group is supportive of this initiative but continues to disclose additional measures throughout this report which it believes are more appropriate to the Group's current circumstances.

The EPRA measures as calculated for the Group are detailed below:

	2012	2011
EPRA Earnings	<b>£139.6m</b>	£133.4m
– per share	<b>16.4p</b>	15.9p
EPRA NAV	<b>£3,515.4m</b>	£3,492.7m
– per share	<b>392p</b>	391p
EPRA Triple Net Asset Value ('NNNAV')	<b>£3,017.2m</b>	£3,101.4m
– per share	<b>336p</b>	347p
EPRA Net Initial Yield	<b>5.0%</b>	5.1%
EPRA 'topped-up' NIY	<b>5.2%</b>	5.3%
EPRA Vacancy Rate	<b>1.9%</b>	2.4%

Details of the Group's performance against the EPRA Best Practice Recommendations on Sustainability Reporting can be found in full in the 2012 Corporate Responsibility Report and in part on page 55.

## 2. EPRA earnings

	2012			2011		
	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic earnings per share from continuing operations	<b>150.1</b>	<b>853.8</b>	<b>17.6p</b>	24.7	840.9	2.9p
Remove:						
Revaluation and sale of investment and development property	<b>(40.9)</b>		<b>(4.8)p</b>	(63.0)		(7.5)p
Share of associates revaluation and sale of investment and development property	<b>(0.6)</b>		<b>(0.1)p</b>	(9.1)		(1.1)p
Sale and impairment of investments	<b>(1.4)</b>		<b>(0.2)p</b>	8.7		1.1p
Impairment of goodwill	<b>8.8</b>		<b>1.0p</b>	–		–
Gain on acquisition of subsidiaries	<b>(2.3)</b>		<b>(0.3)p</b>	(52.9)		(6.3)p
Gain on sale of subsidiaries	–		–	(40.4)		(4.8)p
Change in fair value of financial instruments	<b>(30.5)</b>		<b>(3.6)p</b>	193.4		23.0p
Exceptional administration costs – acquisition related	<b>1.1</b>		<b>0.2p</b>	18.8		2.3p
Exceptional finance charges – termination of derivative financial instrument	<b>52.1</b>		<b>6.1p</b>	42.3		5.0p
Profits on sale and write down of trading property	–		<b>0.0p</b>	0.5		0.1p
Tax on the above	<b>(5.3)</b>		<b>(0.6)p</b>	3.5		0.4p
Non-controlling interest in respect of the above	<b>8.5</b>		<b>1.1p</b>	6.9		0.8p
<b>EPRA earnings per share</b>	<b>139.6</b>	<b>853.8</b>	<b>16.4p</b>	133.4	840.9	15.9p
<i>Reconciliation to the Group's measure of underlying earnings per share</i>						
Remove:						
Exceptional items	<b>8.9</b>		<b>1.0p</b>	7.6		0.9p
Other exceptional tax	<b>(0.6)</b>		<b>(0.1)p</b>	(1.9)		(0.2)p
Distribution of shares received from Provogue	<b>(10.2)</b>		<b>(1.2)p</b>	–		–
Add:						
Profits on sale and write down of trading property	–		–	(0.5)		(0.1)p
<b>Underlying earnings per share</b>	<b>137.7</b>	<b>853.8</b>	<b>16.1p</b>	138.6	840.9	16.5p

EPRA earnings per share has been presented as recommended by EPRA which seeks to assist comparison between European property companies. However, we believe that our measure of underlying earnings per share is more appropriate than the EPRA measure in the context of our business as set out in note 18(c).

### 3. EPRA NAV

	2012			2011		
	Net assets £m	Shares million	NAV per share pence	Net assets £m	Shares million	NAV per share pence
NAV attributable to owners of Intu Properties plc	<b>2,977.0</b>	<b>857.1</b>	<b>347p</b>	2,922.1	853.5	342p
Dilutive convertible bonds, share options and awards	-	<b>39.6</b>		3.8	40.3	
Diluted NAV	<b>2,977.0</b>	<b>896.7</b>	<b>332p</b>	2,925.9	893.8	327p
Remove:						
Fair value of derivative financial instruments (net of tax)	<b>481.8</b>		<b>54p</b>	520.9		58p
Deferred tax on investment and development properties	<b>8.7</b>		<b>1p</b>	5.0		1p
Non-controlling interest in respect of the above	<b>(23.4)</b>		<b>(3)p</b>	(30.4)		(3)p
Add:						
Non-controlling interest recoverable balance not recognised	<b>71.3</b>		<b>8p</b>	71.3		8p
<b>EPRA NAV</b>	<b>3,515.4</b>	<b>896.7</b>	<b>392p</b>	3,492.7	893.8	391p
Fair value of derivative financial instruments (net of tax)	<b>(481.8)</b>		<b>(54)p</b>	(520.9)		(58)p
Excess of fair value of debt over book value	<b>(2.4)</b>		-	141.0		16p
Deferred tax	<b>(8.7)</b>		<b>(1)p</b>	(5.0)		(1)p
Non-controlling interest in respect of the above	<b>(5.3)</b>		<b>(1)p</b>	(6.4)		(1)p
<b>EPRA NNAV</b>	<b>3,017.2</b>	<b>896.7</b>	<b>336p</b>	3,101.4	893.8	347p

The Group's measure of NAV per share (diluted, adjusted) disclosed in note 19 is equal to the EPRA NAV presented above. The adjustment in respect of the non-controlling interest recoverable balance not recognised is due to historic accounting practices and is required, in our view, to give a more appropriate value of net assets attributable to equity owners of the Group.

### 4. EPRA Net Initial Yield and 'topped-up' NIY

	2012 £m	2011 £m
Investment and development property	<b>7,073</b>	6,960
Less developments	<b>(7)</b>	(71)
Completed property portfolio	<b>7,066</b>	6,889
Allowance for estimated purchasers costs	<b>340</b>	328
Gross up completed property portfolio valuation	<b>7,406</b>	7,217
Annualised cash passing rental income	<b>386</b>	385
Property outgoings	<b>(19)</b>	(19)
Annualised net rents	<b>367</b>	366
Notional rent on expiration of rent free periods or other lease incentives	<b>19</b>	16
Topped-up net annualised rent	<b>386</b>	382
EPRA net initial yield	<b>5.0%</b>	5.1%
EPRA 'topped-up' NIY	<b>5.2%</b>	5.3%

EPRA net initial yield and 'topped-up' NIY by property is given in the Investment and development property section.

### 5. EPRA Vacancy Rate

	2012 %	2011 %
EPRA Vacancy Rate	<b>1.9</b>	2.4

EPRA Vacancy Rate is calculated as the ERV of vacant space divided by the ERV of the whole portfolio. EPRA vacancy rate by property is given in the Investment and development property section.

# Financial record

## 2009 – 2012

	2009 <sup>1</sup>	2010	2011	2012
Net rental income	£267m	£277m	£364m	<b>£363m</b>
Underlying earnings	£75m	£97m	£139m	<b>£138m</b>
Underlying earnings per share	15.1p	15.4p	16.5p	<b>16.1p</b>
Dividend per share	15.0p	15.0p	15.0p	<b>15.0p</b>
Property revaluation (deficit)/surplus	£(535)m	£501m	£63m	<b>£41m</b>
NAV per share (diluted, adjusted)	339p	390p	391p	<b>392p</b>
Market value of investment and development property	£4,631m	£5,099m	£6,960m	<b>£7,073m</b>
Net external debt	£2,522m	£2,437m	£3,374m	<b>£3,504m</b>
Debt to assets ratio	54.5%	48.0%	48.5%	<b>49.5%</b>
Interest cover	1.41x	1.56x	1.71x	<b>1.69x</b>
Change in like-for-like net rental income	(3.4)%	2.1%	3.6%	<b>(2.7)%</b>
Occupancy <sup>2</sup>	98%	98%	97%	<b>96%</b>
Growth in footfall (like-for-like)	3%	3%	2%	<b>(1)%</b>

Results prior to 2009 are not presented as they include the Capco business and so are not considered comparable.

- 2009 figures are re-presented to remove the impact of the Capco business following the demerger in May 2010 and to present the C&C US business as held for sale.
- From 2010 occupancy is stated including the extension to St David's completed in November 2009.

# Management structure and advisers

## Intu Properties plc

### Chairman, Deputy Chairman and Executive Directors

Patrick Burgess, Chairman  
John Whittaker, Deputy Chairman (Alternate – Steven Underwood)  
David Fischel, Chief Executive  
Matthew Roberts, Finance Director

### Non-Executive Directors

John Abel  
Adèle Anderson  
Richard Gordon (Alternate – Raymond Fine)  
Andrew Huntley  
Louise Patten  
Rob Rowley (Senior Independent Director)  
Neil Sachdev  
Andrew Strang

### Executive Committee\*

Mike Butterworth, Chief Operating Officer  
Martin Ellis, Construction Director  
Hugh Ford, General Corporate Counsel  
Susan Marsden, Group Company Secretary  
Trevor Pereira, Commercial Director  
Peter Weir, Group Financial Controller

### Asset Management

Jonathan Ainsley, Asset Management Director  
Martin Breeden, Asset Management Director  
Julian Wilkinson, Asset Management Director

### Operations

Peter Beagley, Regional Centre Director  
Paul Lancaster, Regional Centre Director  
Gordon McKinnon, Regional Centre Director  
Roger Binks, Customer Experience Director

### Construction and Development

Charles Forrester, Director of Project Management  
Julie Pears, Director of Development

### Retail and Leasing

Joanne Skilton, Director of Retail and Leasing

### Group Treasury and Tax

Daniel Shepherd, Acting Group Treasurer  
Gary Hoskins, Head of Tax

### Internal Audit

Claire Combes, Head of Risk and Internal Audit

### Human Resources

Bernie Kingsley, Human Resources Director

### Investor Relations

Kate Bowyer, Head of Investor Relations

### Corporate Responsibility

Alexander Nicoll, Director of Corporate Responsibility

### Information Systems

Gian Fulgoni, Chief Information Systems Officer

### PR and Communications

Amanda Campbell, Communications Director

### Corporate Finance

Dushyant Sangar, Director of Corporate Finance

### intu.co.uk

Karen Harris, Managing Director

### Registered Office

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Telephone 020 7887 4220  
Facsimile 020 7960 1333

### Registered Number

3685527

### Website

intugroup.co.uk

\* Additional members of the Executive Committee are the Chief Executive (Chairman of the Committee) and the Finance Director.

### Centre Managers

#### Braehead, Renfrew, Glasgow

www.braehead.co.uk  
Peter Beagley 0141 885 1441

#### Broadmarsh, Nottingham

www.broadmarsh.uk.com  
Sarah Turnbull 0115 840 4555

#### Chapelfield, Norwich

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Davina Tanner 01603 753344

#### The Chimes, Uxbridge

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Shelley Peppard 01895 819400

#### Eldon Square, Newcastle

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Philip Steele 0191 261 1891

#### The Glades, Bromley

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David Allinson 0161 833 9851

#### Metrocentre, Gateshead

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#### Potteries, Stoke-on-Trent

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Paul Francis 01782 289822

#### St David's, Cardiff

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Steven Madeley 029 2039 6041

#### The Trafford Centre

www.traffordcentre.co.uk  
Gordon McKinnon 0161 746 7777

#### The Victoria Centre, Nottingham

www.victoriacentre.uk.com  
Janine Bone 0115 912 1111

## Advisers

### Auditors

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors

### Solicitors

Linklaters LLP

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# Glossary

## **ABC1 customers**

Proportion of customers within UK social groups A, B and C1, defined as members of households whose chief earner's occupation is professional, higher or intermediate management or supervisory.

## **Annual property income**

The Group's share of passing rent plus the external valuers' estimate of annual excess turnover rent, additional rent in respect of unsettled rent reviews and sundry income such as that from car parks and mall commercialisation.

## **Debt to assets ratio**

Net external debt divided by the market value of investment and development property.

## **Diluted figures**

Reported amounts adjusted to include the effects of dilutive potential shares issuable under convertible bonds and employee incentive arrangements.

## **Earnings per share**

Profit for the period attributable to owners of Intu divided by the weighted average number of shares in issue during the period.

## **EPRA**

European Public Real Estate Association, the publisher of Best Practice Recommendations intended to make financial statements of public real estate companies in Europe clearer, more transparent and comparable.

## **ERV (estimated rental value)**

The external valuers' estimate of the Group's share of the current annual market rent of all lettable space net of any non-recoverable charges, before bad debt provision and adjustments required under IFRS regarding tenant lease incentives.

## **Exceptional items**

Exceptional items are those items that in the Directors' view are required to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance.

## **Headline rent ITZA**

Annual contracted rent per square foot after expiry of concessionary periods in terms of zone A.

## **Interest cover**

Underlying operating profit excluding trading property related items divided by the net finance cost plus interest on convertible bonds recognised in equity excluding the change in fair value of derivatives, exceptional finance costs and amortisation of compound financial instruments.

## **Interest rate swap**

A derivative financial instrument enabling parties to exchange interest rate obligations for a predetermined period. These are used by the Group to convert floating rate debt to fixed rates.

## **IPD**

Investment Property Databank Ltd, producer of an independent benchmark of property returns.

## **Like-for-like property**

Investment property which has been owned throughout both periods without significant capital expenditure in either period, so that income can be compared on a like-for-like basis. For the purposes of comparison of capital values, this will also include assets owned at the previous reporting period end but not throughout the prior period.

## **Loan-to-value ('LTV')**

LTV is the ratio of attributable debt to the market value of an investment property.

## **NAV per share (diluted, adjusted)**

NAV per share calculated on a diluted basis and adjusted to reflect any unrecognised surplus on trading properties (net of tax), to remove the fair value of derivatives (net of tax) and to remove deferred tax on investment and development property and other investments.

## **Net asset value ('NAV') per share**

Net assets attributable to owners of Intu Properties plc divided by the number of ordinary shares in issue at the period end.

## **Net external debt**

Net debt after removing the Metrocentre compound financial instrument.



### Net initial yield ('EPRA')

Annualised net rent on investment property (after deduction of revenue costs such as head rent, running void, service charge after shortfalls, empty rates and merchant association contribution) expressed as a percentage of the gross market value before deduction of theoretical acquisition costs, consistent with EPRA's net initial yield.

### Net rental income

The Group's share of net rents receivable as shown in the income statement, having taken due account of non-recoverable costs, bad debt provisions and adjustments to comply with IFRS including those regarding tenant lease incentives.

### Nominal equivalent yield

Effective annual yield to a purchaser from the assets individually at market value after taking account of notional acquisition costs assuming rent is receivable annually in arrears, reflecting estimated rental values ('ERV') but disregarding potential changes in market rents.

### Occupancy

The passing rent of let and under offer units expressed as a percentage of the passing rent of let and under offer units plus ERV of un-let units, excluding development and recently completed properties. Units let to tenants in administration and still trading are treated as let and those no longer trading are treated as un-let.

### Passing rent

The Group's share of contracted annual rents receivable at the balance sheet date. This takes no account of accounting adjustments made in respect of rent free periods or tenant incentives, the reclassification of certain lease payments as finance charges or any irrecoverable costs and expenses, and does not include excess turnover rent, additional rent in respect of unsettled rent reviews or sundry income such as from car parks etc. Contracted annual rents in respect of tenants in administration are excluded.

### Property Income Distribution ('PID')

A dividend, generally subject to UK withholding tax at the basic rate of income tax, that a UK REIT is required to pay to its shareholders from its qualifying rental profits. Certain classes of shareholder may qualify to receive a PID gross, shareholders should refer to [intugroup.co.uk](http://intugroup.co.uk) for further information. The Group can also pay non-PID dividends which are not subject to UK withholding tax.

### Real Estate Investment Trust ('REIT')

A tax regime which exempts from corporation tax the rental profits and capital gains of the REIT's qualifying investment property activities. In the UK, the regime must be elected into and the REIT must meet certain ongoing qualifications, including the requirement to distribute at least 90 per cent of qualifying rental profits to shareholders. The Group elected for REIT status with effect from 1 January 2007.

### Scrip Dividend Scheme

The Group offers shareholders the opportunity to participate in the Scrip Dividend Scheme. This enables participating shareholders to receive shares instead of cash when a Scrip Alternative is offered for a particular dividend. For more information, please visit [intugroup.co.uk/investors/shareholders-bondholders/dividends](http://intugroup.co.uk/investors/shareholders-bondholders/dividends)

### Tenant (or lease) incentives

Any incentives offered to occupiers to enter into a lease. Typically incentives are in the form of an initial rent free period and/or a cash contribution to fit-out the premises. Under IFRS the value of incentives granted to tenants is amortised through the income statement on a straight-line basis over the lease term.

### Topped-up NIY ('EPRA')

Net initial yield adjusted for the expiration of rent free periods and other unexpired lease incentives.

### Total financial return

The change in NAV per share (diluted, adjusted) plus dividends per share paid in the period expressed as a percentage of opening NAV per share (diluted, adjusted).

### Trading property

Property held for trading purposes rather than to earn rentals or for capital appreciation and shown as current assets in the balance sheet.

### Underlying earnings per share ('EPS')

Earnings per share adjusted to exclude valuation movements, exceptional items and related tax.

### Underlying figures

Amounts described as underlying exclude valuation movements, exceptional items and related tax.

### Vacancy rate ('EPRA')

The ERV of vacant space divided by total ERV.

### Yield shift

A movement (usually expressed in basis points) in the yield of a property asset.

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# Dividends

The Directors of Intu Properties plc have proposed a final dividend per ordinary share (ISIN GB0006834344) of 10.0 pence (2011 – 10.0 pence) to bring the total dividend per ordinary share for the year to 15.0 pence (2011 – 15.0 pence).

This dividend may be partly paid as a Property Income Distribution ('PID') and partly paid as a non-PID. The PID element will be subject to deduction of a 20 per cent withholding tax unless exemptions apply (please refer to the Special note below). Any non-PID element will be treated as an ordinary UK company dividend. Should the Directors decide to offer a Scrip alternative to the 2012 final dividend, shareholders will be advised no later than Friday, 5 April 2013. The Board may decide to offer a scrip dividend where those opting for a cash dividend would receive 10.0 pence as a PID, subject to UK withholding tax, and those opting for a scrip dividend would receive shares based on 8.5 pence being paid as a PID, subject to UK withholding tax, and 1.5 pence being paid as an ordinary dividend. Alternatively, the Board may instead decide to pay a cash-only dividend which would have 9.0 pence being paid as a PID, subject to UK withholding tax, and 1.0 pence being paid as an ordinary dividend. For South African shareholders, non-PID cash dividends may be subject to deduction of South African Dividends Tax at 15 per cent.

The following are the salient dates for the payment of the proposed final dividend.

## Thursday 11 April 2013

Sterling/Rand exchange rate struck

## Friday 12 April 2013

Sterling/Rand exchange rate and dividend amount in SA currency announced

## Monday 22 April 2013

Ordinary shares listed ex-dividend on the Johannesburg Stock Exchange, Johannesburg

## Wednesday 24 April 2013

Ordinary shares listed ex-dividend on the London Stock Exchange

## Friday 26 April 2013

Record date for 2012 final dividend in London and Johannesburg

*UK Shareholders only: Last date for receipt of Tax Exemption forms to permit dividends to be paid gross*

## Tuesday 4 June 2013

Dividend payment day for shareholders

South African shareholders should note that, in accordance with the requirements of Strate, the last day to trade cum-dividend will be Friday 19 April 2013 and that no dematerialisation or rematerialisation of shares will be possible from Monday 22 April 2013 to Friday 26 April 2013 inclusive. No transfers between the UK and South African registers may take place from Thursday 11 April 2013 to Sunday 28 April 2013 inclusive.

## PID Special note

The following applies to the PID element only of the 2012 final dividend:

**UK shareholders** For those who are eligible for exemption from the 20 per cent withholding tax and have not previously registered for exemption, an HM Revenue & Customs ('HMRC') Tax Exemption Declaration is available for download from the 'Investors' section of the Intu Group website ([intugroup.co.uk](http://intugroup.co.uk)), or on request to our UK registrars, Capita Registrars. Validly completed forms must be received by Capita Registrars no later than the Record Date, Friday 26 April 2013, otherwise the dividend will be paid after deduction of tax.

**South African and other non-UK shareholders** South African shareholders may apply to HMRC after payment of the dividend for a refund of the difference between the 20 per cent withholding tax and the UK/South African double taxation treaty rate of 15 per cent. Other non-UK shareholders may be able to make similar claims. Refund application forms for all non-UK shareholders are available for download from the 'Investors' section of the Intu website ([intugroup.co.uk](http://intugroup.co.uk)), or on request to our SA registrars, Computershare, or HMRC. Refunds are not claimable from Intu Properties plc, the South African Revenue Service or other national authorities, only from the UK's HMRC.

Additional information on PIDs can be found at [intugroup.co.uk/investors/shareholders-bondholders/real-estate-investment-trust/](http://intugroup.co.uk/investors/shareholders-bondholders/real-estate-investment-trust/)

The above does not constitute advice and shareholders should seek their own professional guidance. Intu Properties plc does not accept liability for any loss suffered arising from reliance on the above.

# Shareholder information

## Registrars

All enquiries concerning shares or shareholdings, including notification of change of address, queries regarding loss of a share certificate and dividend payments should be addressed to:

### For shareholders registered in the UK

#### Capita Registrars

The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU  
Telephone (within UK) 0871 664 0300 (calls cost 10p per minute plus network extras; lines are open 8.30 am – 5.30 pm Monday – Friday)  
Telephone (outside UK) +44 20 8639 3399  
Facsimile +44 20 8639 2342  
Email: [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)  
[www.capitashareportal.com](http://www.capitashareportal.com)

### For shareholders registered in South Africa

#### Computershare Investor Services (Pty) Ltd

70 Marshall Street, Johannesburg 2001  
South Africa  
Postal address:  
PO Box 61051  
Marshalltown 2107, South Africa  
Telephone +27 11 370 5000  
Facsimile +27 11 688 5221  
Email: [web.queries@computershare.co.za](mailto:web.queries@computershare.co.za)  
[www.computershare.com](http://www.computershare.com)

## Payment of dividends

Shareholders who wish to have their dividends paid directly into a bank or building society account should complete a mandate form available from the appropriate registrars.

## Share price information

The latest information on the Intu Properties plc share price is available on the website [intugroup.co.uk](http://intugroup.co.uk)

## Web-based enquiry service for shareholders

Shareholders registered in the UK can go to [www.capitashareportal.com](http://www.capitashareportal.com) to obtain details of their shareholdings and dividends. The shareholder's surname, Investor Code (found on any correspondence from registrars) and postcode are required to use this service. Shareholders may also use this service to amend or change their address and dividend mandate details.

Shareholders registered in South Africa can go to [www.computershare.com/investor](http://www.computershare.com/investor) to obtain details of their shareholdings. Shareholders will need to follow a registration process in order to access such information. Unfortunately, due to South African legal requirements, shareholders may not update records, but will be able to view their entire holding of shares globally. Please note that the Computershare company code for Intu Properties plc is ITUZ.

## Share dealing

Existing UK shareholders may trade Intu Properties plc shares through Capita Share Dealing Services who provide an easy to use, real-time online, telephone and postal dealing service.

Contact details are:

[www.capitadeal.com](http://www.capitadeal.com)  
Telephone (within UK) 0871 664 0364 (calls cost 10p per minute plus network extras; lines are open 8.00 am – 4.30 pm Monday – Friday)  
(Ireland) Lo-call 1 890 946 375  
(outside UK) +44 20 3367 2686

Existing South African shareholders whose shares are held in electronic format through Computershare CSDP may trade Intu Properties plc shares through Computershare's low cost telephone share dealing service on 0861 100 950 (SA calls only).

## Electronic communication

The Company supplies information such as the Annual and Interim 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 ([www.capitashareportal.com](http://www.capitashareportal.com)) and following the instructions given to register an email address. SA shareholders may register to receive email alerts by written instruction to the SA Registrar, Computershare, sent either by email ([ecomms@computershare.co.za](mailto:ecomms@computershare.co.za)) or by facsimile (+27 11 688 5248). Once registered, shareholders are sent a 'Notice of Availability' email highlighting that the Annual Report, Interim Report or other information is available for viewing on the website.

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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.







[intugroup.co.uk](https://www.intugroup.co.uk)

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