intu

At intu we create compelling experiences that surprise and delight our customers

Intu Properties plc
Annual Report 2014

We aim to attract people for longer, more often, which helps our retailers flourish

This powers our business, creating value for our retailers, our communities and our investors and drives our long-term success

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intugroup.co.uk/ar2014

Benefits of scale
See page 19 for more information

Carbon reduction award
See page 51 for more information

World class service
See page 37 for more information

Our Spanish enterprise
See page 70 for more information

Dining revolution
See page 47 for more information

At a glance

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

Our year in facts and figures

January
Conditional development agreement for intu Broadmarsh

February
Works commence to refurbish intu Victoria Centre and create a new catering cluster

March
Construction starts on new cinema and restaurant quarter at intu Potteries

Direct employees
2,459
and almost 89,000 employed in our centres

September
Refurbishment of intu Lakeside food court complete

1/2
of the UK's population visit an intu centre each year

Carbon reduction since 2011
30%

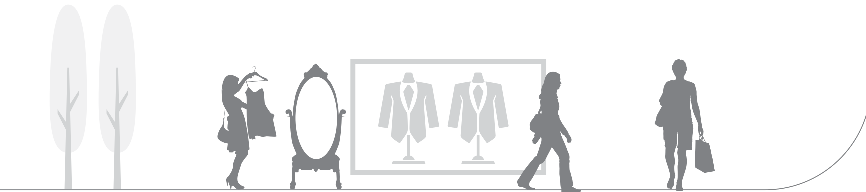
Over
21m sq. ft.
of retail, catering and leisure space

December
Announced acquisition of Puerto Venecia, Zaragoza, Spain. Planning consent granted for major extension at intu Braehead

Occupancy

95%

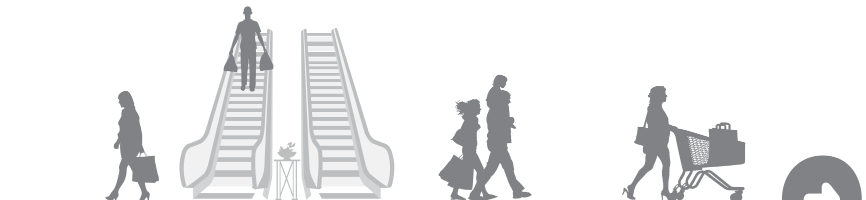
May
Acquisition of intu Merry Hill and intu Derby



June
Joint venture formed with KWAP at intu Uxbridge

Passing rent

£401 million



Debt to assets ratio

44%

Substantial development pipeline

£1.9 billion

£1.3 billion in the UK and £0.6 billion in Spain

Our values

Creative
Bold
Genuine

Asset valuation

Super-regional centres
1. intu Trafford Centre (£2,200m)
2. intu Lakeside (£1,255m)
3. intu Metrocentre (£928m)
4. intu Braehead (£599m)
5. intu Merry Hill (£435m)
6. Cribbs Causeway, Bristol (£243m)

Town and city centres
7. Manchester Arndale (£430m)
8. intu Derby (£420m)
9. St David's, Cardiff (£308m)
10. intu Eldon Square (£273m)
11. intu Watford (£335m)
12. intu Victoria Centre (£314m)
13. intu Milton Keynes (£278m)
14. intu Chapelfield (£261m)
15. intu Bromley (£171m)
16. intu Potteries (£165m)

Spanish centres
Parque Principado (€106m)
Puerto Venecia (€451m)[1]

1 Acquisition completed January 2015.

2014 highlights

Net rental income[1]

Year	Net rental income
2010	£277m
2011	£364m
2012	£363m
2013	£370m
2014	**£397m**

Underlying EPS

Year	Underlying EPS
2010[2]	14.0p
2011[2]	15.0p
2012[2]	14.7p
2013[2]	13.7p
2014	**13.3p**

Net rental income[1]
£397m
2013: £370m

Underlying earnings
£162m
2013: £140m

Property revaluation surplus[1]
£648m
2013: £126m

Profit for the year
£600m
2013: £364m

Underlying EPS
13.3p
2013: 13.7p[2]

1 Including Group share of joint ventures.
2 Adjusted for rights issue bonus factor.
Please refer to glossary for definition of terms.

Presentation of information
Amounts are presented including the Group's share of joint ventures. Comparative per share information is adjusted for the rights issue bonus factor. See Financial Review, page 40, for details.

Delivering improved returns

Our focus has been on total property returns and sustainable income

- property valuations increased 8.2 per cent (£648 million), outperforming the IPD monthly retail index which increased 7.3 per cent
- total property return, as calculated by IPD, 13.1 per cent (2013 – 7.3 per cent)
- net asset value per share (diluted, adjusted) of 379 pence, giving a total financial return for the year of 17 per cent on the pro forma opening net asset value per share of 335 pence
- underlying earnings per share 13.3 pence (H1 6.4 pence; H2 6.9 pence) (2013 – 13.7 pence) reflecting a reduction in like-for-like net rental income of 3.2 per cent in the year
- signed 210 long-term leases for £34 million new annual rent at an average 5 per cent above previous passing rent

Significant corporate activity

Another year of progress in 2014

- acquired two UK top 20 shopping centres, intu Merry Hill and intu Derby, along with Sprucefield retail park in Northern Ireland in May 2014 for £855 million
- exchanged contracts in December 2014 to acquire a top 10 Spanish shopping centre, Puerto Venecia, Zaragoza for €451 million. Acquisition completed in January 2015
- formed a joint venture at intu Uxbridge introducing an 80 per cent partner for £175 million, a small premium to the December 2013 book value
- debt refinancing activity of £2 billion; weighted average maturity over eight years
- cash and committed facilities of £671 million at 31 December 2014

Dividend per share

Year	Value
2010[2]	13.7p
2011[2]	13.7p
2012[2]	13.7p
2013[2]	13.7p
2014	**13.7p**

NAV per share

Year	Value
2010[2]	355p
2011[2]	356p
2012[2]	357p
2013[2]	346p
2014	**379p**

Dividend per share
13.7p
2013: 13.7p[2]

Market value of investment properties[1]
£8,963m
2013: £7,624m

Net external debt[1]
£3,963m
2013: £3,698m

NAV per share (diluted, adjusted)
379p
2013: 346p[2]

Debt to assets ratio[1]
44.2%
2013: 48.5%

1 Including Group share of joint ventures.
2 Adjusted for rights issue bonus factor.
Please refer to glossary for definition of terms.

Making the brand count

We are seeing the benefits of our brand and scale

- active retailers on our transactional website, intu.co.uk, include John Lewis, Next and Topshop
- almost 40 per cent year-on-year increase in website visits in December 2014 to nearly three million, with an active marketing database of almost two million individuals
- introduced Tell intu and customer service measurement, with the average Net Promoter Score increasing in the year

Development momentum

We have maintained the momentum of development and investment in our centres

- development pipeline of £1.9 billion, £1.3 billion in the UK and £0.6 billion in Spain
- completed the remodelled food court at intu Lakeside, on site with the leisure extension at intu Potteries and mall refurbishment and catering quarter at intu Victoria Centre
- on target to commence a major £110 million extension at intu Watford in 2015

Chairman's statement

I hope that after studying this report you will be pleased – as I am – at the way the business and the reputation of the Group has moved forward through 2014, positioning ourselves to take full advantage of the recovery in the economy.

Overview of 2014 activity

In the course of the year under review, we acquired two top UK shopping centres, intu Merry Hill and intu Derby. This takes our ownership to nine of the top 20 shopping centres in the UK. Both of these centres have enormous potential and we are already seeing the benefits of our asset management as rental values and market values have increased significantly in our eight months of ownership.

And in Spain, we announced the acquisition of a top shopping centre, Puerto Venecia in Zaragoza, which completed in January 2015. This demonstrates the seriousness of our intent to grow our business there. The centre will be a model for creating high-quality shopping resorts at our Spanish development options.

We have completed a two-year programme for refinancing the majority of the Group's debt. Throughout this period we have increased the tenor and reduced the average cost of our debt. This strengthening of our financial position means that we are well placed to advance our development pipeline.

2014 also saw us complete the food court redevelopment at intu Lakeside and the transformation of the malls at intu Eldon Square. In addition, we commenced two major catering and leisure projects at intu Victoria Centre and intu Potteries and we have moved the major extension at intu Watford forward to the point where we intend to commence the development in 2015.

Our branding, now two years old, is gaining significant traction, the result of a fruitful combination of the customer service in our centres and our digital platform. In our centres we introduced Tell intu allowing us to meet customers' changing requirements faster. Customer satisfaction has improved measurably since its introduction. Digitally, we now have the majority of our major retailers on our website, intu.co.uk, with the likes of John Lewis, Next and Topshop added this year. As well as half of the UK's population visiting an intu centre at some point in the year, we now have nearly two million individuals on our online database.

Through all these actions, as well as the groundwork in previous years, we have delivered a total shareholder return of 24 per cent in 2014.

May I refer you to the interview with our Chief Executive on pages 16 and 17 where David Fischel answers a number of key questions about the business and to the financial review presented by our Chief Financial Officer, Matthew Roberts, on pages 40 to 46, where you will find a more detailed assessment of our achievements, our challenges and our strategy.

Corporate responsibility

Our centres make an important contribution to their local neighbourhood both because of their location and our close and necessary engagement with the communities around us. Responding to our corporate responsibility is an integral part of our commercial life through community, environmental and stakeholder initiatives.

Our success in this field has been validated by the achievement of several high-profile awards. We once again achieved the Business in the Community CommunityMark award, one of only 52 companies to be accredited. This year we were awarded the 'Best in continuing Carbon Reduction' at the Carbon Trust Standard Bearers Awards, for decreasing our carbon emissions by 30 per cent in three years. You can read more about this amazing achievement on page 51.

Throughout the year we have run projects encouraging and supporting employee mentoring and volunteering.

Our people

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

The creation of intu Retail Services in 2013 has led to a greater sense of unity within the Group and in 2014 we have not neglected to ensure that all our staff have the right skills and training for their roles. Through these endeavours we have seen a more motivated and committed workforce, with a dramatic reduction in staff who leave within their first year of service.

I am glad to report that our approach was recognised when we received the Premises & Facilities Management Partner in Retail Facilities award this year. We are the only shopping centre business to be accredited by the Institute of Customer Service. Read more on pages 32–37.

Dividends

Your Directors are recommending a final dividend of 9.1 pence per share, bringing the amount paid and payable in respect of 2014 to 13.7 pence, unchanged from the bonus factor adjusted 2013 dividend. A scrip dividend alternative will be offered.

Looking forward

Over the last few years we have positioned ourselves for the upturn in the economy. I believe we are now beginning to see sustained, though small, improvements in disposable income, generally responding to wage increases running ahead of inflation and lower fuel prices. Uncertainties and fragility remain, and this is not confined just to the economic sphere: some measure of caution is still therefore desirable. Retailers have also had a good end to 2014, which along with improved consumer confidence should see them growing their businesses.

Through the enhancements we have been making to our centres, in terms of the retail and leisure mix, our world class customer service and our digital platform, we are well placed to deliver a favourable trading environment for retailers.

We will continue to build our business in Spain, driving our developments there forward to replicate our successful UK model.

We remain focused on delivering strong returns over the medium term through rental growth in our existing assets, superior returns from our development pipeline and the increasing strength of our brand.

Patrick Burgess
Chairman
27 February 2015

Shareholder return in 2014

24%

(2013: –7%)

Reduction in CO_2 emissions since 2011

30%

"In 2014 we have positioned ourselves to take full advantage of the recovery in the economy"

Business model

Our customers are at the heart of everything we do. We are passionate about providing them with a compelling shopping experience, so we ensure their needs inform every stage of our business model.
Putting our customers first ultimately creates value for our shareholders

1

Creating compelling experiences

The value we add

We provide customers with a shopping experience that attracts people for longer, more often

We use insights from our in-depth customer research to understand what customers want from their shopping experience. To satisfy this expectation, our centres need to provide not only the right mix of retail, leisure and catering, but also a distinctive events programme, digital connectivity and moments of surprise and delight.

Today, our focus is on actively managing and developing our centres which are in some of the best locations across the country.

2

Establishing enduring relationships with retailers

The value we add

We help retailers flourish

By creating great experiences for customers, we generate powerful footfall that attracts and retains the right mix of retailers and catering and leisure operators for our centres.

Our high footfall locations, along with the quality of the intu brand, give tenants the confidence that they can roll out nationally with intu.

We maintain effective relationships and engage our tenants in the plans for and developments of our centres.

3

Delivering long-term growth

The value we add

Sustainable value to our shareholders and the communities in which we operate

Through our brand, we create uniquely compelling experiences that surprise and delight our customers. This, coupled with our scale and flexibility, attracts retailers.

We have nine of the UK's top 20 centres and more than half of the UK's population visit our centres each year. This ensures that occupancy remains strong.

And this drives rental income over the long term.

4

Generating value for shareholders

The value we add

A trusted and recognisable name for both shoppers and retailers

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

We invest in achieving our strategic aims (see page 14) by creating the perfect shopping experience and distinguishing Intu from our competitors.

Beyond financial value, great shopping centres create a vibrant hub for the community and make a significant economic contribution to the region.

Putting our customers first ultimately creates value for our shareholders.

Talented employees

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

p32 for more information

A robust capital structure

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

p44 for more information

A balanced approach to risk

Risk management is underpinned by rigorous analysis in the context of potential threats to strategic objectives.

p38 for more information

intu brand

Nationwide shopping centre brand focused on enriching the customer experience, providing compelling scale for retailers and other commercial partners.

p23 for more information

A long-term focus

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

p25 for more information

Corporate responsibility approach

At Intu we believe that corporate responsibility must be driven by the strategic aims of the Company and be subject to the same quality of governance controls as other areas of the business. We want Intu to be a long-term and sustainable business – and we can only ensure that if we care for the communities where our shopping centres are located and look after the environment that we all share

Our approach

Our corporate responsibility approach is based on three pillars of communities and economic contribution, environmental efficiency and relationships with our stakeholders.

In 2014 we reached the target of reducing our carbon emissions by 30 per cent compared with 2011 (like-for-like portfolio adjusted for occupancy). We also diverted over 97 per cent of waste away from landfill, recycled 69 per cent of waste and reduced water use by 2 per cent compared with 2011.

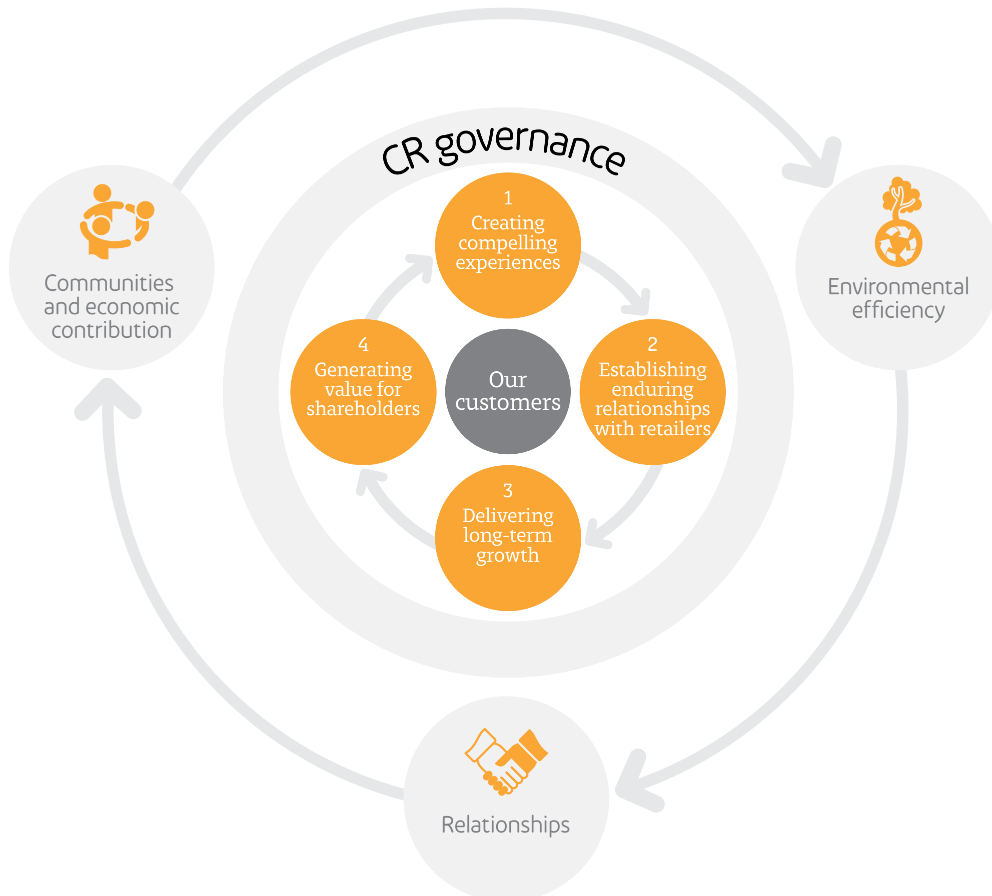
Our outstanding and sustained performance in energy efficiency was recognised by the Carbon Trust, which awarded us the 'Best in continuing carbon reduction' award at the Standard Bearers Awards. The award recognises the challenging 30 per cent reduction target we set ourselves and the work we have done to achieve this since 2011.

Once again in 2014 we were accredited with the BitC CommunityMark, one of only 52 UK companies to receive the award. The CommunityMark is a national standard that publicly recognises leadership and excellence in the community.

In our joint community projects we work with local partners to help disadvantaged young people into work. During 2014, we worked with nine community partners delivering 21 projects at our centres. These projects have directly reached over 1,200 people.

We continue to be included in FTSE4Good and the Dow Jones Sustainability Global Index and we were awarded the Green Star by GRESB. We have also received a gold ranking in the Mayor of London's Business Energy Challenge for our two centres in Greater London and our head office.

p48
for more information



Communities and economic contribution

Our shopping centres are integral to the communities they serve. They build social togetherness by providing places for people to come together to meet, eat, drink and socialise. We also make an important contribution to the economic life within and beyond these communities, providing jobs for local people. Our centres support charities and community organisations that address fundamental issues in modern society which are important to the long-term success of our business, including youth, education and the prevention of anti-social behaviour.

p49 for more information

Achieving Retail Gold

Since 2005, intu has supported the Retail Gold initiative to prepare young people for a career in retail, placing over 300 students with retailers. This year we launched a tailored intu World Class Service module for students preparing for their retail placement. With intu Braehead we are also providing employability support to people attending classes at the Kirklandneuk Community Centre.

Environmental efficiency

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.

We focus our efforts on the common areas of our shopping centres, where we have the biggest ability to drive change. Bringing facilities management under our control has further increased our oversight of the environmental efficiencies we can achieve. We target reductions in energy usage, increase in recycling levels, and decrease in water consumption.

p50 for more information

Zero Waste Award

intu Chapelfield is the first shopping centre ever to win a Gold Zero Waste Award for its commitment to reducing waste to landfill. All staff and retailers are trained in recycling, sorting waste and reducing contamination and understand why the centre takes waste management so seriously. By the end of 2014 intu Chapelfield and nine other intu centres sent zero waste to landfill.

Relationships

We need to understand the needs and expectations of a wide range of stakeholders 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.

The main groups of stakeholders we engage with are:

- Communities
- Customers
- Investors
- Local and national government
- Our people
- Retailers
- Suppliers

p52 for more information

A winning partnership

This year's Chairman's CR Prize went to the team at intu Lakeside who worked with the National Literacy Trust to support local young people with literacy difficulties and their families. Partnership working is required for the prize; helping young people facing educational, medical, social and employment difficulties is part of our CR approach.

Market review

We understand our market and are taking advantage of the opportunities offered by the changing face of retail

> "At Intu, we see the rise of multichannel retail – online, in-store, click and collect – as an opportunity rather than a threat"

Major extension for intu Braehead

Extensions and reconfigurations of existing centres offer excellent opportunities to create sustainable growth in rental income

The investment market is the strongest it has been for some years and we are seeing an upturn in the occupier market, but we are constantly aware of the evolving demands of the retail market.

Investment market

The weight of money in the retail property market has remained strong and, with the increased availability of debt, has heightened demand and resulted in downward pressure on yields. The value of UK shopping centre investment transactions in 2014 was the highest for eight years and well above the long-term yearly average.

Shopping centre development is at low levels offering limited new supply. The majority of activity is focused on extensions and reconfigurations. The UK supply of new space in the year has declined by 75 per cent, from the peak in 2008, setting the stage for increased occupancy and robust rental growth.

Occupier market

The UK economy showed signs of continued improvement in 2014, with two full years of quarterly GDP growth and consumer confidence increasing through the year. This has been supported by an increase in the UK average household disposable income with the Asda benchmark index showing a rise of 9 per cent over the year. The economy is starting to see year-on-year wage growth outpacing inflation and a lower oil price, which should give consumers a greater level of disposable income going into 2015.

Consumer spending has also continued to increase with higher like-for-like non-food retail sales reported by the BRC throughout 2014, aggregating to 2.7 per cent for the year.

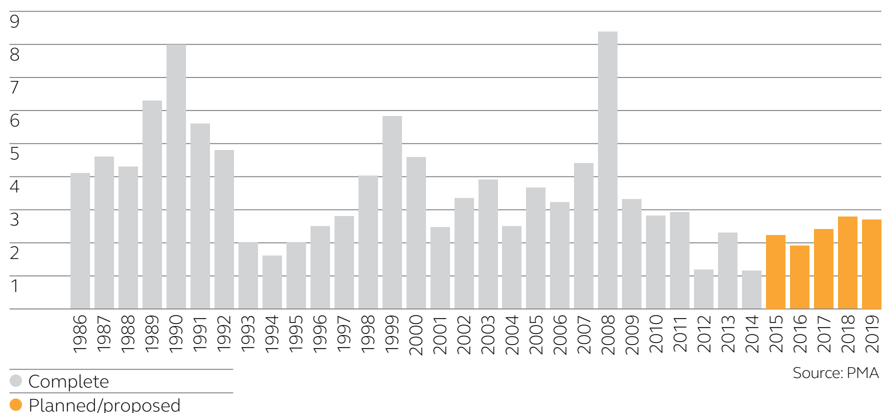
Retailer administrations in 2014 were at the lowest levels since 2010, according to the Centre for Retail Research, with Phones 4U and La Senza being the largest. They both closed all stores and accounted for approximately 1 per cent of Intu's rent roll. Since the year end, two multibrand fashion retailers, Bank and USC, have entered administration, but continue to trade and account for approximately 1 per cent of the rent roll.

Changing face of UK retail

Online sales continue to grow, with the Office of National Statistics estimating that, on average, 11.2 per cent of sales were conducted online in 2014, an increase from 10.4 per cent in 2013. Retailers need to offer a multichannel approach with shoppers now expecting consistent pricing and service across the physical store and online.

The UK's most successful brands have generally developed a multichannel

UK retail construction pipeline – PMA estimate (million sq. ft.)



Source: PMA

Flagship stores key to multichannel approach

Next has been highly successful at adapting to the evolving retail market

offer and understand the power of the physical store in their strategy. As well as a profitable location in its own right, the store can also function as a showroom for the product or a distribution location for their online sales. More and more, retailers note that online customers are opting to click and collect, allowing the retailer to minimise their distribution costs and enhance sales through further purchases once in store.

As well as established physical retailers reviewing their portfolios to have space in the best retail locations, several online retailers are now seeing the need for a physical presence to improve their sales and marketing, with the likes of Simply Be building up a store network in key locations. Retailers need fewer stores to cover the UK population than 20 years ago but increasingly need to focus on prime destinations.

Our focus has been to further enhance our centres as day-out family-friendly destinations offering unrivalled shopping, leisure and catering, supported by intu.co.uk and other digital and marketing opportunities. This has positioned us well to benefit from these changes.

The UK's most successful high street brands are, on the whole, those that have developed their multichannel offer as the e-commerce sector has grown, but their physical stores are still crucial. Shopping centres will remain at the forefront of the retail market but they must continually evolve to maintain their relevance in the modern retail environment

Jonathan De Mello
Harper Dennis Hobbs

Outlook

The retail sector has been changing at a rapid pace and change is likely to continue in 2015 as the UK economy continues to strengthen. The outlook for retail spending in 2015 is positive due to a combination of low inflation, reviving growth in earnings and resilience in the labour market, indicating that households' real disposable incomes should increase over the course of the year.

We are strongly positioned to take advantage of increased demand from retailers. The supply of new space is limited. In 2008, a record year, over 8 million sq. ft. of new shopping centre space was built in the UK. Levels fell with an all-time low in 2014 and even by 2019 the supply is only expected to have reached around 3 million sq. ft.

Across the sector we are expecting to see a focus in 2015 on improving the customer experience, with seamless multichannel engagement and an increasing sense of personalisation, showrooming and convenience. We believe that our active asset management and unique focus on creating the best possible customer experience will enable us to emerge as the leader of this trend among retail landlords.

We recognise that the influence of digital technology will continue to dominate tactical and strategic decision-making across the industry. At Intu, we see the rise of multichannel retail – online, in-store, click and collect – as an opportunity rather than a threat. We have always striven to be at the forefront of technological advances and 2015 will be no different as we begin to develop further ways to utilise data gathered from our digital network.

Click and collect

Below: Choosing a product online but picking it up in-store is becoming a popular option for shoppers, driving footfall and incremental sales

Strategy

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

1 Optimise performance of existing assets, prioritising medium-term total property return

We aim to achieve this by

Making our locations the most desirable for shopping and socialising

Astutely managing the assets to take advantage of new trends and occupiers

Building long-term partnerships with local authorities and communities

How we measure our success p30

Footfall

Occupancy

Income performance

Total financial return

How we manage the risk p38

Active management of tenant mix

Leisure and catering space to increase over the next few years

2 Drive forward £1.3 billion investment programme in existing UK assets

We aim to achieve this by

Delivering the required planning approvals for all projects

Generating the required level of demand to commence a project

Having the required funding to progress the pipeline

How we measure our success p30

Prime property assets

Total financial return

How we manage the risk p38

Revolving credit facility increased from £375 million to £600 million during the year

Detailed appraisal work and significant pre-lets continuing ahead of starting major development projects

3 Make the brand count

We aim to achieve this by

Offering a distinctive customer signature experience at all our centres

Having a best-in-class digital offering to retailers and customers

Delivering a consistent national brand partnership, experiential and advertising opportunity on and offline

How we measure our success p30

Footfall

Income performance

How we manage the risk p38

Training and employee engagement to deliver brand promise and values

Tell intu programme of customer feedback and analysis

Digital investments to improve relevance as shopping habits change

4 Seize the growth opportunity in Spain

We aim to achieve this by

Building a platform of the best centres in Spain through acquisition and development

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

Moving the development options forward to a point where we can consider exercising them and commencing developments

How we measure our success p30

Income performance

Total financial return

How we manage the risk p38

Substantial property and financial due diligence undertaken before acquisition

Local partner in Spain with market specialist knowledge

Our progress in 2014

Opened the redeveloped food court at intu Lakeside and on site with restaurant developments at intu Potteries and intu Victoria Centre

Introduced new brands to our customers including Five Guys, MAC, Jack Wills and Hema

Engaged with national and local government and worked with local partners to help disadvantaged people into work

Our priorities in 2015

Increase the catering and leisure elements of our centres which leads to increased dwell time

Continue to introduce new entrants to our centres which may be international entrants or online brands looking for a store presence

Develop retail academy partnerships across the Group following a North East pilot

Build local authority and parliamentary relationships with a major event to launch latest economic impact report

Our progress in 2014

Received town centre status and planning approval for extension at intu Braehead

Completed letting of leisure scheme at intu Potteries in advance of opening in 2015

Introduced joint venture partner to intu Uxbridge and increased available facilities

Our priorities in 2015

Commence work on the major extension at intu Watford

Gain sufficient pre-lets to commence restaurant developments at intu Metrocentre and intu Eldon Square

Achieving planning for intu Broadmarsh

Our progress in 2014

Introduced Tell intu and measurement of Net Promoter Score, which has increased by 30 per cent since its introduction

Introduced more retailers to our transactional website, intu.co.uk, including John Lewis, Next and Topshop

Increased our marketing database to almost two million individuals

Secured UK's first national single portfolio multichannel promotional launch for 'Home'

Our priorities in 2015

Build on the Tell intu programme to improve customer experience against Net Promoter Scores

Monetise the initiatives and infrastructure we have put in place over the last two years

Build on the success of 'Home' to secure more national brand promotions

Our progress in 2014

Announced the acquisition of Puerto Venecia, a top 10 Spanish shopping resort

Delivered 21 per cent capital growth on Parque Principado in our first full year of ownership

Entered into an option for a development site in Palma, Mallorca

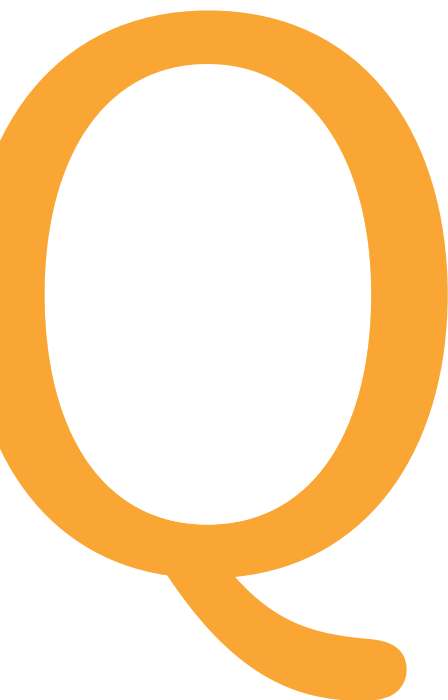
Our priorities in 2015

Integrate Puerto Venecia into the Group

Rebrand Parque Principado as intu Asturias

Work to bring the Málaga development option forward to the point where we can consider exercising it

Interview with the Chief Executive



Intu's improved 2014 results demonstrate we are well positioned to benefit further from rising consumer confidence and strengthening demand from retailers for quality space. We welcome over 400 million customer visits per annum and our clear focus on delivering outstanding customer experience under the intu brand is proving a powerful factor in the successful performance of our centres

David Fischel
Chief Executive

Q You have a £1.3 billion pipeline of developments in the UK. How fast can we expect to see these developments and how will you fund them?

A The development pipeline can be split into active management projects and major extensions. We have several ongoing active management projects, such as the leisure extension at intu Potteries and the refurbishment and restaurant quarter at intu Victoria Centre, both of which will be completed in the second half of 2015. We will also be commencing three other restaurant projects in the next few months. All these projects can be funded from our existing facilities.

intu Watford is our most advanced major extension with planning approved, the anchor cinema let and over 50 per cent of the expected rent under offer. We anticipate beginning construction this year. The catalyst for our other extensions, the majority of which have planning approved, will be the required level of tenant interest.

We should not need additional equity to finance these projects. We can finance the extensions from existing available facilities, raising debt against the value created from completed developments and recycling capital from other assets to reinvest into these growth opportunities, including introducing partners into existing assets. The major developments are likely to be spread over a number of years so the proceeds from financing a completed project can be used to help finance the next one.

Q You have recently acquired a second centre in Spain. Why is Spain such an attractive market for you and why do you think you can replicate your strategy there?

A Spain has very attractive market dynamics with an economy moving out of recession and a sophisticated consumer and retail market, but a retail sector where ownership of the regional shopping centre market remains highly fragmented and without a large committed pipeline of new centres. It is a country where we see major opportunities for us to broaden our presence and further strengthen our position in the market. We believe such expansion will be beneficial to our overall brand and digital positioning.

The country holds huge potential for the creation of genuinely regional destination centres in which we specialise. Eighty per cent of Spain's retail expenditure comes from 10 key catchments and we aim to be the leading owner, developer and manager of regionally pre-eminent shopping centre destinations for a significant number of those key areas.

The acquisition of Puerto Venecia in early 2015, after the successful acquisition of Parque Principado in 2013, substantially accelerates our activities in Spain.

We also have development options on sites in Málaga, Palma, Valencia and Vigo. It is our intention, subject to shareholder approval, to exercise the Málaga option in March 2015. We are advancing the other sites to the point where we can consider exercising the options.

Q You have had a year of negative like-for-like net rental income. What specific actions are you taking to address this and when can we expect to see a turnaround?

A Over the last three years we have successfully repositioned the Group so that we are now well placed to benefit from the improved confidence of shoppers and retailers. Rather than chasing a target level of occupancy throughout this period, we have instead concentrated on being selective and ensuring that we have the right tenants in the right space. This means we have not compromised on the quality of the tenant mix and have maintained or improved the tone of the rents in our prime centres.

While our results still reflect a lingering impact from the administrations of late 2012 and early 2013, it is clear that this active asset management strategy is starting to pay off. For example, in the case of Republic, we took back all the units rather than let them at potentially lower rents to tenants who did not fit our desired retail mix. It took a year, but all of these units are now relet to top-quality brands, such as Hugo Boss, White Stuff, Superdry and Footasylum, at rents in line with the previous passing rent.

The remaining elements of the like-for-like net rental income shortfall in 2014 can be split into two areas. First, with our ongoing active management projects, in particular at intu Victoria Centre, we had to remove units from generating income while we reconfigured the centre to maximise rental potential on completion of the project. Secondly, there was a concentration of lease expiries at intu Braehead and intu Potteries this year. We repositioned key tenants, as we illustrated last year, and have now addressed the majority of the expiries but have operated with a higher vacancy level in these centres as a result.

Like-for-like net rental income is an important measure, but total property return, the combined income and capital returns, encompasses everything we do and is the overall measure on which we focus. Over the past five years, our annualised total property return of 9.9 per cent per annum outperformed the IPD UK quarterly retail benchmark of 9.2 per cent.

Q intu is the only national shopping centre brand. What value does this bring and what evidence of success do you have two years after the brand was launched?

A Intu is one of the UK's biggest retail landlords, and focused on providing a great experience for millions of UK shoppers with, according to our estimates, over half of the UK's population visiting an intu centre every year.

Our shoppers are at the heart of everything we do and providing them with compelling experiences also ensures that we establish enduring relationships with our retailers. Our brand enables us to offer scalability to retailers and the size of the Group also helps to support the brand. Our national brand enables us to deliver experiences and events for the customer that ownership of a single centre could not, such as the Everyone's Invited family friendly weekend of events in all our centres which increased footfall for the weekend year-on-year by around 13 per cent.

Our staff offer an unparalleled service and our digital platform gives customers access to brands in our centres 24 hours a day. Our online presence is growing rapidly with nearly three million visits to intu.co.uk in December 2014, a year-on-year increase of almost 40 per cent. Our active marketing database is almost two million strong and in 2015 we will focus on developing opportunities for more regular engagement and, importantly, increased monetisation.

Our scale as owner of nearly half of the top 20 shopping centres in the UK means that we have a strong presence offering key entry points in the areas where retailers need to be. We recognise that we are competing with other attractions, not just shopping, for our customers' time and money and need to offer an attractive product on a national basis.

Q What are your strategic priorities for 2015?

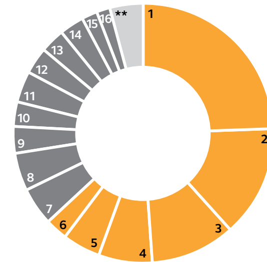
A Our focus in 2015 will be on four main goals which we believe will result in strong total returns over the medium term:

- optimising performance of existing assets with the delivery of like-for-like net rental income growth in 2015 and attractive total property returns
- driving forward the £1.3 billion investment programme in UK assets
- making the brand count and demonstrating the benefits of scale
- seizing the growth opportunity in Spain, building on progress in the last three years

Asset valuation

£9.0bn*

(2013: £7.6bn)



Super-regional centres (66%)

1. intu Trafford Centre (£2,200 million)
2. intu Lakeside (£1,255 million)
3. intu Metrocentre (£928 million)
4. intu Braehead (£599 million)
5. intu Merry Hill (£435 million)
6. Cribbs Causeway, Bristol (£243 million)

Town and city centres (34%)

7. Manchester Arndale (£430 million)
8. intu Derby (£420 million)
9. St David's, Cardiff (£308 million)
10. intu Eldon Square (£273 million)
11. intu Watford (£335 million)
12. intu Victoria Centre (£314 million)
13. intu Milton Keynes (£278 million)
14. intu Chapelfield (£261 million)
15. intu Bromley (£171 million)
16. intu Potteries (£165 million)

* Including Group share of joint ventures.
** Other properties <£100 million (£350 million).

Strategic review

Our strategic review shows how we have performed in the year and how we are positioning ourselves to deliver on our strategy in the future

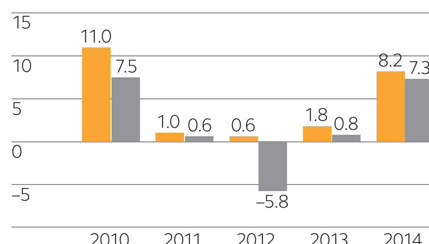
Four key themes have shaped our performance in 2014
— delivering improved returns
— significant corporate activity
— making the brand count
— development momentum

Property revaluation surplus[1]

£648m

(2013: £126m)

Capital value movements (%)



Total property return[1]

13.1%

(2013: 7.3%)

1 Including Group share of joint ventures.

Delivering improved returns

Total property return has increased in 2014 as yields compressed and rental values started to improve.

Valuation

The aggregate like-for-like market value of our investment property increased by 8.2 per cent in the year, outperforming the IPD monthly retail index (up 7.3 per cent) as we have in each of the last five years. This contributed to a total property return of 13.1 per cent.

The weighted average nominal equivalent yield at 31 December 2014 was 5.32 per cent, a reduction of 47 basis points in the year, reflecting market conditions and our ongoing asset management initiatives maintaining the prime and resilient nature of our assets. Based on the gross portfolio value, the net initial yield 'topped-up' for the expiry of rent free periods was 4.60 per cent.

The like-for-like change in ERV was in line with the IPD benchmark with a further marginal increase in the second half of 2014.

	Full year 2014	Second half 2014	First half 2014
Group revaluation surplus – like-for-like	**+8.2%**	+1.0%	+7.6%
IPD* capital growth	**+7.3%**	+3.7%	+3.5%
Group weighted average nominal equivalent yield	**5.32%**	5.32%	5.35%
Like-for-like change in Group nominal equivalent yield	**–47bp**	–3bp	–44bp
IPD* equivalent yield shift	**–56bp**	–26bp	–30bp
Group 'topped-up' initial yield (EPRA)	**4.60%**	4.60%	4.66%
Group change in like-for-like ERV	**+0.3%**	+0.1%	+0.2%
IPD* change in rental value index	**+0.3%**	+0.4%	–0.1%

* IPD monthly index, retail.

In general the super-regional centres continue to outperform with stronger valuation surpluses from yield compression and improvement in rental values. In the case of Intu, yield compression was mostly seen in the first six months of 2014 based on transactional evidence. The larger city centre locations have seen smaller positive movements, but there has been limited read-across to date in the smaller centres. Notable changes in individual valuations include:

	Market value		Surplus/(deficit)	
	31 December 2014 £m	31 December 2013 £m	**£m**	**%**
intu Trafford Centre	**2,200**	1,900	**300**	**16%**
intu Lakeside	**1,255**	1,125	**123**	**11%**
intu Metrocentre	**928**	885	**38**	**4%**
intu Merry Hill	**435**	–	**27[1]**	**7%**
St David's, Cardiff	**308**	272	**38**	**15%**
Manchester Arndale	**430**	399	**30**	**7%**
intu Derby	**420**	–	**29[1]**	**8%**
intu Milton Keynes	**278**	251	**26**	**10%**
intu Victoria Centre	**314**	306	**(22)**	**(7)%**
Parque Principado	**82**	143[2]	**14**	**21%[3]**
Others including non like-for-like	**2,313**	2,343	**45**	**–**
Investment and development property including Group's share of joint ventures	**8,963**	7,624	**648**	**8%**

1 Since acquisition on 1 May 2014.
2 Treated as subsidiary at 31 December 2013.
3 Based on local currency.

Focus on: Our scale

The benefits of scale: create, trial, roll out

A great advantage of intu's strong brand is that it enables us to think strategically and nationally, rather than tactically and locally

Our national scale means we can pilot ideas and quickly adopt those that work across all our centres. This provides economies of scale, ensures we learn from best practice within the Group and embeds our values consistently within our centres.

We are able to make national improvements in many areas of the business including customer service, building management systems, technical procurement and car park payments, because our size gives us the means to test and review on a small scale first.

Our signature customer experience programme is one example of how we are able to use this process to strengthen our brand so that people know what intu stands for.

As part of this programme we wanted to create engagement tools to give our staff opportunities to interact more often with customers and make our customers' shopping trips easier and more pleasant.

By testing several tools at different centres, we could see which ones resonated with customers and were natural for intu staff to deliver. The successful tools include intugrams (envelopes containing vouchers for free services or products, distributed as random acts of kindness), joy jars (jars containing small engaging toys to keep toddlers happy on the family shopping trip) and free ponchos when it rains.

Using Tell intu, our Net Promoter Score (NPS) measurement programme, we identified the tools that work best, trained staff to use the tools and then rolled out the programme to all our intu-branded centres. We then reviewed again to find our NPS has increased by 30 per cent since the engagement programme began in March 2014.

Supported by our national training programme, and reinforced by the evidence from Tell intu, we are able to only roll out those ideas that we know make a demonstrable difference.

Strategic review
continued

- intu Trafford Centre has benefited from the strong yield improvement seen on super-regional centres and an increase in the headline rents as a result of evidence from new lettings
- intu Lakeside has benefited from the strong yield improvements on super-regional centres and the completion of the food court development
- intu Metrocentre has benefited from the strong yield improvement on super-regional centres, but short-term income reductions in parts of the centre about to undergo redevelopment have affected the overall valuation
- intu Merry Hill has benefited from increases in rental tone evidenced by new lettings since acquisition
- St David's, Cardiff and Manchester Arndale have both benefited from the yield improvement seen in larger city centre shopping centres with small improvements in rental tone
- intu Derby has benefited from increases in the rental tone, with some yield improvement
- intu Milton Keynes has benefited from the yield improvement seen in larger city centre shopping centres
- intu Victoria Centre has been affected by the short-term income reduction and accrued development expenditure of the ongoing refurbishment work, with the improvement in yield partially offsetting this reduction
- Parque Principado, Oviedo, has benefited from improvements in yield as investor interest for the best Spanish assets has increased

Operating metrics

	2014	2013
Occupancy	**95%**	95%
– of which, occupied by tenants trading in administration	**1%**	1%
Leasing activity – number, new rent	**210, £34m**	201, £42m
– new rent relative to previous passing rent	**+5%**	+4%
Like-for-like change in net rental income	**–3.2%**	–1.9%
Total property return	**+13.1%**	+7.3%
Footfall	**+0%**	–2%
Retailer sales (like-for-like centres)	**+2.5%**	+0%
Rent to estimated sales (exc. anchors and major space users)	**12.5%**	13.5%

Customer metrics

	2014
Estimated dwell time (super-regional)	**2hrs 11mins**
Customer visits (annualised)	**400m**
Average customer visits per centre	**21m**
Shopping centre space	**21m sq. ft.**
Estimated retailer sales	**£5.5bn**

Top retailers choose intu centres

Brands such as Superdry, Jack Wills and MAC have opened new stores in our centres, joining our wide range of established retailers

Occupancy remains firm at the 95 per cent level at which we have operated for most of the year and compares favourably to PMA's vacancy measure for 'big shopping centres' of 11 per cent.

Like-for-like net rental income was 3.2 per cent lower in 2014 than 2013, with a narrower 2.8 per cent decrease in the second half. Income interruption from centre redevelopments accounted for approximately one percentage point of the shortfall, in particular at intu Victoria Centre and intu Eldon Square. Tenants failing in late 2012 and early 2013 still impacted the first half of 2014, their total impact in 2014 being around one percentage point. The balance of the shortfall was around concentrations of lease expiries at intu Braehead and intu Potteries.

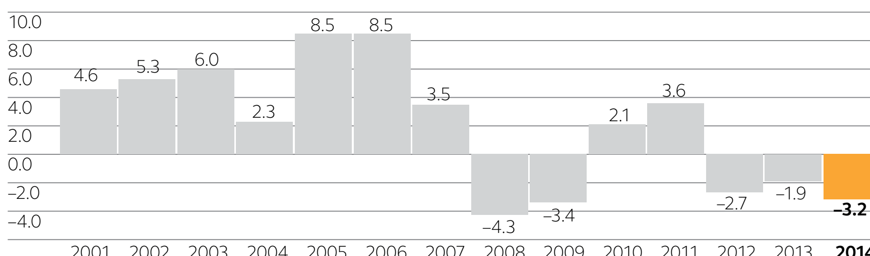
We agreed 210 new long-term leases in the year, amounting to £34 million new annual rent, at an average of 5 per cent above previous passing rent (like-for-like units) and in line with valuers' assumptions, excluding one strategic leisure letting. Significant activity in the year includes:

— 58 catering lettings, including Five Guys at intu Trafford Centre, intu Lakeside and intu Metrocentre, Chiquito at intu Metrocentre, intu Potteries and intu Uxbridge, Coast to Coast at intu Trafford Centre, intu Metrocentre and intu Victoria Centre and Carluccio's in newly converted space at intu Bromley. Catering and leisure account for 11 per cent of the rent roll, with a significant increase in the development pipeline

— new brands to individual centres include Superdry and a full-line River Island at intu Victoria Centre, one of Dutch retailer Hema's first UK stores at intu Bromley, MAC at intu Lakeside, intu Bromley and St David's, Fat Face at intu Watford and intu Trafford Centre, and Jack Wills at intu Trafford Centre

— previously online only brands creating a physical presence, including a first store for an intu.co.uk retailer, Watch Warehouse, at intu Watford, a pop-up for Ratchet at intu Lakeside and two new Simply Be stores at intu Chapelfield and intu Merry Hill

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



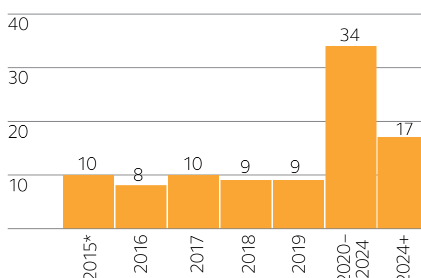
— 275 new shops opened or refitted in our centres in 2014, around 9 per cent of our 3,100 units. Tenants have invested around £90 million in these stores, a significant demonstration of their commitment to our centres. As well as major flagship store investments, like River Island at intu Metrocentre, JD Sports introduced their new concept shopfit at intu Trafford Centre, intu Watford and intu Chapelfield

At the property level, the total return from Intu's portfolio was 13.1 per cent (2013 – 7.3 per cent). The combination of capital value increases and broadly stable income demonstrates the strength of Intu's assets over the medium and long term.

The number of visitors to our centres has increased marginally year-on-year in 2014, representing an outperformance of Experian's measure of UK national retail footfall which declined 1 per cent.

Estimated retailer sales in our centres were up 3.1 per cent in the second half of 2014 giving a year-on-year increase of 2.5 per cent. The ratio of rents to estimated sales for standard units reduced in the year to 12.5 per cent, continuing the trend of the previous few years.

Lease expiry profile† (%)



† Expressed as a percentage of rent roll.
* Excludes three per cent in respect of leases which have expired of which around three-quarters are in negotiation or solicitors' hands.

The difference between annual property income (see Glossary) of £436 million and ERV of £515 million represents £42 million from vacant units and reversion of £37 million, 8 per cent, from rent reviews and lease expiry. Of the £37 million, £5 million relates to reversions only realisable on expiry of leases with over 10 years remaining (for example anchor units), leaving £32 million, 7 per cent, from other lease expiries and rent reviews.

The lease expiry cycle can bring risk to short-term earnings depending on the volume in a specific centre and when the expiries fall in the economic cycle, but it also provides the opportunity to introduce, reposition and right-size tenants, improving the tenant mix. This year we have seen a significant concentration at intu Braehead and intu Potteries. The chart below shows the pattern of lease expiries across the portfolio, with a weighted average unexpired lease term of 7.4 years (31 December 2013 – 7.5 years).

Significant corporate activity

We have undertaken significant corporate activity in 2014 and we believe that our scale and focus is key to our successful development and operation of prime regional shopping centres. This year we have further consolidated our position in the UK, acquiring two top 20 centres. In Spain, with the completion of the Puerto Venecia acquisition in January 2015, we now own two top 10 centres which along with the sites we have under option in other key locations position us well to build scale there along similar lines to our approach in the UK.

Strategic review
continued

UK acquisitions

In May we completed our purchase of interests in two prime UK shopping centres, intu Merry Hill and intu Derby, and Sprucefield retail park, Northern Ireland, funded by a two for seven rights issue raising £500 million (gross) and £424 million of new debt facilities secured on the properties. The final consideration was £855 million. We have identified multiple growth opportunities which reinforce our investment case.

The acquisition was in line with our strategy to focus on the UK's most successful destinations. Such assets are rarely traded, so it is important to move decisively where opportunities arise to acquire interests, particularly where our operator skills can be applied through our specialist asset and property management teams. The transaction also established a joint venture with QIC, a major global investor, at intu Merry Hill. It strengthened Intu's position as the leading owner, developer and manager of prime UK shopping centres, filled a gap in our national coverage and extended the footprint of our nationwide consumer facing brand.

Since completion we have:

- rebranded the two centres with new signage, websites and World Class Service training for the teams. The intu brand has been welcomed at both centres
- strengthened our local asset management and operational capabilities
- started work on detailed asset management plans with initial leasing activity positive to acquisition valuations
- at intu Merry Hill, been encouraged by initial discussions with key retailers about opportunities to upsize their presence in the centre
- at intu Derby, through our early letting activity, increased the zone A rents from £110 to £125
- at Sprucefield, started the process of unlocking the development potential of this well-located site

New joint venture

In June we entered into a partnership in respect of intu Uxbridge with Kumpulan Wang Persaraan (Diperbadankan) (KWAP), the £19 billion Malaysian pension fund.

This transaction established a relationship with another significant overseas investor and demonstrated the investment demand for prime UK shopping centres under the management of a specialist operator such as Intu.

KWAP acquired an 80 per cent interest in intu Uxbridge for £175 million, representing a 2 per cent premium to its 31 December 2013 valuation of £214 million (100 per cent basis). We retain a 20 per cent interest and continue to manage the centre under the intu brand on behalf of the joint venture. The transaction is a useful step in recycling capital into our substantial development pipeline while retaining the scale of our operations and has a deal structure which could be applicable to other assets.

Spanish acquisitions

In December we exchanged contracts to acquire the Puerto Venecia shopping centre and retail park in Zaragoza, Spain for €451 million. Eurofund, our development partner in Spain, was closely involved in the original development of this 200,000 sq. m. shopping resort. The centre, which opened in 2012, offers a mix of retail, leisure and restaurants and was recognised by MAPIC in 2013, winning the best worldwide retail and leisure development.

Bulevar de los Manzanos,
Parque Principado

Right: Parque Principado, to be rebranded as intu Asturias in 2015, was our first acquisition in Spain where we aim to replicate our successful UK business model

Making intu Metrocentre sparkle

Above: This iconic chandelier is at the heart of our transformation of intu Metrocentre's Platinum Mall, adding sparkle and raising £16,000 for charity through sales of individual crystal hearts

Catering for all tastes

Below: Five Guys, a top US restaurant chain, used intu's national portfolio to roll out its brand across the UK

This is the template for our shopping resort developments in Spain.

The acquisition, which completed in January 2015, is funded by a 50 per cent loan to value bridging loan which we can exchange for a five-year term loan secured on the asset. The balance of the consideration has been met from our existing resources. In 2015 we will be looking to introduce an investment partner into Puerto Venecia.

The acquisition is expected to be earnings accretive and, following last year's successful acquisition of Parque Principado, Oviedo, is another high-quality addition for the Group, taking our ownership to two of the top 10 shopping centres in Spain. The transaction substantially accelerates our activities in Spain, which is a country where we see major opportunities for the type of genuinely regional destination centre in which Intu specialises.

As we highlighted in October 2013, when we acquired Parque Principado, the Spanish shopping centre market offers opportunities to create a quality business of scale which has the potential to generate superior total returns over the medium term.

Similar to our approach in the UK, our aim is to be the leading owner, developer and manager of regionally pre-eminent shopping centre destinations for the major trade areas of Spain. Eighty per cent of the country's retail expenditure comes from 10 key catchment areas.

Ownership of the largest Spanish shopping centres is fragmented and many regions do not have a pre-eminent retail and leisure destination. The committed pipeline of prime shopping centre developments across Spain is at a low level and we believe the opportunity exists to develop and build new schemes in a number of key regions of Spain.

We also have development options on sites in Málaga, Palma, Valencia and Vigo. It is our intention, subject to shareholder approval, to exercise the Málaga option in March 2015. We are working to bring the other developments forward to the point where we can consider exercising the options. We believe such expansion will be beneficial to the Group's overall brand and digital positioning.

Refinancing activity

Throughout 2014 we have continued to take advantage of the favourable debt markets to refinance the Group's near-term debt. Through a mix of term loans and long-dated bonds, financed in the last two years, we have, since 2012, increased the tenor of the debt by two years to eight years whilst reducing the cost of debt to 4.7 per cent. With debt to assets at 44 per cent and available facilities of £671 million we are well positioned to continue with our strategy in Spain and our UK development pipeline.

See Financial review on pages 40 to 46, for more details.

Making the brand count

Scale is important and the establishment of the intu brand further enhances our competitive advantage. Our customers are at the heart of everything we do and providing them with compelling experiences that surprise and delight drives loyalty and in turn dwell time and spend. This customer focus also ensures that we establish enduring relationships with our retailers.

Brand

When we rebranded in early 2013 we orientated every aspect of our business around the customer experience in our centres. Since then we have brought more services in-house to ensure we manage every step of the customer experience. A customer visit may start by looking on intu.co.uk, followed by visiting the centre which offers top-quality retail, with all the major brands present in our centres, dining and leisure options and national promotional activities. All our staff are trained to the same high standards in customer service, with the commitment of the intu brand ensuring equivalent standards across all of our centres.

Over half of the UK's population visit an intu centre at some point through the year on or offline.

We have seen an increase in brand recognition which allows us to deliver events and promotions on a national basis. Events in 2014 included Elephant Parade, Everyone's Invited and Student Night. Elephant Parade's national tour visited all intu centres and raised awareness for The Asian Elephant Foundation as well

Strategic review
continued

as entertaining shoppers. Everyone's Invited brought a festival of family fun to the centres, increasing footfall by 13 per cent year-on-year for that weekend. Promotional partners and commercialisation clients now recognise our national proposition combined with a multichannel approach and we are seeing a growth in multicentre campaigns including the use of our intu.co.uk website.

All staff continue to take part in our World Class Service training which is the only national shopping centre programme accredited by the Institute of Customer Service. To measure the impact of our brand approach we launched Tell intu this year which provides the Net Promoter Score of centres monthly. The average score has increased from 46 when we launched it in March to 60 over the Christmas period. Our research, which confirms that happy customers stay longer and spend more, has given considerable impetus to delivering a number of service improvements.

On the digital side, we have now introduced free Wi-Fi into nearly all of our centres, investing in our own infrastructure rather than outsourcing. Over 1.5 million people have registered with around 60 per cent opting in to receive marketing information. Along with registrants on the website, our marketing database now has almost two million active users. Owning the infrastructure allows us to control this marketing and manage the customer experience.

We enhanced intu.co.uk in September 2014. It is now fully mobile responsive with improved content and an expanded shopping proposition. Through our affiliates programme most of our major retailers are now on our transactional website, including for example, John Lewis, Next and Topshop, allowing us to offer shoppers their centre online 24 hours a day. The benefits of these changes can be seen in the website traffic, with a year-on-year increase of almost 40 per cent in website visits in December 2014, to nearly 3 million.

Scale

As we discuss in the Market review, the face of retail continues to change with retailers needing to be in the best shopping locations. Our scale positions us as a key landlord to retailers with nine of the top 20 shopping centres in the UK.

Over the past four years we have expanded significantly with the portfolio now valued at £9.0 billion, almost doubling over the period through the addition of some of the top centres in the UK as well as value creation in our existing centres.

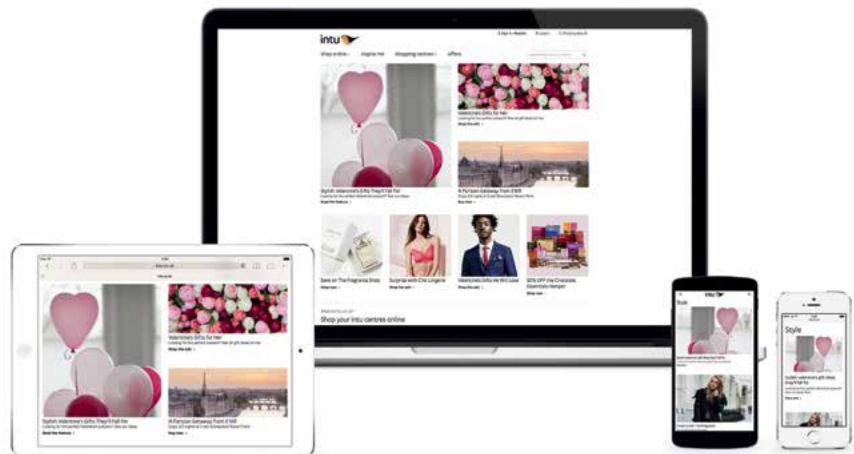
Our scale allows us to benefit from a wealth of experience and knowledge and apply best practice across all the centres. With one website, intu.co.uk, we can market all the centres more efficiently to a national audience and attract customers to stay for longer and visit more often.

All of our 18 UK centres exceed 10 million visits each year and the busiest exceeds 40 million.

Over the last few years we have demonstrated that we will not compromise on quality for the sake of improvements in

Tell intu

Below: Working hard on our brand experience is driving our commercial success. How do we know? Because in March 2014 we launched Tell intu, the first real-time customer experience tracker of its kind in the shopping centre industry. From the 17,000 responses in 2014 we can prove that we have happier customers, with a higher NPS, who stay longer and spend more



the short-term occupancy level. This gives retailers confidence in the long-term attractiveness of the centres. We aim to ensure that our mix of tenants is what the customer wants and that the retailers are appropriately located to maximise their returns.

Development momentum

We have made significant progress in the year with our pipeline of development opportunities:

- completed the active management projects at intu Lakeside (food court), intu Eldon Square (mall upgrade) and intu Metrocentre (Platinum Mall)
- on site at intu Victoria Centre (mall refurbishment and creation of 12 new restaurants) and intu Potteries (cinema and catering extension), with both projects due to be completed in the second half of 2015
- about to commence work on catering developments at intu Eldon Square, intu Metrocentre and intu Bromley
- engaged the main contractor at Charter Place, Watford and expect to be on site later in 2015
- received town centre status and planning approval for an extension at intu Braehead

We can finance our £1.9 billion pipeline through three main routes:

- available facilities within the business as we have further improved our financial flexibility in 2014 by refinancing much of the debt which was due to mature in the next few years. At the end of 2014 we had cash and available facilities of £0.7 billion
- the major developments are likely to be spread over a number of years. We intend to raise development finance where appropriate and additional finance from the value created by completed developments to reinvest in the next project
- recycling capital from other assets to reinvest into these growth opportunities at the point where they will deliver superior returns. This may include introducing partners as we did at intu Uxbridge in 2014

In the case of major extensions and creation of significant new or reconfigured space, we aim to have agreed terms with a sufficient level of tenants including strategic pre-lets before proceeding with construction.

For expansionary projects which create additional space for which direct incremental rent can be identified, we would expect most projects to generate a stabilised initial yield on cost in the range of 6 to 10 per cent and a minimum of 7 per cent for major projects. Where no significant additional space is created, we assess project return in the context of an internal rate of return based on the anticipated overall impact of the expenditure on centre performance through enhancing the ambience, the tenant mix and the rental tone.

intu Uxbridge: a hit with Wagamama

Above: The Wagamama restaurant chain chose intu Uxbridge to launch their new concept design

Development pipeline

£1.9bn

£1.3bn in the UK and £0.6bn in Spain

Targeted stabilised initial yield on cost for major projects

7%

Surprise and delight

Left: Our compelling experiences draw in the crowds. This year's Everyone's Invited weekend increased footfall by 13 per cent – aided by the appearance of X Factor's Sam Callahan at intu Braehead

Focus on new developments

We have a development pipeline of £1.9 billion – £1.3 billion in the UK and £0.6 billion in Spain – and we expect to commence the major extension at intu Watford in 2015

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for more information

intu Metrocentre

intu Metrocentre

Restaurant development

£18 million extension to the 'Qube' dining area adjacent to the Imax Odeon cinema, creating 11 new restaurants. Pre-lets at over 50 per cent including Five Guys, Chiquito, T.G.I. Friday's and Coast to Coast, with another 25 per cent in solicitors' hands. We have commenced work for openings in early 2016.

intu Eldon Square

intu Eldon Square

Restaurant development

£25 million dedicated catering destination 'Grey's Quarter', reconfiguring 80,000 sq. ft. of outdated retail space to over 20 restaurants. Over 50 per cent is exchanged or in solicitors' hands and we anticipate work to commence on the project in the first half of 2015.

intu Victoria Centre

intu Victoria Centre

Refurbishment and restaurant development

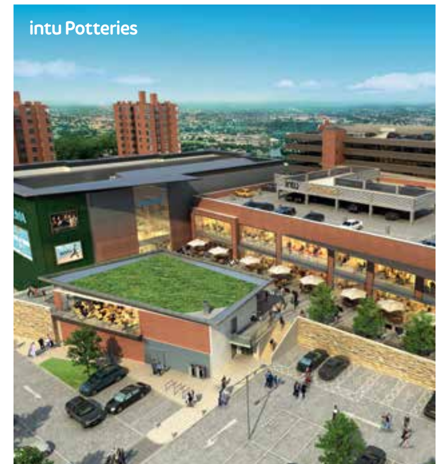
£42 million development of a restaurant quarter and significant refurbishment of intu Victoria Centre is underway. This project has already reignited interest from retailers, with new lettings to Urban Outfitters, Superdry and River Island. Pre-lets on the restaurant quarter are approaching 50 per cent, including Tortilla, Ed's Easy Diner, Coast to Coast and Handmade Burger Co.

intu Watford

intu Watford

Charter Place extension

£110 million, 380,000 sq. ft. extension to create a new shopping, dining and entertainment hub for Watford. Cineworld have exchanged contracts to be the anchor cinema operator and we now have offers on over 50 per cent of the units by rent. We have engaged the main contractor and, subject to pre-letting, we anticipate that works will be under way this year with a target for completion in 2017. We project stabilised initial yield on cost of 7.1 per cent.



intu Potteries

intu Potteries

Leisure extension

£19 million, 60,000 sq. ft. leisure extension is under construction and due to open in the second half of 2015. The leases for the nine screen Cineworld cinema and six new restaurants are all exchanged, bringing Nando's, Frankie & Benny's, Pizza Express, GBK, Coast to Coast and Chiquito to the centre's line up.

	Description	UK planning approved	New space (sq. ft. 000)[1]	Indicative timing[2]	Cost to completion £m[3]
Committed					
intu Victoria Centre	Refurbishment and restaurants[4]	✓	–	2015	13
intu Potteries	Leisure extension[5]	✓	60	2015	13
intu Watford	Charter Place pre-development	✓	–	2015	3
intu Eldon Square	Restaurant development	✓	–	2015–2016	12
intu Metrocentre	Restaurant development	✓	–	2015–2016	16
intu Bromley	Queens Gardens	✓	14	2015–2016	4
Other committed projects[6]		✓		2015–2017	20
					81
Active management pipeline					
intu Lakeside	Hotel	✓	40	2015–2016	7
intu Bromley	Boutique cinema and restaurants	✓	20	2016–2017	9
intu Trafford Centre	Barton Square courtyard enclosure	✓	112	2016–2018	45
intu Merry Hill	Reconfigurations		–	2015–2018	20
Other active management projects[6]				2015–2019	156
					237
Major extensions					
intu Watford	Charter Place extension	✓	380	2015–2017	106
intu Broadmarsh	Redevelopment		50	2016–2018	70
intu Lakeside	Leisure extension	✓	225	2016–2019	95
intu Lakeside	Retail extension	✓	440	2017–2019	180
Cribbs Causeway	Retail and leisure extension		380	2019–2021	105
intu Braehead	Retail and leisure extension	✓	475	2020–2022	200
intu Victoria Centre	Retail and leisure extension	✓	500	2020–2022	225
					981
Total UK					**1,299**
Spain developments[7]					
Málaga	Shopping resort			2015–2018	170
Valencia	Shopping resort			2019–2020	280
Palma or Vigo	Shopping resort			2021–2022	115
Total Spain					**565**
Total					**1,864**

1 Represents net additional floor space of retail, catering and leisure.
2 Timing subject to change due to a number of internal and external factors.
3 Represents Intu's share of costs.
4 Total project costs of £42 million of which £29 million has already been spent.
5 Total project costs of £19 million of which £6 million has already been spent.
6 Smaller committed and pipeline projects do not necessarily involve the creation of additional floor space.
7 Represents Intu's share of costs assuming a joint venture partner introduced.

Málaga

Málaga
Shopping resort development

€425 million, 175,000 sq. m. shopping resort development situated on the main Costa del Sol highway. Engagement with key retailers has indicated a strong interest in the development. We intend, subject to shareholder approval, to exercise the option in March 2015. The expected stabilised initial yield on costs for the project is over 7 per cent.

Top properties

Intu owns and manages nine of the UK's top 20 shopping centres in locations right across the country

1 intu Trafford Centre

2 intu Lakeside

3 intu Metrocentre

4 intu Braehead

6 Cribbs Causeway

7 Manchester Arndale

9 St David's Cardiff

	Market value	Size (sq. ft. 000)	% ownership	Number of stores	Annual Property Income	Headline rent ITZA	ABC1 customers	Key stores
Super-regional centres								
1 intu Trafford Centre	£2,200m	1,973	100%	233	£86.9m	£415	65%	Selfridges, John Lewis, Next, Superdry, Hollister, Apple, Kurt Geiger, Ted Baker, Banana Republic, Nespresso, Forever 21, Victoria's Secret, Odeon Cinema, Legoland Discovery Centre, H&M, Hamleys, Marks & Spencer
2 intu Lakeside	£1,255m	1,435	100%	251	£59.7m	£350	72%	House of Fraser, Debenhams, Marks & Spencer, Hugo Boss, Topshop, Zara, Primark, Forever 21, Guess, Vue Cinema
3 intu Metrocentre	£928m	2,085	90%	344	£46.8m	£300	55%	House of Fraser, Marks & Spencer, Debenhams, Apple, H&M, Topshop, Zara, Primark, River Island, Odeon Cinema
4 intu Braehead	£599m	1,136	100%	121	£25.5m	£250*	62%	Marks & Spencer, Primark, Apple, Next, H&M, Topshop, Hollister, Superdry, Sainsbury's
5 intu Merry Hill	£435m	1,671	50%	264	£23.1m	£150	43%	Marks & Spencer, Debenhams, BHS, Primark, Sainsbury's, Next, ASDA, Boots, H&M
6 Cribbs Causeway	£243m	1,075	33%	153	£12.6m	£305	76%	John Lewis, Marks & Spencer, Apple, Next, Topshop, Timberland, Jigsaw, Hobbs, Hugo Boss, H&M
In-town centres								
7 Manchester Arndale	£430m	1,600	48%	249	£21.7m	£250	57%	Harvey Nichols, Apple, Burberry, LK Bennett, Topshop, Next, UGG, Hugo Boss, Superdry, Zara, Hollister, YO! Sushi, Nando's
8 intu Derby	£420m	1,300	100%	180	£28.4m	£125	53%	Marks & Spencer, Debenhams, Sainsbury's, Next, Boots, Topshop, Cinema de Lux
9 St David's, Cardiff	£308m	1,391	50%	203	£16.2m	£185	66%	John Lewis, Debenhams, Marks & Spencer, Apple, Hollister, Hugo Boss, H&M, River Island, Hamleys, Armani Exchange, Gap
10 intu Eldon Square	£273m	1,350	60%	151	£14.0m	£300	60%	John Lewis, Fenwick, Debenhams, Waitrose, Apple, Hollister, Topshop, Boots, River Island, Next
11 intu Watford	£335m	726	93%	140	£17.3m	£250	83%	John Lewis, Marks & Spencer, Apple, Zara, Primark, Next, Lakeland, Phase Eight, Lego, H&M, Topshop/Topman
12 intu Victoria Centre	£314m	981	100%	104	£16.9m	£230	54%	House of Fraser, John Lewis, Next, Topshop, River Island, Boots, Urban Outfitters, Superdry, Office

	Market value	Size (sq. m. 000)	% ownership	Number of stores	Annual Property Income	Key stores
Spanish centres						
13 Puerto Venecia**	€451m	119	100%	202	€22.4m	El Corte Ingles, Primark, IKEA, Apple, Decathlon
14 Parque Principado	€106m	77	50%	161	€7.8m	Primark, Zara, H&M, MediaMart, Cinesa, Eroski

* The amount presented is on the Scottish ITZA basis, the English equivalent is £335.
** The Group completed the acquisition of Puerto Venecia on 19 January 2015.

10 intu Eldon Square

13 Puerto Venecia

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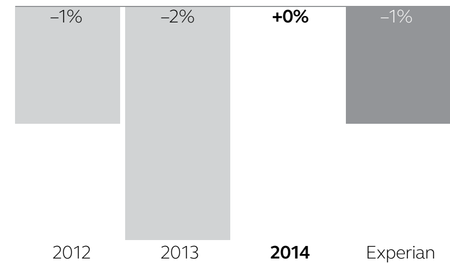
Key performance indicators

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

Footfall

1 3 4



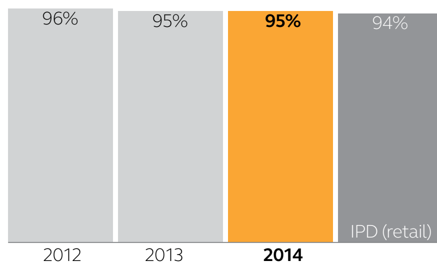
Why is this important?
Footfall is an important measure of a centre's popularity with customers. Retailers use this measure as a key part of their decision-making process on where to locate their stores.

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?
Footfall was unchanged in 2014, ahead of the 1 per cent reduction in the national benchmark as measured by Experian.

Occupancy

1



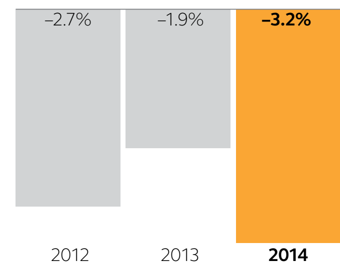
Why is this important?
We aim to optimise the occupancy of our centres as attracting and retaining the right mix of retailers and catering and leisure operators will enhance our centres' trading environment.

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

How have we performed?
Occupancy remains at the same level as 2013 and remains above the IPD benchmark figure.

Like-for-like net rental income

1 3 4



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 like-for-like net rental income reflects units held to facilitate future development plans and the impact of tenant administrations and lease expiries.

Key to strategic objectives measured by key performance indicators

1. Optimise performance of existing assets, prioritising medium-term total property return
2. Drive forward £1.3 billion investment programme in existing UK assets
3. Make the brand count
4. Seize the growth opportunity in Spain

Shareholder return

1 2 3 4

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

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

How have we performed?
The Group's share price has performed strongly in the year and compares favourably with the FTSE REIT index.
(Source: Bloomberg)

Total financial return

1 2

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

How is this measured?
Uses the movement in adjusted net asset value per share plus the impact of dividends paid in the year. The 2014 return is assessed using the opening NAV of 346 pence per share as adjusted for the bonus factor to reflect the rights issue. Using the pro forma opening NAV of 335 pence, gives a return of 17 per cent.

How have we performed?
The strong total financial return performance reflects the 8.2 per cent like-for-like property valuation gain, the Group's earnings and the impact of the Group's capital structure.

Income performance

1 3 4

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

How is this measured?
Underlying earnings exclude property and derivative valuation movements and exceptional income or charges. The 2012 and 2013 figures have been adjusted for the rights issue bonus factor.

How have we performed?
Underlying earnings per share fell during the year due to the impact of the fall in like-for-like net rental income.

Prime property assets

1 2

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

How is this measured?
Includes the capital growth on a like-for-like basis from the Group's properties.

How have we performed?
The Group recorded a significant valuation surplus in the year which again outperformed the IPD monthly index, retail.

People

Our people are energised and inspired by our vision to deliver a compelling shopping experience

Our employees are fundamental to the success of our business and the delivery of our brand promise to all our customers

Our values

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

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

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

People who work at Intu are passionate about what they do and proud of our reputation as the market leader of the UK shopping centre industry.

We expect the best from our employees, and in return we are committed to offering a stimulating and rewarding working environment where they can achieve their personal and professional goals as they accomplish challenging business targets.

We appoint the best people, and develop their talent, promoting internally and rewarding commitment and innovation whenever we see it.

And it works – 83 per cent of our staff declared themselves proud to work for intu, up 2 per cent on last year.

Our HR strategy is built around five key themes to complement our corporate strategy. We focus on three of these in this year's report.

Talent development

In 2014, we appointed a talent manager to help us achieve our aim to provide the same access to learning and development opportunities for all intu employees regardless of location role or level.

We also:

- implemented a structured leadership programme to support succession planning, identifying a group of senior managers to work with internal and external talent development specialists. Two senior managers have now been promoted to the Executive Committee
- created a comprehensive and consistent induction programme for centre staff
- extended performance appraisal systems to staff at all levels

Career development at Intu: Carly North

Left: Carly started her career with us in 1999 as a customer care assistant at intu Lakeside. She was promoted to marketing coordinator and after a spell at intu Bromley as assistant marketing manager she returned to intu Lakeside as customer services manager in 2011

Employee survey 2014

Eighty four per cent of staff took part in the annual employee survey in November (2,032 out of 2,427 eligible employees).

Scores were up again in 42 of the questions measured in previous surveys, and in over half the questions at least 70 per cent of respondents agreed or strongly agreed with the proposition. The overall engagement score now stands at 747 (2013 – 732) with favourable movement in all five domains that make up the engagement index: work environment, reward, development, operating culture and line of sight.

Staff at intu Merry Hill

91%

Of all staff agree intu puts customers at the heart of everything we do

83%

Of our staff are proud to work for intu

Next year we will:

- extend the leadership programme and consolidate the succession plan to staff at all levels
- develop assessment techniques to better evaluate skills and resources throughout the organisation
- encourage staff to gain cross-functional experience through project-working
- build on the success of World Class Service through a series of development sessions focusing on delivering a compelling experience
- introduce a national apprenticeship scheme
- work towards achieving the Investors in People standard at all our intu branded centres

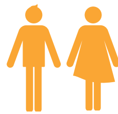
Employee engagement

Engaging with our staff, taking them with us on intu's journey to achieve its ambitious targets, is crucial to our progress. They need to understand our business and know how they can contribute to feel part of the team.

For the third year in a row our employee survey records a rise in employee engagement, from 701 in 2011 to 747 in 2014.

People
continued

Employee numbers



2,459

(2013: 2,027)

Leavers in their first year

19%

(2013: 35%)

In 2014 we:

- kept our staff informed with regular business briefings at national and local level, and created a new employee handbook for intu Retail Services staff
- carried out brand immersion events for new staff
- developed an action plan based on the 2013 employee survey
- introduced a new employee volunteering programme
- relaunched the Employee Assistance Programme (provided by the Retail Trust)
- rolled out new policies for whistleblowing and use of social media

Next year we will:

- improve internal communications networks further
- deliver the action plans arising from the 2014 employee survey
- develop our intranet making content accessible to all staff, including employees who do not have direct daily access to the Intu network
- continue to encourage staff to take part in Intu's corporate responsibility, community support and sustainability programmes
- expand our induction programmes to cover the full cycle of onboarding
- continue to review flexible working options
- learn from the experience of staff who leave us

Reward and recognition

Our competitive remuneration structure helps to retain and motivate the best with base salaries benchmarked against our peers in the industry. Many employees are eligible for an annual bonus based on corporate measures that reflect the executive remuneration policy and are 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 many staff can join a Share Incentive Plan subject to a qualification period.

Service profile

Under 1 year	1-10 years
16%	65%
2013: 15%	2013: 64%

10-20 years	over 20 years
16%	3%
2013: 17%	2013: 4%

Age profile

Under 30	30-50
19%	47%
2013: 18%	2013: 48%

Over 50
34%
2013: 34%

Gender profile

Female	Male
40%	60%
2013: 37%	2013: 63%

Gender profile senior managers

Female	Male
29%	71%
2013: 27%	2013: 73%

“We appoint the best people and develop their talent, promoting internally and rewarding commitment and innovation wherever we see it”

In 2014 we:

- made a voluntary defined contribution pension plan available to all intu Retail Services staff for the first time
- introduced intu's first national recognition and reward scheme called 'Win Your Dream', which allows staff at all levels to nominate colleagues for outstanding achievement linked to our values

Next year we will:

- complete a comprehensive remuneration review across all parts of the business
- ask the Remuneration Committee to review proposals and approve Senior Manager and Executive Director salary levels and bonus awards
- promote share ownership opportunities to all staff to enhance engagement

Recruitment

In line with our policy of developing our talent we have filled many of our new roles from internal applicants. Five shopping centres have new general managers, four of whom are internal promotions or transfers.

Most of our large scale recruitment is due to expansion – as well as the transfer of staff when we acquired intu Derby and intu Merry Hill, we recruited 468 new people into the Group during 2014.

Human rights

At Intu we respect the dignity, liberty and equality of everyone we work with. Our policies and procedures are consistent with the United Nations' universal declaration of human rights, which sets "a common standard of achievement for all peoples and all nations".

We are committed to implementing the UN guiding principles on business and human rights.

We only work with people who choose to work freely and we respect their rights to equal opportunities and freedom of association. We work with our suppliers, retailers and associated companies to ensure they meet acceptable standards of human dignity in their own sourcing policies.

We will continue to evaluate the pay and conditions of all our employees, in particular new staff on or near to minimum wage, to bring them into line with the rest of our staff in terms of wages and benefits and ensure fair working conditions.

Fair treatment of people who work for Intu or our suppliers is a key focus of our corporate responsibility approach. As appropriate our Board CR Committee and CR Management Committee consider the potential human rights risks faced by Intu and assess approaches to mitigate those risks.

Career development at Intu: Gavin Prior

Left: When teenage night school student Gavin Prior responded to a newspaper advert for the role of Administration Assistant at The Harlequin – now intu Watford – in 1996 he probably didn't think that within 16 years he would be at the helm of a super-regional destination. From Services Manager to Operations Manager at intu Metrocentre, he became one of Intu's youngest general managers at intu Metrocentre in 2012. He has recently been seconded to intu Merry Hill, one of intu's newest editions to the portfolio

People
continued

Energised and inspired

Left: People who work at Intu are passionate about what they do and proud of our reputation as the market leader of the UK shopping centre industry

How are we structured?

Our teams are grouped into six specialisms that underpin our business model

p8
for more information about the business model

Asset management
Drives the success of the centres by delivering sustainable asset growth through innovation, 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.

Development and construction
Responsible for the planning, management and delivery of new build, refurbishment and extension projects across the portfolio from inception through to completion.

Finance
Provides reports and analysis of the Group's financial performance, maintains a robust financial control framework and provides rigorous financial analysis and appraisals of projects and strategic options to support executive decision-making.

Commercial and digital
Adds value to assets through excellence and innovation in the disciplines of marketing, customer experience and digital technology to build the brand and encourage customers to come more often and stay longer. Includes intu Experiences which delivers income through advertising and brand partnerships. The digital team is responsible for information and communications technology operations and project delivery across the spectrum of digital activity, including our transactional website, intu.co.uk.

Operations and intu Retail Services
Each shopping centre is led by a dedicated general manager working within regional structures. intu Retail Services provides total facilities management ensuring each centre is properly maintained and that there is a welcoming, clean, safe and secure environment for retailers and customers.

Governance and support
Encompasses Legal, Secretariat, Human resources, Corporate responsibility, Communications and Public relations.

Focus on: intu Retail Services

Motivating our people to give their best

We know from Tell intu that when our customers have a great experience at one of our centres, they are more likely to stay longer, spend more, come back sooner and tell their friends.

The perfect intu customer experience depends on our people and the positive interactions they have with our customers. So in 2013 we created intu Retail Services to bring all frontline staff working in our centres in-house. We wanted to ensure every member of staff feels part of the intu team and has a strong connection to Intu as a wider Group. It also allows us to train all our staff in our World Class Service programme so that every member of the intu Retail Services staff understands the need to continually improve the experience of customers and retailers and to provide great standards and great service.

Our focus this year has been on recruitment, induction and training to ensure staff have the right skills. A great by-product has been a more motivated and committed workforce with a dramatic reduction in staff who leave within their first year of service, down from 35 per cent to 19 per cent. Turnover is down by 18 per cent overall and absence levels are down by 15 per cent.

The success of our approach has been independently recognised. At this year's industry awards we won the PFM Partners in Retail Facilities award and intu is the only shopping centre business to be accredited by the Institute of Customer Service.

Tell intu continues to highlight how much our customers value staff who are knowledgeable and always looking to provide the best experience.

Key risks and uncertainties

Successful risk management underpins Intu's ability to achieve its strategic objectives

Intu's Board has responsibility for establishing the Group's appetite for risk based on the balance of potential risks and returns, and has overall responsibility for managing risks. Risk management is embedded in Intu's culture so that all employees play a part. This may be cleaners making sure that the centres are free of hazards or the construction team ensuring the right contractors are selected for developments.

Risks are considered in the day-to-day decisions made by the business and this assessment of risk is underpinned by a formal risk review process conducted by each centre, each department and the Executive team. These reviews identify risks and assess them for controllability and stability.

Risks are measured for impact and likelihood; gross risk being the worst case scenario if there were no controls in place; net risk being the risk as it stands today; and target risk being after any further planned risk reducing measures are implemented. An assessment is also made of how quickly the risks would impact the business. Impact and likelihood change as businesses and external factors evolve. Intu's ongoing risk management ensures that changes in impact and likelihood are identified and managed appropriately.

Property market

1 2 4 ↓

Risk and impact

- Macro environment weakness could undermine rental income levels and property values, reducing return on investment and covenant headroom

Mitigation

- Focus on prime assets, upgrading assets and aligning the offering with demand, for example by increasing leisure offering
- Covenant headroom monitored and stress-tested
- Active management of tenant mix
- Regular monitoring of tenant strength and diversity
- Lobbying on key policies, for example business rates

2014 commentary

Likelihood and severity of potential impact have reduced during 2014 versus 2013 due to a number of factors including focus on tenant mix and increased property values

- Strong valuation increases for most centres resulting in improved LTV headroom
- Tenant administrations reduced compared to 2013
- Significant progress on planning and pre-letting of pipeline, more than half of which is leisure and catering. Leisure and catering space to increase by almost 50 per cent by 2018
- Digital investment to improve relevance as shopping habits change

p12
See Market review for more information

Financing

2 4 ↓

Risk and impact

- Reduced availability of funds could limit liquidity, leading to restriction of investing and operating activities and/or increase in funding cost

Mitigation

- Funding strategy regularly reported to Board with current and projected funding position
- Effective treasury management aimed at balancing long debt maturity profile and diversification of sources of finance
- Consideration of financing plans including potential for recycling of capital before commitment to transactions and developments
- Strong relationships with lenders/shareholders

2014 commentary

Likelihood has reduced during 2014 versus 2013 due to the refinancing activity in the year. Severity of potential impact is unchanged

- Financing activity during 2014 raised gross debt of £1.1 billion including Group's share of joint ventures
- Revolving credit facility increased from £375 million to £600 million during the year
- Refinancing of intu Derby and intu Chapelfield during 2014 demonstrated flexibility of Secured Group Structure funding platform

p40
See Financial review for more information

Change in level of risk
- Decreased
- Increased
- Remained the same

Key to strategic objectives impacted by risk

1. Optimise performance of existing assets, prioritising medium-term total property return
2. Drive forward £1.3 billion investment programme in existing UK assets
3. Make the brand count
4. Seize the growth opportunity in Spain

Operations

1 3 (Increased)

Risk and impact

— 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

Mitigation

— Strong business process and procedures, supported by regular training and exercises, designed to adapt and respond to changes in risk levels
— Annual audits of operational standards carried out internally and by external consultants
— Culture of visitor safety
— Crisis management and business continuity plans in place and tested, including cyber security threats
— Retailer liaison and briefings
— Appropriate levels of insurance
— Staff succession planning and development in place to ensure continued delivery of World Class Service
— Strong relationships and frequent liaison with Police, NaCTSO and other agencies

2014 commentary

Overall likelihood and severity of potential impact has increased due to external factors. However continuing improvement and consistency of operational procedures through intu Retail Services mitigate changes in external risk factors

— Operations of acquired centres have been successfully integrated
— Continuing group-wide cyber security project with key focus being proactive monitoring of technical infrastructure to mitigate cyber threats
— Work started towards achieving ISO 9001, 14001, 18001 and 55001 accreditation
— intu Retail Services has continued to deliver improvements in systems and processes, including investment in in-house fire and health and safety structure and a significant increase in centre management employees holding formal health and safety qualifications
— Reduced exposure to future energy costs and taxes through award-winning energy reduction initiatives – 30 per cent reduction in carbon emissions since 2011

Strategy and execution

1 2 3 4 (Remained the same)

Risk and impact

— Misjudged or poorly executed strategy fails to create shareholder value

Mitigation

— Annual strategic review by Board informed by external research and advice
— Board and management team experienced in shopping centre and broader retail industry
— Engagement with national and international retailers
— Specialist advice and extensive research supporting major initiatives
— Careful assessment of potential partners to complement Intu's skills, experience and resources
— Rigorous control and review procedures in place to ensure successful implementation of strategy

2014 commentary

Likelihood and severity of potential impact have remained unchanged versus 2013 with no significant new strategies implemented in the year

— New asset management structure implemented to enhance delivery of strategic goals
— Extending reach through introduction of new joint venture partners
— Partnership agreements designed to address both partners' interests and ensure efficient asset management

p16
See Chief Executive's review for more information

Development and acquisition

2 4 (Remained the same)

Risk and impact

— Misjudged or poorly executed project results in increased cost or income foregone, hence fails to create shareholder value

Mitigation

— Capital Projects Committee reviews detailed appraisals before and monitors progress during significant projects
— Research and third party due diligence undertaken for transactions including local specialists in Spain
— Fixed price contracts for developments
— Local partner in Spain with market specialist knowledge

2014 commentary

Likelihood and severity of potential impact have remained unchanged in 2014 versus 2013

— Substantial property and financial due diligence undertaken before acquisitions completed in the year
— Property management and financial activities in respect of centres acquired in the year integrated with the Group's existing processes and policies
— Detailed appraisal work and significant pre-lets continuing ahead of starting major development projects

Brand

1 2 3 4 (Increased)

Risk and impact

— The integrity of the brand is damaged or the commercial benefits of the brand are not realised

Mitigation

— Intellectual property protection
— Strong guidelines for use of brand
— Strong underlying operational controls and crisis management procedures
— Major training programme and rewards and recognition schemes designed to embed brand values and culture throughout the organisation
— Media monitoring
— Tell intu customer feedback programme of customer feedback collection and analysis

2014 commentary

Brand has continued to gain momentum during the year and higher profile results in greater risks versus 2013 for both likelihood and severity of potential impact

— World Class Service training embedding brand and values
— External evidence of brand value evidenced by disposal of 80 per cent interest in intu Uxbridge

Financial review

Overview

Strong growth in property valuations has resulted in a substantial increase in the profit for the year. This valuation increase has not yet been reflected in net rental income as the Group holds units to facilitate future development plans and completes reletting units from 2013 administrations and lease expiries:

- underlying earnings of £162 million, up 15 per cent on 2013 reflecting the acquisitions in the year, with earnings per share of 13.3 pence, down 3 per cent on 2013, impacted by the reduction in like-for-like net rental income
- NAV per share at 379 pence; total financial return for the year of 14 per cent based on the bonus factor adjusted opening NAV per share of 346 pence and 17 per cent based on the pro forma opening NAV of 335 pence

Financing metrics improved due to higher property valuations and refinancing activity:

- debt to assets ratio at 44.2 per cent (2013 – 48.5 per cent), below the Group's target maximum level of 50 per cent
- interest cover ratio at 1.82x (2013 – 1.71x), above the Group's target minimum level of 1.60x
- cash and available facilities increased to £671 million (2013 – £325 million)

Major transactions:

- in May the Group completed the acquisition of intu Merry Hill, intu Derby and Sprucefield for £855 million. Exceptional costs related to the acquisition totalled £12 million. The acquisition contributed £27 million to the underlying earnings of the Group
- in June 2014 the Group sold 80 per cent of its interest in intu Uxbridge for consideration of £175 million, before expenses. The Group retains a 20 per cent interest which has been accounted for as a joint venture from 20 June 2014
- in December the Group exchanged contracts to acquire Puerto Venecia, Zaragoza with the acquisition completing in January 2015. The 31 December 2014 balance sheet includes the deposit paid of €22.5 million within restricted cash. The acquisition will be consolidated from the date of completion. See Strategic review for further details

intu Derby

Presentation of information

Joint ventures

The Group has adopted IFRS 11 Joint Arrangements in 2014. This new standard requires that all joint ventures, which the Group previously chose to account for on a proportional consolidation basis, are equity accounted. This means that the income statement and the balance sheet now include single lines with the Group's total share of post-tax profit and the net investment in joint ventures respectively. The Group's profit for the year and total equity are unaffected by these changes. Further details of the impact of adopting this accounting policy are given in note 48.

The new standard has a greater impact following the transactions in the year which created joint ventures in respect of intu Merry Hill, Parque Principado and intu Uxbridge. Further details of these transactions are given in notes 40 and 41.

Management both review and monitor the business, including the Group's share of joint ventures, on an individual line basis not on a post-tax profit or net investment basis and therefore the figures and commentary presented are consistent with this management approach. Note 48 and the Other information section give reconciliations between the two bases.

Rights issue

In April 2014 the Company issued 278.2 million shares by way of a rights issue. Further details are included in note 37. Following a rights issue accounting standards require an adjustment to be made to the number of shares previously used to calculate earnings per share and in the Group's case, to be consistent, an adjustment is also made to the number of shares used to calculate the dividend and net asset value per share. A bonus adjustment factor of 1.098 has been used to adjust the comparative figures in these results using the Company's closing ex-div share price on 28 March 2014 of 301 pence per share and the theoretical ex-rights price of 274 pence per share.

Results for the year

Income statement

	Year ended 31 December 2014	Year ended 31 December 2013
Profit for the year (£m)	**600**	364
Underlying earnings (£m)	**162**	140
Underlying EPS (pence)	**13.3**	13.7[2]
Net rental income[1] (£m)	**397**	370

1 Including Group share of joint ventures.
2 Adjusted for the rights issue bonus factor.

The Group recorded a profit for the year of £600 million, a substantial increase on the £364 million reported for the year ended 31 December 2013. This increase was primarily due to:

- an increase in the revaluation gain on property valuations to £648 million including the Group's share of joint ventures (2013 – £126 million)
- lower exceptional finance costs of £51 million (2013 – £158 million), largely due to the lower level of interest rate swap terminations in connection with debt refinancing

These positive factors were partially offset by:

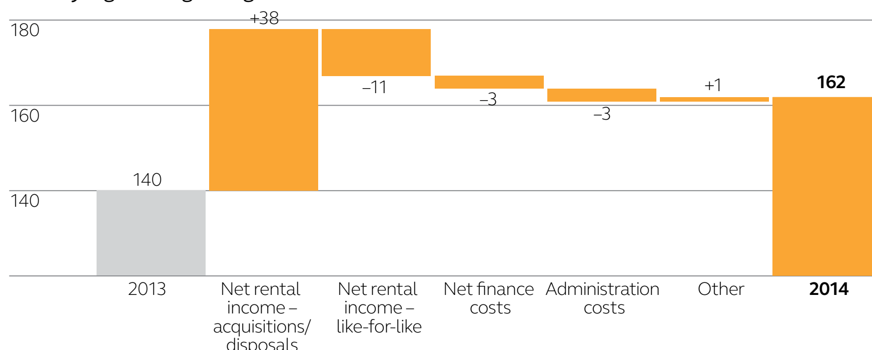
- negative movement of £431 million in the change in fair value of the Group's financial instruments. 2014's results include a charge of £157 million including the Group's share of joint ventures whereas 2013 benefited from a £274 million credit

Underlying earnings increased by £22 million to £162 million with underlying earnings per share, which takes into account the shares issued to part-fund the acquisition of intu Merry Hill and intu Derby, decreasing by 3 per cent to 13.3 pence. Underlying earnings exclude valuation movements, exceptional items and related tax and are presented as they are considered to be a key measure of the Group's performance and an indication of the extent to which dividend payments are supported by underlying earnings. The underlying profit statement is presented in full in the Other information section.

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

- net rental income increases due to acquisitions totalled £43 million reflecting the acquisitions of intu Merry Hill and intu Derby in 2014 and a full year contribution of intu Milton Keynes and Parque Principado acquired part way through 2013. This is offset by a £5 million reduction due to the sale of 80 per cent of intu Uxbridge
- like-for-like net rental income reduced by £11 million, 3.2 per cent (see Strategic review)
- underlying net finance costs increased by £3 million with the cost of debt drawn in the year to part-fund the acquisitions of intu Merry Hill and intu Derby partially offset by the favourable impact of lower interest rates following debt refinancings, in particular on the intu Metrocentre facility that was concluded at the end of 2013
- ongoing administration expenses increased by £3 million, largely due to costs related to management of recent acquisitions, including new employees and professional fees
- our partner's share of the reduction in finance costs following the intu Metrocentre debt refinancing has been the main factor reducing the non-controlling interest credit by £3 million compared to 2013

Underlying earnings bridge 2013–2014 (£m)



Financial review
continued

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Gross rental income	**480**	448
Head rent payable	**(23)**	(24)
	457	424
Net service charge expense and void rates	**(21)**	(16)
Bad debt and lease incentive write-offs	**(7)**	(9)
Property operating expense	**(32)**	(29)
Net rental income	**397**	370
Net rental income margin	**87%**	87%
EPRA cost ratio (including direct vacancy costs)	**19%**	19%

As detailed in the table above, the Group's net rental income margin including share of joint ventures is in line with 2013 at 87 per cent with higher void costs offset by lower bad debts. Property operating expense in the year ended 31 December 2014 includes £11 million (2013 – £10 million) in respect of car park operating costs and the Group's contribution to shopping centre marketing of £8 million (2013 – £8 million). The Group's ratio of total costs to income, as calculated in accordance with EPRA guidelines, remains low at 19 per cent.

Balance sheet

The Group's net assets attributable to shareholders have increased by £1.0 billion to £4.5 billion at the end of 2014 due to equity raised in the year to fund the acquisition of the intu Merry Hill and intu Derby shopping centres and the retained profit for the year including the £648 million gain on the revaluation of the Group's properties.

As detailed in the table, net assets (diluted, adjusted) have increased by £1,165 million from 31 December 2013 to £4,969 million as at 31 December 2014.

Investment and development property has increased by £1,338 million primarily due to the acquisition of intu Merry Hill, intu Derby and Sprucefield, valued at £866 million on acquisition, and the £648 million valuation gain in the year.

Investments of £228 million as at 31 December 2014 principally comprise the Group's interests in the US and India. The US investment of 11.4 million shares in a joint venture with Equity One, a listed US REIT, is valued at £185 million based on the 31 December 2014 Equity One share price. The India investment largely comprises a 32 per cent interest in Prozone, a shopping centre developer listed on the Indian stock market, included at £38 million on the Group's balance sheet at 31 December 2014. See notes 24 and 25 for further details.

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

Derivative financial instruments comprises the fair value of the Group's interest rate swaps. The net liability at 31 December 2014 is £347 million, an increase of £141 million in the year. This can be largely attributed to a movement in the interest rate yield curve. Cash payments in the year totalled £70 million, £44 million of which has been classified as an exceptional finance cost as it relates to the termination of swaps (£17 million) or payments in respect of unallocated swaps (£27 million). The balance of the payments has been included as underlying finance costs as they relate to ongoing interest rate swaps used to hedge debt.

As previously detailed, the Group has a number of interest rate swaps, entered into some years ago, which are unallocated as, due to a change in lenders' practice, they cannot be used for hedging the Group's borrowings. At 31 December 2014 these swaps have a market value liability of £242 million (2013 – £143 million). It is estimated the Group will be required to make cash payments on these swaps of £25 million in 2015 in line with the level of payments made in 2014. The balance sheet shows £73 million of these as current liabilities reflecting mutual options to break during 2015. Since the year end we have confirmed that no cash outflows will be required in respect of these breaks.

Non-controlling interests at 31 December 2014 relate to our partner's 40 per cent stake in intu Metrocentre and increased during the year due to its share of profit and additional investment in capital projects. The net reduction in the overall non-controlling interest balance reflects Parque Principado moving from being a subsidiary with a non-controlling

	31 December 2014			31 December 2013
	Group balance sheet as presented £m	Share of joint ventures £m	Group including share of joint ventures £m	Group including share of joint ventures £m
Investment and development property	**8,020**	869	**8,889**	7,551
Investments	**1,079**	(851)	**228**	191
Net external debt	**(3,958)**	(5)	**(3,963)**	(3,698)
Derivative financial instruments	**(347)**	–	**(347)**	(206)
Other assets and liabilities	**(197)**	(13)	**(210)**	(217)
Net assets	**4,597**	–	**4,597**	3,621
Non-controlling interests	**(73)**	–	**(73)**	(102)
Attributable to shareholders	**4,524**	–	**4,524**	3,519
Fair value of derivatives (net of tax)	**333**	–	**333**	198
Other adjustments	**90**	–	**90**	83
Effect of dilution	**22**	–	**22**	4
Net assets (diluted, adjusted)	**4,969**	–	**4,969**	3,804

interest to a joint venture. See note 41 for further details.

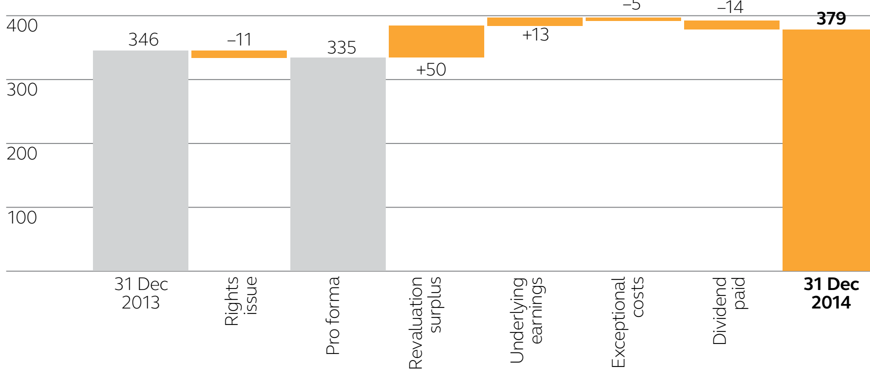
The Group is exposed to foreign exchange movements on its overseas investments in Spain, the US and India. The Group's policy is to ensure that the net exposure to foreign currency is less than 10 per cent of the Group's equity attributable to owners of the Company. At 31 December 2014 the exposure was 6 per cent, lower than at 31 December 2013, because during the year the Group's Parque Principado joint venture borrowed Euro denominated debt secured on the centre. The Group's acquisition of Puerto Venecia in January will increase the Group's exposure to around 8 per cent after the mitigating impact of Euro denominated debt drawn to fund the acquisition.

Adjusted net assets per share

As illustrated in the chart below, diluted, adjusted net assets per share after the bonus factor adjustment were 346 pence at 31 December 2013. Taking into account the full impact of the rights issue, the pro forma opening position for 2014 was 335 pence per share. The increase from the pro forma figure to the 31 December 2014 value of 379 pence per share was driven by the property valuation gain of 50 pence per share.

> The Group's ratio of total costs to income remains low at 19 per cent

Adjusted net assets per share bridge (2013-2014)



intu Trafford Centre

Financial review

continued

Cash flow and net external debt

	2014 £m	2013 £m
Group cash flow as reported		
Cash flow from operating activities	**56**	(35)
Cash flow from investing activities	**(719)**	(417)
Cash flow from financing activities	**724**	423
Net increase/(decrease) in Group cash and cash equivalents	**61**	(29)
Net external debt (including Group's share of joint ventures)		
Cash (including Group's share of joint ventures)	**260**	166
Debt (including Group's share of joint ventures)	**(4,223)**	(3,933)
Short-term investments	**–**	69
Net external debt (including Group's share of joint ventures)	**(3,963)**	(3,698)
Change in net external debt	**(265)**	(194)

During 2014 the Group has recorded an increase in cash of £61 million. Cash flow from operating activities of £56 million is £91 million better than 2013, primarily due to the lower level of exceptional swap termination costs compared to 2013.

Cash flow from investing activities reflects the cash outflows for the acquisition of intu Merry Hill, intu Derby and Sprucefield of £855 million, net of £175 million cash received on disposal of 80 per cent of intu Uxbridge.

Cash flow from financing activities includes an inflow of £492 million from the rights issue undertaken to part-fund the acquisitions in May and an inflow from net borrowings drawn of £314 million. This includes £424 million of facilities to part-fund the acquisitions in the year and the repayment of £146 million as part of the disposal of 80 per cent of the Group's interest in intu Uxbridge. Dividends paid in cash during the year were £90 million.

Net external debt (including Group's share of joint ventures) has increased by £265 million. Cash including the Group's share of joint ventures has increased by £94 million, which includes the Group's share of the proceeds from raising new finance on Parque Principado in August. Debt has increased by £290 million reflecting the key transactions above.

Financing

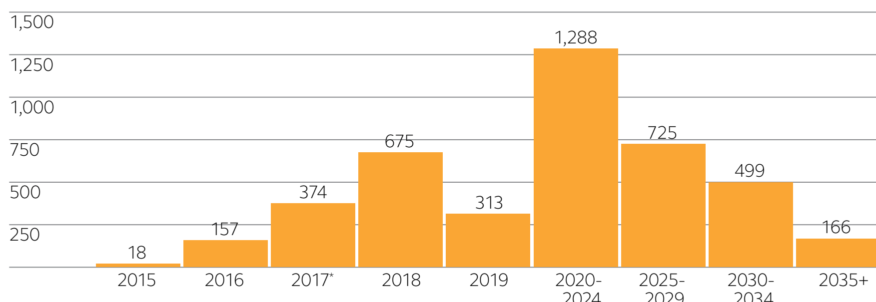
Debt structure

A large proportion of the Group's debt has been refinanced in the last two years, as a result of which the Group has significantly diversified its sources of funding. The range of debt instruments now includes CMBS and other secured bonds plus syndicated bank debt secured on individual or pools of assets, with limited or non-recourse from the borrowing entities to other Group companies outside of these arrangements. Corporate-level debt remains limited to the revolving credit facility and the £300 million convertible bond.

During the year there was a significant amount of financing activity, including:

- in February the Group raised £110 million through the issuance of further notes under the intu Trafford Centre CMBS. The bonds had an average maturity of nine years and an all-in cost of 4.6 per cent
- in April the Group's partnership with CPPIB signed a €95 million, five-year term loan secured on Parque Principado, Spain
- in May debt was raised to part-fund the acquisition of intu Merry Hill, intu Derby and Sprucefield. This involved three new two and a half year debt facilities secured on the intu Derby and Sprucefield properties and the equity interest in intu Merry Hill (£203 million, £30 million and £191 million respectively). The debt secured on intu Derby was refinanced later in 2014 (see below). At intu Merry Hill, the intention is that the Group and our partner QIC will jointly refinance at the asset level when the QIC CMBS matures in 2016
- in June the debt secured on intu Uxbridge of £146 million was repaid as part of the disposal process
- in August the facility in our St David's, Cardiff, joint venture was repaid and a new term loan of £120 million plus a revolving credit facility of £41 million was put in place, secured against the Group's interest in the joint venture
- in October the Group's revolving credit facility was extended from £375 million to £600 million bringing in a further two banks and extending the maturity to 2019 with the ability to extend this by a further two years. The margin has reduced by between 25 and 50 basis points. The combination of this and a lower commitment fee means that we expect to pay a lower all-in cost based on planned utilisation levels despite the larger facility size
- in November the debt on intu Derby and intu Chapelfield was refinanced and these assets were added into the Group's Secured Group Structure which issued £350 million 4.25 per cent bonds with maturity in 2030

Debt maturity profile (£m)



* 2017 includes £191 million relating to intu Merry Hill, which has an initial maturity of 20 September 2016 extendable at the Borrower's option to 20 September 2017. It is anticipated that this option will be exercised at the earliest possible opportunity.

Following the refinancing activity in the year the above chart illustrates that there is a minimal refinancing requirement in 2015 and no major refinancing due in 2016.

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

The debt to assets has reduced significantly from 2013 largely due to the property valuation gain in the year and remains below the Group's target maximum level of 50 per cent.

Interest cover of 1.82x has increased partly due to the favourable impact of lower interest rates following recent debt refinancing and remains above the Group's targeted minimum level of 1.60x.

The weighted average maturity has increased to 8.4 years with the benefit from the £350 million bonds issued in November, which mature in 2030, being partly offset by the shorter term debt related to the acquisition of intu Merry Hill.

The weighted average cost of gross debt has reduced to 4.7 per cent reflecting the lower rates achieved on refinancing activity in the year.

The Group uses interest rate swaps to fix interest obligations, reducing cash flow volatility caused by changes in interest rates. The proportion of debt with interest rate protection has reduced slightly in the year to 88 per cent within the Group's policy range of between 75 per cent and 100 per cent. The reduction is due to the impact of the floating rate debt secured against intu Merry Hill and Sprucefield which has not been hedged as it is short-term, partly offset by a lower level of borrowing against the Group's revolving credit facility.

	31 December 2014	31 December 2013
Debt to assets	**44.2%**	48.5%
Interest cover	**1.82x**	1.71x
Weighted average debt maturity	**8.4 years**	8.0 years
Weighted average cost of gross debt	**4.7%**	4.8%
Proportion of gross debt with interest rate protection	**88%**	92%
Cash and available facilities	**£671m**	£325m

Cash and available facilities have increased to £671 million at 31 December 2014. This comprises cash of £260 million in addition to undrawn facilities of £411 million. The increase on 2013 primarily reflects the increase in the Group's revolving credit facility from £375 million to £600 million.

Covenants

Full details of the loan financial covenants are included in the Financial covenants section of this report. The Group is in compliance with all of its covenants. Headroom over the minimum levels of LTV covenants has generally increased in the year reflecting the strong valuation increases.

Capital commitments

The Group has an aggregate cash commitment to capital projects of £81 million at 31 December 2014 (including the Group's share of joint ventures).

In addition to the committed expenditure, the Group has an identified uncommitted pipeline of active management projects and major extensions that may become committed over the next five years (see Strategic review).

Financial review
continued

Other information

Tax policy position

As a Real Estate Investment Trust (REIT), tax on property operating profits is paid at shareholder level to the UK government rather than by Intu itself. REIT status brings with it the requirement to operate within the rules of the REIT regime (for further information see Glossary).

As a good corporate citizen we believe that paying and collecting taxes is an important part of our role as a business and our wider contribution to society.

Intu does not employ tax avoidance strategies, or undertake transactions whose sole purpose is to abuse the tax system. We are committed to acting with integrity and transparency in all tax matters and have an open, up front and no surprises policy in dealing with HMRC. 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.

The Group pays tax directly on overseas earnings, any UK non-property income under the REIT rules, business rates, and transaction taxes such as stamp duty land tax. In the year ended 31 December 2014 the total of such payments to tax authorities was £26 million, of which £25 million was in the UK, £0.5 million in the US and £0.5 million in Spain. In addition, the Group also collects VAT, employment taxes and withholding tax on dividends for HMRC and the Spanish tax authorities. Business rates, principally paid by tenants, in respect of the Group's UK properties amounted to around £297 million in 2014.

Dividends

The Directors are recommending a final dividend of 9.1 pence per share bringing the amount paid and payable in respect of 2014 to 13.7 pence, unchanged from 2013 as adjusted to reflect the 2014 rights issue (see note 17). A scrip dividend alternative will continue to be offered. Details of the apportionment between the PID and non-PID elements per share will be confirmed in due course.

Matthew Roberts
Chief Financial Officer
27 February 2015

> "Refinancing activity has reduced the average cost of debt to 4.7 per cent"

intu Chapelfield

intu Uxbridge

Focus on: intu Lakeside's new food court

A highly contemporary dining destination

Our brand means we look at development differently. When we invest in our centres our perspective is all about our customers – how we can create a compelling shopping experience that delivers on our brand promise and will encourage customers to stay longer and visit more frequently.

For the 2013-14 redevelopment of the food court at intu Lakeside our vision was to create a setting that would bring in aspirational food operators and make the centre a more attractive leisure destination for a wider range and reach of customer.

With a £9 million investment we have transformed the food court, recreating the space from floor to ceiling: converting underused areas into stylish lounges and other spaces for a new type of retailer and a new type of customer.

It has been a great success, winning the British Council of Shopping Centres Gold Award for Catering and Leisure Destination of 2014, and seeing new contemporary retailers lining up to take space, including Five Guys, Tortilla, Patisserie Valerie, Nando's, Wasabi, Harper's, Thai Express, Rhythm Kitchen, Olive Oil & Oregano and Gino's My Pasta Bar.

The result is a more clearly defined and repositioned catering offer, which has elevated the overall food service proposition and provided new income streams.

It has contributed substantially to the overall customer experience and 'personality' of intu Lakeside, offering a dynamic dining experience that changes through the day and into the evening.

Footfall, dwell time and spend have all increased and the development is forecast to generate a stabilised net rental uplift of approximately £1 million per annum.

Corporate responsibility

We take our responsibilities seriously across all areas of our business and we are committed to being a responsible and sustainable Group

Working together to create public art

Above: intu worked with Create:Arts to bring mainstream students, disabled students and young carers together to break down barriers through creative arts. intu volunteers were also involved

Creating green spaces

Far right: intu supports The Conservation Volunteers (TCV) in the development of four Green Gyms® close to our centres. Green Gyms create a community green space and provide volunteers with the opportunity to develop skills and improve fitness

Better together

Why CR matters

Corporate responsibility matters. We want intu to be a long-term and sustainable business – and we can only ensure that if we care for the communities where our shopping centres are located and look after the environment that we all share.

Our corporate responsibility approach, set out on page 10, is fundamental to the way we run our business, securing our licence to operate, helping to manage risk, contributing to cost management, protecting stakeholder value and safeguarding and enhancing our reputation.

But corporate responsibility is more than a business driver. It is the right thing to do.

Intu owns some of the biggest and best shopping centres in the country. So it is right that we make sure our impact as a business is as beneficial to local communities and the national economy as possible. It is right that we give opportunities to the young people who live near our centres. It is right to do as much as we can to negate the environmental effects of our business. And it is right that we listen when our stakeholders – employees, retailers, community partners and local authorities – tell us what they need. It is right – and it is good for our business.

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 2014.

External recognition

We measure our sustainability performance against our peers through indices such as the Dow Jones Sustainability Indices and CDP. This ensures that we remain focused on best practice and allows us to identify areas of strength and weakness. 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 Council of Shopping Centres (BCSC) and the Better Buildings Partnership.

Understanding our stakeholders' views

We believe it is important to engage with our stakeholders around our CR reporting. In the autumn of 2014 we conducted our second stakeholder review to better understand the corporate responsibility issues that internal and external stakeholders believe are key to our business. Further details can be found in the 2014 Corporate Responsibility Report.

Improvements and targets

We work with our stakeholders to improve all areas of our CR performance and set relevant goals and targets that let us critically monitor progress. For example, our centres continue to roll out leading technology and 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.

> "We see corporate responsibility not just as a business driver but as the right thing to do"

Communities and economic contribution

Why it matters

Our shopping centres are integral to the communities they serve, providing places for people to come together to meet, eat, drink and socialise as well as shop.

We rely on these communities as customers and as employees as well as for their acceptance of our business. So, as investors, it's important that we show our support for local communities and develop partnerships that give us opportunities to make a real impact in the local area.

As a major local player in every community we operate in we can make a substantial difference to people living nearby – and we believe it is our responsibility to do so. That's why one of our main focuses is on training and supporting young people and helping them into work.

Our focus on local issues means the community activities our centres undertake can make a real difference to local people; our scale means we make a significant economic contribution to communities across the country.

What we're doing

In our joint community projects we work with local partners to help disadvantaged young people into work. During 2014, we worked with nine community partners delivering 21 projects at our centres. These projects have directly reached over 1,200 people.

In 2014 we launched our volunteering policy which means all of our employees can take 15 hours out of working time to volunteer in the community. While we've had a long-running tradition of volunteering on the community projects close to our centres we hope this new policy will boost our employees' involvement in their communities and help them to develop both personally and professionally.

Once again in 2014 we were accredited with the BitC CommunityMark, one of only 52 UK companies to receive the award. The CommunityMark is a national standard that publicly recognises leadership and excellence in the community.

What we plan to do

— increase employee volunteering across intu

— further our use of the London Benchmarking Group framework and introduce this approach to our community partners

— expand our education programmes for young people

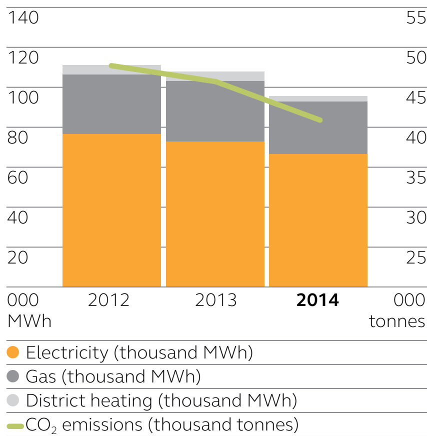
Each year since 2011 we've commissioned Nathaniel Lichfield & Partners to analyse the economic contribution of our shopping centres. We believe that recognising these impacts and outputs will enable us to better understand, and respond to, our community footprint. Doing this will help to underpin our planning applications and give us the evidence we need to demonstrate to investors the strength of our position. According to the report in 2014, Intu and its retailers nationally directly employed almost 89,000 people and indirectly supported over 25,000 jobs.

£1.3m

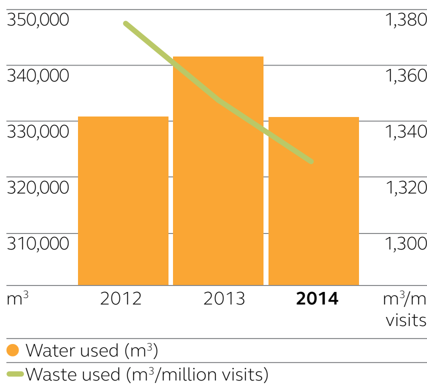
Our community activities during 2014 were supported by total donations of £1.3m cash equivalent, including facilitated donations

Corporate responsibility
continued

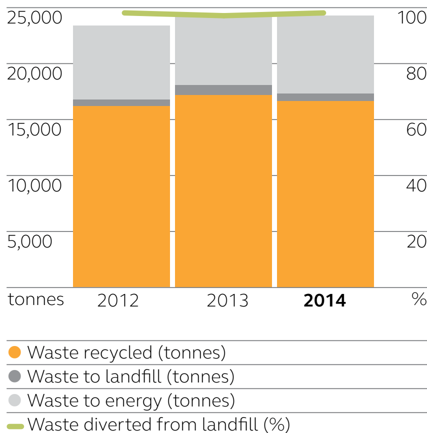
Absolute energy use and carbon emissions (CO_2) at directly managed centres



Water use at directly managed centres



Waste disposal at directly managed centres



Environmental efficiency

Why it matters

As long-term investors in our shopping centres it is important we demonstrate a sustainable approach to managing our operations. Given the scale and nature of our business we recognise our responsibility to manage and minimise our environmental impact.

Saving energy and water and managing waste effectively minimises our impact on the environment, reduces costs and mitigates against environmental risks – all of which makes us a more attractive landlord for our retailers. We are also committed to creating a sustainable built environment and consider environmental issues as part of all of our development work. We share our good practice and learning with our retailers, suppliers and visitors to our centres.

What we're doing

Our environmental initiatives typically focus on the areas of our shopping centres where we are most able to implement changes – mainly in the common parts that we manage, including car parks. In 2011 we set ourselves challenging targets to reduce our carbon emissions (CO_2) by 30 per cent, to divert 95 per cent of waste from landfill, to recycle 75 per cent of waste and to reduce our water consumption by 10 per cent all by the end of 2014. By the end of 2014, we had reduced our carbon emissions by 30 per cent compared with 2011 (like-for-like portfolio adjusted for occupancy), diverted over 97 per cent of waste away from landfill, recycled 69 per cent of waste and had reduced water use by two per cent compared with 2011. Further details of our progress against our targets can be found in the separate 2014 Corporate Responsibility Report.

Our efforts have been publicly recognised – as well as the 2014 Carbon Trust Standard award for carbon reduction (see opposite) we have held the Carbon Trust Standard certification since 2011. We have also received a gold ranking in the Mayor of London's Business Energy Challenge for our two centres in Greater London and our head office.

Sustainable transport remains a key concern for our business given the reliance of customers and centre employees on public transport and private vehicles to reach our centres. We have appointed transport champions with responsibility for creating and updating sustainable travel plans which we make available to all interested stakeholders.

What we plan to do

- reduce carbon emissions intensity by 50 per cent between 2010 and 2020
- reduce water consumption intensity by 10 per cent between 2010 and 2020
- divert 99 per cent of waste away from landfill by 2020
- continue to update travel plans for all centres

Greenhouse Gas emissions from intu's directly-managed shopping centres

Emission type	Absolute CO2e emissions (tonnes)	Tonnes CO2e per £m net rental income
2014 Scope 1	4,808	15
Scope 2	33,115	106
2013 Scope 1	5,571	17
Scope 2	32,814	102

Greenhouse Gas (GHG) emissions reported are for our head office and for those shopping centres and leisure facilities under direct management by intu as these are the operations where intu has the opportunity to directly influence emissions levels. As such data from the following centres is excluded: The Mall at Cribbs Causeway, Manchester Arndale, St. David's, Cardiff and Parque Principado. Emissions have been normalised by net rental income generated by those shopping centres under direct management control. Centres acquired in 2014 have not been included. GHG emissions are calculated based on Defra's CO2e factors for 2013 and 2014. Due to a change in factor 2013 data has been restated. For further details see the 2014 CR Report.

Focus on: a great record of carbon reduction

Outstanding performance in energy efficiency

We haven't made a big thing about our work on carbon reduction because it's just the way we do business – but in 2014 our outstanding and sustained performance in energy efficiency was recognised by the Carbon Trust, which awarded us the 'Best in continuing carbon reduction' award at the Standard Bearers Awards. The award recognises the challenging 30 per cent reduction target we set ourselves and the work we have done to achieve this since 2011.

As part of our ambitious carbon reduction programme we installed 60,000 energy efficient LED light bulbs across our centres, resulting in £2 million in electricity savings each year as well as significantly reduced lamp replacement costs. This minimises our environmental impact and helps mitigate the risk of increasing energy costs for ourselves and our retailers.

We appointed an energy champion in every centre to focus on innovative and deliverable ways to reduce energy use at their centre and share best practice with other centre champions. Our scale and single management means champions can ensure the best energy-saving ideas are replicated across intu centres.

These ideas include savings that can be made without capital outlay, such as carefully scheduling lighting for night-time cleaning and managing the lighting of car park areas more efficiently.

As a result of these changes and more, Intu has reduced its carbon emissions (CO_2) by 30 per cent since 2011 on a like-for-like basis – equivalent to taking 7,000 cars off the road for a year.

Corporate responsibility
continued

Relationships

In order to provide a business that offers a great shopping experience we need loyal customers, committed retailers, 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

Customers

To maintain our competitive edge we must understand what our customers are looking for in a perfect shopping experience from retailer mix to customer service expectations.

How we engaged in 2014

- Carried out over 26,000 customer surveys
- Received over 17,000 responses to Tell intu

Outcomes

- intu is well informed of customers' needs and wants
- We are able to evaluate our customer strategy against customer opinion

How we engaged in 2014

- Intu senior management met with key directors of many top retailers in 2014
- Merchants' association meetings
- Feedback from shopper engagement provided to all retailers

Outcomes

- 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
- Retailers are kept well informed of the opinions of shoppers in each of our centres

Retailers

Maintaining strong relationships and open dialogue with our retailers and other occupiers is a prime focus of our business. We work to connect with them to ensure that we are providing the high-quality service they need.

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.

How we engaged in 2014

- Active engagement with all investor enquiries including a number of enquiries from ethical funds
- Active participation in responsible investor indices and tools such as CDP climate change survey

Outcomes

- Inclusion in FTSE4Good and the Dow Jones Sustainability Global Index
- Awarded Green Star by GRESB
- Increased our Carbon Disclosure Project (CDP) disclosure score for the fifth year running
- For an outline of our approach to managing relations with shareholders, see page 62

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.

How we engaged in 2014

- During 2014 we conducted formal community consultations regarding planned developments at one of our centres
- For further details of our approach to communities see page 49 and the separate 2014 Corporate Responsibility Report

Outcomes

- We are able to include community feedback in our planning process
- We are one of only 52 UK companies to hold the BitC CommunityMark

Local and national government

It is important that we engage with national government around policies that impact on our business and local authorities over planning and other local issues.

How we engaged in 2014

- We conduct government engagement through industry-wide organisations
- General managers and others within the business maintain and develop links with local stakeholders
- Proactive engagement with constituency MPs
- Submissions to Parliamentary Select Committees

Outcomes

- A Group-wide database supports a co-ordinated programme of engagement on issues of relevance to our business such as business rates and national/regional planning policy issues
- We publish details of our policy positions on our website
- Our views are taken into account when national policy is made

Our people

Our employees are fundamental to the success of our business and to the delivery of a high-quality service. We believe that employee engagement is key to maintaining a motivated workforce.

How we engaged in 2014

- Comprehensive induction programme for new employees including specific CR module
- Feedback from 2013 employee survey provided and 2014 employee survey conducted
- Presentations of annual and interim results
- Annual CR presentation
- Employee recognition fund 92 per cent utilised

Outcomes

- Increased understanding of employee views on workplace and Group issues
- Employees are kept informed of all key business developments
- For further details of our approach to our people see pages 32 to 37

Suppliers

We recognise the wide range of potential impacts arising from our supply chain and therefore the need to engage with our suppliers across a range of issues.

How we engaged in 2014

- Included our metering providers and LED suppliers in our energy forum
- Included contractor employees based on our sites in our induction process
- Contractors working on our development pipeline attend brand immersion events, including the World Class Service module

Outcomes

- Able to work collaboratively with suppliers to promote best practice in environmental areas
- Key suppliers have strong understanding of our business and our values

Board of Directors

Chairman, Deputy Chairman and Executive Directors

Patrick Burgess MBE
Chairman

Age 70

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 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 72

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 56

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 29-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 Intu Properties Limited.

Matthew Roberts
Chief Financial Officer

Age 51

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

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

Skills and experience: Matthew Roberts (FCA) joined Intu as Finance Director in May 2010 and was part of the team which acquired The Trafford Centre, Manchester, in the UK's largest ever single property transaction. In Spring 2013 he led the establishment of Intu's Secured Group Structure with initial issue of £1.15 billion of bond and bank debt. Since then he has led a series of further transactions which have raised over £2 billion of leverage.

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

Non-Executive Directors

Adèle Anderson

Age 49

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

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

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

Other appointments: Non-Executive Director of easyJet plc; a member of the Board of Trustees of both Save the Children UK and Save the Children International.

Chairman of the Audit Committee

Richard Gordon

Age 56

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

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

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

Andrew Huntley

Age 76

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

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

Skills and experience: Andrew is a Chartered Surveyor and an experienced property adviser.

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

Louise Patten

Age 61

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

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

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

Neil Sachdev

Age 56

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

Career: Neil Sachdev joined Tesco plc in 1978, where he was Property Director before joining J Sainsbury plc as Commercial Director in March 2007 and Property Director from June 2010 until March 2014.

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

Other appointments: Neil was appointed as a Director to Medico-Dental Holdings Ltd in September 2014. He is also Deputy Chairman to the HSS Hire Group as at February 2015 and serves on the Joint Advisory Board of the Grantham Institute for Climate Change. Since 2008 he has been a member of the BiTC 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 Remuneration Committee

Andrew Strang

Age 62

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

Career: Andrew Strang started his career with Richard Ellis in 1975. He served as Managing Director of Threadneedle Property Investments Limited for 17 years until January 2008. He was Chairman of Hermes Real Estate Investment Management from 2009 to 2011. He was a Director of the British Property Federation from 1994 to 2013, and 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: Non-Executive Director of Capital & Counties Properties PLC.

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.

Kate Bowyer
Director of Finance

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

Martin Ellis
Construction Director

Appointed as a Director of Capital Shopping Centres PLC on 1 October 2005. He joined the Group in 1990 and in 2008 was appointed Managing Director of Liberty International Construction and Development Limited. Following the demerger of the Capital & Counties business in May 2010, Martin 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. He was previously General Manager Legal at Virgin Atlantic Airways, and before that a commercial lawyer with British Airways plc. He qualified as a solicitor in 1992 with Freshfields.

Susan Marsden
Group Company Secretary

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

Trevor Pereira
Digital and Commercial Director

Joined the Group in 2007 as Commercial Director of Intu Shopping Centres plc. He was appointed Group Commercial Director in October 2011 and Digital and Commercial Director in November 2013. Trevor worked for airport group BAA plc for 21 years, most recently as Retail and Commercial Director for Heathrow Airport.

Dushyant Sangar
Corporate Development Director

Joined the Group in 2010 and was appointed Corporate Development Director in 2014. Dushyant has been involved in all of the Group's major acquisitions and joint venture transactions since the demerger of the Capital & Counties business. He previously worked in the corporate acquisitions team for MGPA, a real estate private equity investment advisory business. Before this, he worked in the real estate investment banking team for UBS.

Executive management

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

* Additional members of the Executive Committee are the Chief Executive (Chairman of the Committee) and the Chief Financial Officer, whose biographies are set out on page 54.

Governance

Our approach to good governance continues to be robust and highly effective

Patrick Burgess
Chairman

Key matters discussed in 2014

- Acquisition of Merry Hill and Derby in the UK and Sprucefield in Northern Ireland
- Driving the investment programme
- Joint venture to introduce an 80 per cent partner at intu Uxbridge
- Building the brand and rolling out the digital infrastructure
- Launch of £350m 16-year bond
- Talent development across Intu
- International activity and purchase of Puerto Venecia
- Evaluation of Board's performance

Areas of focus in 2015

The main areas of focus for next year are:

- Succession planning
- Board communication
- Risk

Dear Shareholder

I am pleased to introduce Intu's Corporate Governance report for 2014.

I would like to highlight the following key areas of focus during 2014:

Risk management – As a result of the rapid changes to the business including especially the increased focus on digital services and the expansion of operations into Spain, the Audit Committee has overseen an evolution of the Group's risk management methodology to ensure all risks are identified and prioritised appropriately. A comprehensive formal appraisal of risk appetite, introduced last year, was repeated in 2014. All existing and new risks were analysed, discussed and reviewed with the Board and Senior Management. Each risk was assessed as to potential impact and probability and categorised accordingly. Further information on the Group's risks can be found on pages 38 and 39.

UK Corporate Governance Code Compliance – The Audit Committee has confirmed to the Board that in its opinion, the Annual Report and Accounts for the year ended 31 December 2014, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders.

Please see page 64 of the Audit Committee Report where we discuss the external auditor and their tenure.

Our approach to good governance continues to be robust and, we believe, highly effective. Our governance procedures are kept under close scrutiny by the Board, and we react quickly, where appropriate, to match best practice and regulation. I am confident that our attitude and approach to good governance is embedded throughout the business and remains of the highest standard.

An amended version of the UK Governance Code was issued in September 2014 which is applicable to companies with a UK premium listing with financial years beginning on or after 1 October 2014; Intu will report on its compliance with the 2014 version of the Code in its 2015 Annual Report.

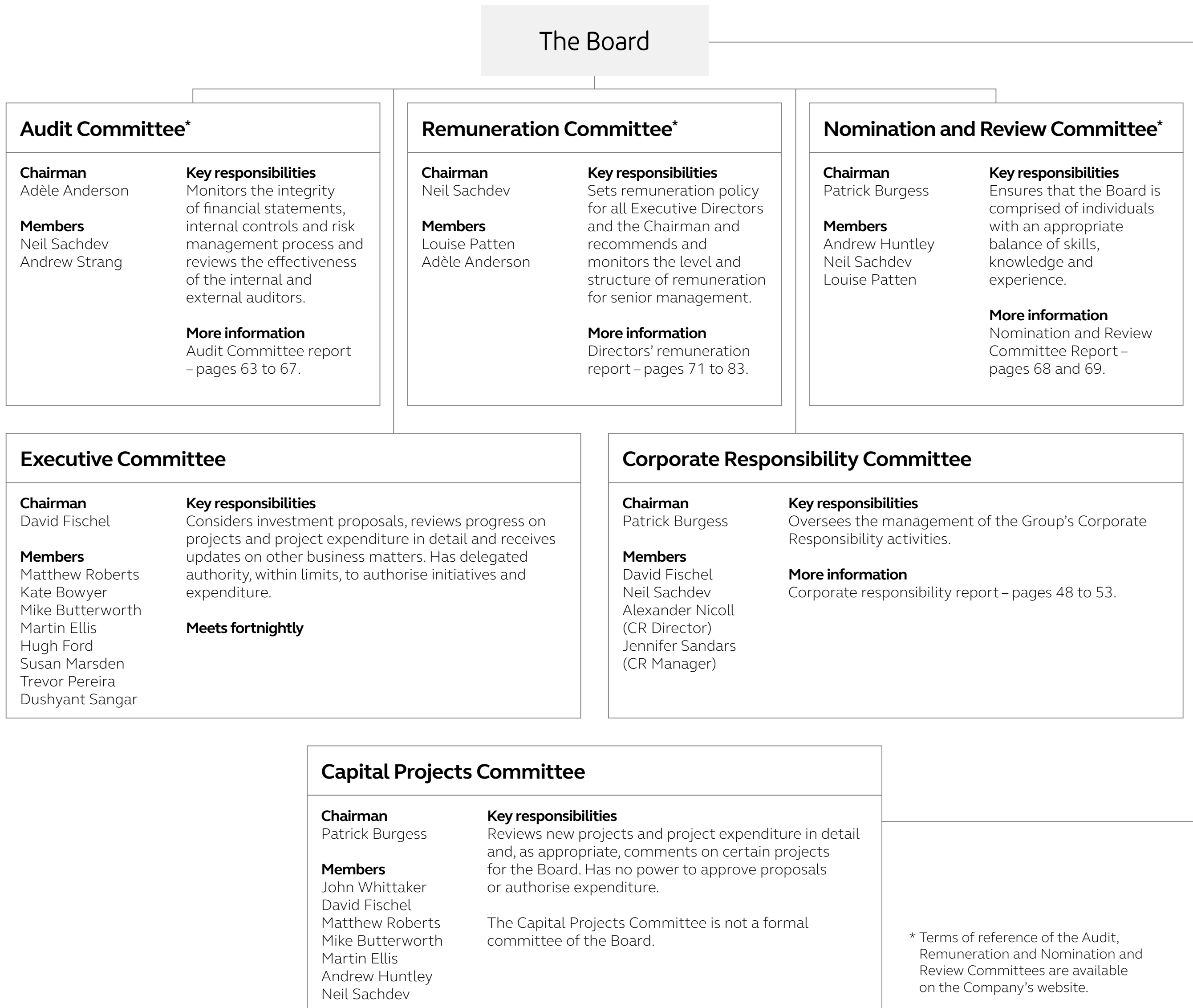
Patrick Burgess
Chairman
27 February 2015

Compliance statement

Compliance with the UK Corporate Governance Code
The Company has, throughout the year ended 31 December 2014, complied with all provisions 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.

The Board



* Terms of reference of the Audit, Remuneration and Nomination and Review Committees are available on the Company's website.

The Board

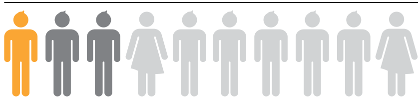
Led by the Chairman, the Board's overarching objective is to provide effective leadership to the Group underpinning the business model described on pages 8 and 9 to ultimately deliver long-term growth and generate sustainable returns for its shareholders. It does this by setting and implementing strategy, 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 report on pages 48 to 53, which we strongly recommend shareholders to read, and on the Company's website.

Structure of the Board and independence
Board structure

Board structure

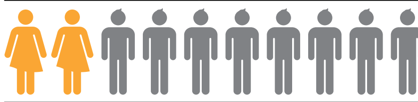


Chairman	1
Executives	2
Non-Executives	7

Board independence (excluding Chairman)

Executive	2
Non-Independent	2
Independent	5

Gender split



Women	2
Men	8

Length of tenure of Non-Executive Directors

0–3 years	1
3–6 years	4
6–9 years	2

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.

The Chairman and Chief Executive

The roles of the Chairman, Patrick Burgess, and of the Chief Executive, David Fischel, are separate and have been defined by the Board. In summary, the Chairman's responsibilities include leading the Board, setting its agenda, achieving clarity of decision-making and ensuring its effectiveness on all aspects of its role. He also ensures that the Board maintains effective two-way 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 their maximum potential.

Non-Executive Directors

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

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

The Senior Independent Director

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

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.

The Board
continued

The attendance of Directors at all Board meetings held in 2014 is set out in the table below:

	Board			
	Scheduled (4 meetings)		Additional (4 meetings)	
	A	B	A	B
Patrick Burgess	4	4	4	4
David Fischel	4	4	4	4
Matthew Roberts	4	4	4	4
John Whittaker	4	4	4	4
Adèle Anderson*	4	4	4	4
Richard Gordon	4	4	4	4
Andrew Huntley*	4	4	4	4
Louise Patten*	4	4	4	4
Neil Sachdev*	4	4	4	4
Andrew Strang*	4	4	4	4

A = Maximum number of meetings the Director was eligible to attend.

B = Number of meetings actually attended.

* Independent directors.

Board meetings

The Board meets regularly during the course of the year, and met a total of nine times in 2014. There were four scheduled meetings as well as a Directors' Away Day focused on plans and strategy for 2015. A further four unscheduled meetings were held, both of which were necessarily convened at short notice to deal with matters arising between the 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.

Key matters discussed/approved by the Board in 2014

- acquisition of Merry Hill and Derby UK shopping centres and the Sprucefield retail park in Northern Ireland together with the associated rights issue and the sale of 80 per cent of intu Uxbridge
- driving forward the investment programme in existing assets
- continuing to build the public profile of the brand and the roll-out of the new digital infrastructure across our centres
- progress of development projects including major extensions at intu Watford and intu Lakeside
- launch of a £350 million 16-year bond following the transfer of intu Derby and intu Chapelfield into the Group's Secured Group Structure
- new £600 million revolving credit facility replacing the existing £375 million facility that was due to expire in November 2018
- talent development across the organisation
- development of international activities including the acquisition of the Puerto Venecia Shopping Centre, Zaragoza, Spain

Communication between Board meetings

Directors are kept fully informed of progress on matters between formal meetings, in particular by way of scheduled conference calls or less formal update meetings in every month when there is not a formal Board meeting, ad hoc meetings, working visits to centres and pursuing a policy of open communication.

The chairmen of the Audit Committee and Remuneration Committee communicate regularly with relevant staff and advisers including the Head of Risk and Internal Audit, the Company Secretary and the Remuneration Consultants.

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, and finance, areas that are well represented by the current Non-Executive Directors (see biographies on page 55).

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 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 Board reviews the independence of its Non-Executive Directors on an annual basis. With the exception of John Whittaker and Richard Gordon, both representatives of major shareholders, the Board has concluded that all other Non-Executive Directors continue to demonstrate their independence. The balance of the Board is illustrated on page 59.

Time commitment, external activities and conflicts of interest

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 have a statutory duty to avoid situations in which they have or may have interests that conflict with those of Intu, including when a Director takes up a position with another company, unless that conflict is first authorised by the Board. The Board has adopted a formal procedure for the identification of conflicts under which Directors must notify the Chairman of any potential conflicts. The Chairman then decides whether a conflict exists and recommends its authorisation by the Board where appropriate. In certain circumstances, the conflicted Director may be required to recuse himself from the Board's discussions on a matter in which he or she is conflicted.

Directors must also notify the Chairman when they take on any additional responsibilities or external appointments, and it is their responsibility to ensure that such appointments will not prevent them from meeting the time commitments discussed above.

In addition, the Board has implemented a 'Related Party Protocol' for situations where a proposed transaction could be captured by the related party provisions of the Listing Rules or by the Companies Act 2006.

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 180 investment institutions during 2014 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.

Intu places considerable emphasis on maintaining an open and frank dialogue with investors

Investor visits

Below: In 2014, investors visited intu Merry Hill, intu Derby, intu Victoria Centre, intu Broadmarsh, intu Watford and intu Trafford Centre to see recent changes and to hear about significant planned projects

Key components of the investor relations programme

- **One-on-one meetings with principal shareholders:** The Chairman is available to meet with key investors to answer their questions and to better understand their views, particularly with regard to governance matters
- **Results-related meetings:** Institutional shareholders are invited to a presentation with a question and answer session by the executive team on the day of announcement of final and interim results. 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 2014, investors visited intu Merry Hill, intu Derby, intu Victoria Centre, intu Broadmarsh, intu Watford and intu 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
- **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 nine such conferences in 2014 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 20 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 publishing material on Intu can be found at 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 Chief Financial Officer. Institutional investors in certain of the Group's listed debt are invited to periodic updates on the Group's business and performance. We welcome the moves by some credit side institutional investors towards more openness regarding holdings of debt instruments and 'road show'-style one-to-one meetings

Audit Committee

Highlights of 2014

- Accounting treatment for significant transactions in the year
- Financial integration and control of significant acquisitions in the year
- The impact of the adoption of IFRS11 Joint Arrangements
- The Group's cyber security plans

Members in 2014

Chairman

Adèle Anderson
(Independent Non-Executive Director)

Members

Neil Sachdev
(Independent Non-Executive Director)

Andrew Strang
(Independent Non-Executive Director)

Areas of focus 2015

- Developments
- International operations
- Partners and joint ventures

Dear Shareholder

As the Chairman of the Audit Committee it is my role to present to you the Audit Committee report for 2014.

In addition to its core activities, the Committee has this year continued to focus on risk management, particularly in relation to the expanding digital environment and our entry into Spain. For the second consecutive year, the Committee carried out a comprehensive risk review and assessment of risk appetite across the Group. The results of the risk review were discussed by the full Board at its annual away day. The Group's risk management framework is described in detail on pages 38 and 39.

The Board again asked the Audit Committee to advise it on whether the annual report is fair, balanced and understandable and allows shareholders to make an assessment of the Company's performance, business model and strategy. The annual report preparation process is set out on page 65 and, together with opinions of key executives and the external auditor, has been designed to assist the Committee in reaching its view. The Committee is satisfied that, taken as a whole, this Annual Report is fair, balanced and understandable and has recommended as such to the Board.

Following our annual review of auditor quality and independence, we have determined that it is not necessary to tender the audit contract for the time being, and have recommended that PricewaterhouseCoopers (PwC) be reappointed for the 2015 audit. Although we are awaiting final guidance on audit tendering, we anticipate that a tender exercise will, at the latest, be carried out at the end of the current audit partner's five year tenure, i.e. in respect of the year ending 31 December 2018.

In 2015 we will continue to focus on the key risk areas of the Group. This will include in-depth reviews of the Group's developments, international operations and the approach to our partners and joint ventures.

Adèle Anderson
Chairman of the Audit Committee
27 February 2015

	Audit Committee[1] (4 meetings)	
Meetings in 2014	A	B
Adèle Anderson (Chairman)	4	4
Neil Sachdev	4	4
Andrew Strang	4	4

A = maximum number of meetings eligible to attend.

B = number of meetings actually attended.

1 The Audit Committee normally invites the Chairman, Chief Executive and Chief Financial Officer to attend meetings. The Chairman attended three meetings of the Audit Committee in 2014 and the Chief Executive and Chief Financial Officer attended all four.

Audit Committee
continued

Responsibilities

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

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

Main activities during the year

The Audit Committee considered the following key matters in 2014:

- the Group's investment property valuation process
- accounting treatment of the most significant transactions in the year including the acquisitions of interests in intu Merry Hill, intu Derby and Sprucefield from Westfield and the associated rights issue, along with the sale of 80 per cent of intu Uxbridge
- financial integration and control of acquisitions in the year
- changes to accounting standards and their potential impact on the Group including the adoption of IFRS 11 Joint Arrangements
- the 2014 Internal Audit Plan and Audit Charter
- discussion on the appropriateness of those items classified as 'exceptional' in the year and therefore excluded from underlying earnings
- the results of a review of the carrying value of the Group's investment in Prozone due to the market value of the shares trading at a discount to the Group's carrying value based on share of net assets. This included further enquiries by management to supplement their understanding of the Indian market including discussions with an independent expert. The review concluded that no adjustment was required at this time
- the Group's cyber security plans

External auditor

The Audit Committee has assessed the effectiveness of the external auditor, PricewaterhouseCoopers LLP (PwC), by a combination of direct meetings and review of independent reports:

- Senior finance staff reviewed the detailed execution of the 2013 audit plan with the engagement team and identified specific improvements for the 2014 plan
- The report of the Financial Reporting Council (FRC)'s May 2014 Audit Quality Inspection review of PwC was reviewed and found to be supportive of the firm's overall systems of quality control
- The Chairman of the Audit Committee and the Chief Financial Officer each met privately with a senior partner of PwC unrelated to the engagement shortly after the publication of the Group's Annual Report to review the performance of the firm
- The FRC's Audit Quality Review team undertook a review of PwC's 2013 audit of the Company, reporting in November 2014. The Audit Committee discussed the findings with the lead audit partner and was satisfied with the actions to be taken. No significant changes to the audit approach were identified

The EU Audit Regulation (537/2014) and Audit Directive (2014/56/EU) become applicable from 17 June 2016 and must be implemented in the UK by the same date. These limit the length of tenure an audit firm can serve and put in place requirements for the audit tender process. PwC have been Intu's audit firm for more than 20 years and it is anticipated that a tender process will, at the latest, be carried out at the end of the current audit partner's five year tenure, i.e. in respect of the year ending 31 December 2018.

A resolution to reappoint PwC for the 2015 audit will be proposed at the 2015 AGM.

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

Key financial reporting and significant judgements

During the year the Committee discussed the planning, progress and final conclusions of the external audit process. The audit plan was reviewed and approved at the July 2014 Committee meeting. The significant risk areas identified were: investment property valuations; revenue recognition; and management override of controls. International Standards on Auditing (UK and Ireland) identify these latter two risks as significant for all companies. These issues were discussed by the Committee following finalisation of the audit.

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

Valuation of investment properties

For the interim results at 30 June the Audit Committee carried out a review of the investment property valuations. The full Board carried out a review of the 31 December valuations included in this report.

Due to the overall importance of the valuations to the Group's results, DTZ, who undertake the largest proportion of the Group's valuations, were invited to both the Audit Committee and the Board meetings to participate in the consideration of the valuations.

The Audit Committee review included discussion with management and the auditor of the key assumptions and results of the valuation process undertaken by the independent third party valuers.

This review also included understanding which general factors had influenced the valuers in concluding on appropriate yields to use in the valuations. This involved factors affecting both the investment and occupier markets and recent comparable market transactions.

Particular emphasis was given to understanding the factors that had resulted in individual property valuations being either significantly above or below the average movement in the Group's valuations.

Presentation of information

The Group has adopted IFRS 11 Joint Arrangements in 2014. This new standard requires that all joint ventures, which the Group previously chose to account for on a proportional consolidated basis, are equity accounted.

Operating through joint ventures is a core part of Intu's strategy. Management both review and monitor the business, including the Group's share of joint ventures, on an individual line basis not on a post-tax profit or net investment basis. The figures and commentary presented in the Strategic report have therefore been presented consistently with this management approach. Reconciliations to the presentation under IFRS 11 have been provided in note 48 to the financial statements and in the Other information section on pages 155 and 156.

The Committee has reviewed the prominence given to both statutory information and information on a management basis, and concluded that the approach adopted provides the most useful analysis of the results for the year.

Going concern

The Company's 'going concern' review which is based on an 18-month cash flow projection, with particular focus on the next 12 months, was discussed with management. The projections cover the major trading cash flows, being rental income, interest expense and capital expenditure plans in the context of the latest debt maturity profile.

Stress tests of the projections were considered, covering reductions in net rental income levels and the value of the Group's properties and what impact such changes may have on both the Group's liquidity and its ability to meet the financial covenants on its debt facilities. The discussion also considered what actions were available to the Group to mitigate the impact of such reductions on the cash flow projections.

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

Fair, balanced and understandable

At the request of the Board, the Committee considered whether the 2014 Annual Report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess Intu's performance, business model and strategy. As part of its considerations the Committee took into account the preparation process detailed below which, together with opinions of key executives and the external auditor, has been designed to assist the Audit Committee in reaching its view:

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

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

Audit Committee
continued

Non-audit services

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

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

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

(a) Executive Directors have the authority to commission the external auditor to undertake non-audit work up to a specified value;

(b) the Executive Directors must consider whether the proposed arrangements will maintain audit independence; and

(c) the external auditor must satisfy the Company that it is acting independently.

Details of the amounts paid to the external auditor for audit and non-audit services are included in note 9 on page 107 to the financial statements. The Company engaged PwC to carry out certain non-audit work in 2014 including assurance services in respect of the Group's 2014 interim report, reporting accountant work in respect of the rights issue to part-fund the acquisition of intu Merry Hill, intu Derby and Sprucefield, and the debt issues for the Secured Group Structure and intu Trafford Centre, and financial due diligence on the acquisition of intu Merry Hill, intu Derby and Sprucefield.

The above safeguards were adhered to when awarding this non-audit work and PwC were chosen for the reporting accountant work as it was considered to be sensible for the external auditor to be used and more efficient in terms of time and cost. PwC were chosen to undertake the due diligence work on efficiency grounds given the overall assignment. Fees paid to PwC in respect of non-audit work represented 65 per cent of the total fees paid. During 2014 the Group used accounting firms other than PwC for a number of assignments.

The EU Audit Regulation (537/2014) and Audit Directive (2014/56/EU), which come into force on 17 June 2016, impose restrictions on certain non-audit services. A number of non-audit services will be prohibited and others will require approval by the Audit Committee. There will be an overall fee limit of 70 per cent of the average of audit fees charged in the past three years for permitted non-audit services. The UK regulator is currently consulting on the definition of non-audit services and hence which services would be affected. Although these restrictions do not come into force until 2016, the FRC has already imposed a ban on tax services by auditors where fees are payable on a contingent basis. Intu's current policy on non-audit services set out above continues in force for the time being. As soon as there is more clarity on the new regulations, and in particular which services are impacted, Intu will review its policy and make any necessary amendments to comply with the new rules.

Risk management and internal control

The Board has overall responsibility to oversee the Group's system of internal control and to keep its effectiveness under review, as well as to determine the nature and extent of the risks it is willing to take in achieving its strategic objectives based on the balance of potential risks and reward. The ongoing risk management process is described in detail on page 38 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.

Key elements of the Group's internal control system relating to financial reporting are as follows:

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

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 2014 and has confirmed that there have been no material developments affecting their review which have taken place since the year end.

Internal audit

The Group has a risk and internal audit function which reports to the Audit Committee. The risk and internal audit function reviews internal controls and reports to the Audit Committee on whether such controls are in place and are being operated effectively. The function covers Intu Properties plc, subsidiaries (including intu Retail Services) and joint ventures.

The most significant areas reviewed in 2014 were: shopping centre healthchecks (or follow up reviews) at six centres, corporate responsibility reviews at four centres, integration of the major assets acquired in the year (intu Merry Hill and intu Derby), a review of the transactional services operation (including accounts payable, expenses, accounts receivable and cashiers), review of intu Experiences' commercialisation processes, a review of cash exposures, centre demise reviews, data identification, service charges, payroll outsourced service provider review and a review of self-certification at the centres and head office. Additionally, annual assurance activities were performed, including a review of gifts and hospitality and Executive expenses.

The Audit Committee regularly reviews the effectiveness of the risk and internal audit function and in particular ensures that the function remains sufficiently independent of the wider business to ensure it can carry out its work effectively. An independent review of the risk and internal audit function is carried out every five years and was last performed at the end of 2013.

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. Any whistleblowing incidents are reported to the Audit Committee, and fully investigated with procedures reviewed and improved where appropriate. During 2014 we:

- revised the existing whistleblowing policy to make it more user friendly, communicate the role of the Audit Committee and emphasise the protection afforded to informants
- publicised the revised policy and process throughout the Group and improved accessibility to whistleblowing information and advice via the Group's intranet
- created an online process to register concerns

There was one whistleblowing incident during 2014. This was a non-financial matter which was fully investigated and found to be unsubstantiated. The outcome was accepted by the complainant.

Audit Committee effectiveness

As part of the Board evaluation process, the Audit Committee reviewed its own effectiveness and the results were positive. The Committee took the opportunity to streamline the agenda and papers submitted for its meetings to improve efficiency and decision making.

Adèle Anderson
Chairman of the Audit Committee
27 February 2015

Nomination and Review Committee

The priority of the Committee is to ensure that the Group continues to have the strongest and most effective Board possible

Patrick Burgess
Chairman of the Board

Highlights of 2014

- Succession planning
- Performance evaluation
- Education and development

Members in 2014

Chairman

Patrick Burgess
(Chairman of the Board)

Members

Andrew Huntley
(Independent Non-Executive Director)

Louise Patten
(Independent Non-Executive Director)

Neil Sachdev
(Independent Non-Executive Director)

Areas of focus 2015

- Appointment of two Non-Executive Directors
- Directors' induction
- Board communication

Dear Shareholder

As the Chairman of the Committee it is my task to present to you the report of the Nomination and Review Committee for the year ended 31 December 2014.

The Committee is pleased with the progress of the newly implemented comprehensive succession planning and leadership development programme across the Group, identifying appropriate internal succession paths and establishing a programme for talent development.

The Committee carried out a formal Board performance evaluation process the outcome of which is summarised opposite.

We continue to have 20 per cent female representation on the Board and will keep the target of 25 per cent in mind when an opportunity next arises for a Board appointment to be made. Our statement on our diversity policy is set out below.

Responsibilities and how they were discharged in 2014

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

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

The Committee met twice in 2014 with its main focus on the composition of the Board and succession planning.

Statement on diversity policy

The Nomination and Review Committee, and the Board, 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.

Board composition

The Committee's discussions regarding the composition of the Board continued to be framed by the Company's previously stated goal of reducing the overall size of the Board. The Committee is satisfied that the balance of skills, knowledge and experience on the Board and its Committees is appropriate and no further appointments are currently planned or envisaged. The Committee has discussed the scheduled retirements of the SID and the Remuneration Committee Chairman, due at the 2016 AGM. The Committee is in the early stages of the search for two new Non-Executive Directors following the 2015 AGM.

	Nomination and Review Committee (2 meetings)	
Meetings in 2014	A	B
Patrick Burgess (Chairman)	2	2
Andrew Huntley	2	2
Louise Patten	2	2
Neil Sachdev	2	2

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

Succession planning

Succession planning and the development of talent in the business was a major preoccupation of the Committee during the year, and a comprehensive talent and leadership development programme, including succession planning, has been implemented across the entire Group from the Board down. The Committee has monitored the progress of the programme at every meeting and is pleased with the progress made to date.

Renewal of Non-Executive appointments

All Directors will submit themselves for re-election at the forthcoming Annual General Meeting in May 2015.

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 Directors to update and expand their skills and knowledge. Training is provided for Non-Executive Directors in the form of presentations at Board meetings, as well as attendance at relevant seminars and courses.

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

Patrick Burgess
Chairman
27 February 2015

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 evaluation process conducted during 2013 generated three areas requiring attention during 2014 and progress against those areas is shown in the table below:

2014 performance evaluation

The 2014 performance evaluation was conducted by way of an internal questionnaire with external facilitation.* The key points identified formed the basis for recommendations which the Board used to establish an action plan for 2015. The main areas covered by the action plan for attention in 2015 are:

- **Succession planning** – identification of appropriate profiles for candidates, followed by the appointment of two new Non-Executive Directors to replace Andrew Huntley and Neil Sachdev, both to retire at 2016 AGM
- **Board Communication** – Board members encouraged to attend Board update session in person rather than by conference call where possible, and create more opportunities for the Board to make working visits to our centres
- **Risk** – add as standard agenda item to Audit Committee agenda. Incorporate a section on 'risk' into Board presentations and capex proposals

Area identified for attention in 2014	Action taken
— Revisions to Board and Committee timetable and sequencing of meetings	— Committee meetings held one week prior to Board meetings — Committee meetings held sequentially on one day
— Additional meetings of Remuneration Committee to develop the new format Directors' remuneration report	— Remuneration Committee met on two occasions, in addition to scheduled meetings, to develop the new format Directors' remuneration report
— More exposure to senior management across the Group on topics of particular relevance	— Attendance at Board meetings by senior managers to present on specific topics — Audit Committee agenda amended to allow for 'deep dives' into particular topics at least twice per year

* External facilitation provided by Claire Howard, who also carried out the formal external evaluation in 2013. Ms Howard has no other connection with Intu.

Focus on: Spain

Our Spanish enterprise

Our Spanish strategy has come a long way since we first started thinking about Spain in 2012. We chose Spain because it offers a great investment opportunity with possibilities for growth: good infrastructure, an economy moving out of recession, sophisticated retailers and consumers. Most of all, its prime regional shopping centre market has fragmented ownership and offers great opportunities for an imaginative owner to shake it up.

In 2013 a rare opportunity to acquire a quality asset came up – the 75,000 sq. m. Parque Principado shopping centre in Oviedo, Asturias in northern Spain. It is one of Spain's top 10 shopping centres, strategically located with over 9 million visitors a year.

In a bold move – six months earlier the Spanish economy looked fragile – Intu teamed up with the major property investor, Canada Pension Plan Investment Board (CPPIB), to acquire the centre in October 2013.

At the end of 2014 we are already seeing the rewards for our boldness, which gives us confidence that we're on the right path. The centre was purchased for €162 million but is now valued at €212 million, an increase in value of 28 per cent since acquisition. It is 99 per cent occupied and new leases signed in 2014 averaged 18 per cent above ERV. Sales and footfall are both significantly ahead of nationwide indices.

Parque Principado, which will undergo a full intu rebrand as well as change its name to intu Asturias in 2015, was our first Spanish acquisition. In December 2014 we announced the acquisition of Puerto Venecia, an award-winning retail and leisure centre in Zaragoza, which has substantially strengthened our market position in Spain. With our partners Eurofund we have options on four development sites in Málaga, Valencia, Palma and Vigo and are likely to embark on the Málaga site, to be intu Costa del Sol, in 2015.

Our timing has been good – Spain is out of recession, with workplace reforms in place, unemployment falling, consumer confidence strengthening and household debt reducing.

The top 10 Spanish retail locations account for 80 per cent of retail expenditure. Intu now owns or has options in six of these. Creating this leading platform in three years demonstrates our agility in executing new strategies.

“Spain's shopping centre market has fragmented ownership and offers great opportunities for an imaginative new owner”

Directors' remuneration report

Dear Shareholder

I am pleased to present Intu's 2014 Directors' remuneration report to you, which has been prepared by the Remuneration Committee and approved by the Board.

Results and context of remuneration

2014 was another year of significant activity at Intu, as described in the Chairman's statement on page 6. Intu delivered a total shareholder return of nearly 25 per cent for the year. The key strategic objectives achieved in the year included the performance of the Group's existing assets, strong KPI outcomes, broadening of the intu Digital offering, strong performance in Spain and excellent progress on augmentation of financial headroom through successful refinancing of bank facilities, bond issue and rights issue in the year. In addition three top shopping centres were acquired, intu Merry Hill and intu Derby in the UK and Puerto Venecia in Spain.

Remuneration Policy

Last year we put our Directors' remuneration policy to binding shareholder vote for the first time. It was approved at the 2014 AGM with 99.77 per cent of votes cast in favour. The Committee was delighted with the level of support shown by shareholders and we continue to welcome feedback.

We are not proposing to make any changes to our Directors' remuneration policy this year. In the interests of succinct reporting we have not reproduced the full policy report. A summary table, setting out an overview of remuneration elements and policy for 2015 is included in the body of the report. The approved policy table is included at the end of this report for ease of reference. The full policy report can be found on our website.

Alignment with long-term success

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

- outperformance of Total Shareholder Return against our peers
- delivering absolute total return for our shareholders
- annual EPS performance
- achievement of our strategic initiatives that will build value for the longer term

Key areas of focus and decisions in 2014 and for 2015

The Chief Executive's salary will be increased by 3.6 per cent from £545,480 per annum to £565,000 per annum with effect from 1 April 2015. The Chief Financial Officer's salary will be increased by 3.6 per cent from £430,090 per annum to £445,500 per annum with effect from 1 April 2015.

The annual bonus awarded to the Executive Directors for the year ended 31 December 2014 was 65.0 per cent to 65.3 per cent of maximum opportunity, based on EPS performance against budget in the year and the achievement of key strategic objectives.

The 2012 Executive Share Option Scheme (ESOS) awards did not meet the threshold performance test and therefore no long-term share award will vest in respect of 2014.

No changes have been made to the performance measures for the annual bonus and performance share plan.

Performance share plan awards of 250 per cent of salary were made to each of the Executive Directors. These will only vest subject to the achievement of stretching Total Shareholder Return (TSR) and Absolute Total Return (TR) performance conditions, over three, four and five years.

For incentive awards in respect of 2015 onwards, we are introducing a clawback provision under which incentive amounts delivered to the Executive Directors may be reclaimed in certain circumstances.

Shareholder Annual General Meeting

The Directors' remuneration report will be put to the shareholder vote at our 2015 AGM and we look forward to receiving your views and support.

Neil Sachdev
Chairman of the Remuneration Committee
27 February 2015

Members and meetings in 2014

Meetings in 2014	Remuneration Committee[1] (6 meetings) A	B
Neil Sachdev (Chairman) (Independent Non-Executive Director)	6	6
Louise Patten (Independent Non-Executive Director)	6	6
Adèle Anderson (Independent Non-Executive Director)	6	6

A = maximum number of meetings eligible to attend.

B = number of meetings actually attended.

1 The Committee normally invites the Chairman and the Chief Executive to attend the scheduled meetings. The Chairman attended all of the scheduled meetings in 2014. The Chief Executive attended five of the six scheduled meetings. The Chief Financial Officer was invited to, and attended, one scheduled meeting of the Committee in 2014. No individual is present when his or her remuneration is being determined.

Compliance statement

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

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

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

Directors' remuneration report
continued

Annual remuneration report

This report sets out how the Directors' remuneration policy of the Company has been applied in the year and details of how the Committee intends to apply the policy going forward. In accordance with section 439 of the Companies Act 2006, an advisory shareholder resolution to approve this report will be proposed at the 2015 Annual General Meeting of the Company. Subsections marked with § have been audited in accordance with the relevant statutory requirements.

Key responsibilities

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

Key principles of remuneration policy

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

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

Overview of Executive Director remuneration

An overview of the key remuneration elements in place for Executive Directors is set out below. After the strong support received from shareholders last year, we have not made any changes to the operation of our policy this year except for the introduction of clawback.

	Summary of policy	Details of policy for 2015
Base salary	— Salaries are reviewed annually and will take into account factors such as: market pay levels for the role, increases for the rest of the Group and individual and Company performance	— Salaries for 2015 are: — David Fischel, Chief Executive: £565,000 — Matthew Roberts, Chief Financial Officer: £445,500 — This is in line with increases to staff across the business
Pension and benefits	— The Company operates an approved defined contribution pension arrangement, where the contribution is 24 per cent of basic salary. The Chief Executive receives an extra six per cent in recognition of the benefit foregone on the closure of the defined benefit scheme — Benefits include a car allowance (up to £18,000), private medical insurance, life assurance and long-term sickness insurance	
Short-term incentive	— Maximum opportunity of 120 per cent of salary — A proportion earned is deferred into Intu shares, which vest over two and three years subject to continued employment — At least two thirds of this award is based on Group financial measures or quantitative key performance measures	— For 2015 performance is based two thirds on EPS and one third on strategic and operational objectives. This is the same framework which applied for 2014 — 50 per cent of the award deferred into shares
Long-term incentives	— The normal maximum grant size is 250 per cent of salary per annum; however this may be increased to 375 per cent in exceptional circumstances — Awards under the plan vest one third after each of three, four and five years	— Awards of 250 per cent of salary — For 2015, the awards will be based: — 50 per cent TSR relative to the top five listed REITs — 50 per cent total return (NAV growth per share plus dividends) — Targets unchanged from 2014
Shareholding guidelines	— Executive Directors must build up, over a period of three to five years, a holding with a value equivalent to 200 per cent of salary (Chief Executive) and 150 per cent of salary (Chief Financial Officer)	

The approved policy report, rather than the summary above, continues to be the policy under which the Company is bound. The policy table from the policy report is provided at the end of this report for ease of reference.

Clawback

For incentive awards in respect of 2015 onwards, we are introducing a clawback provision under which incentive amounts delivered to the Executive Directors may be retained in certain circumstances.

Total remuneration in 2014 §

The table below sets out the total remuneration received by each Director for the year to 31 December 2014.

Director	Salary or fees £000		Benefits £000		Annual bonus (cash and deferred shares) £000		Long-term incentive (ESOS) £000		Pension £000		Total remuneration £000	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Executive												
David Fischel	**545**	540	**20**	20	**425**	359	**–**	–	**164**	162	**1,154**	1,081
Matthew Roberts	**427**	415	**20**	20	**327**	287	**–**	–	**103**	99	**877**	821
Chairman												
Patrick Burgess	**400**	400	**7**	6	**–**	–	**–**	–	**–**	–	**407**	406
Independent Non-Executive												
Adèle Anderson (appointed 22.02.13)	**76**	58	**–**	–	**–**	–	**–**	–	**–**	–	**76**	58
Andrew Huntley	**77**	62	**–**	–	**–**	–	**–**	–	**–**	–	**77**	62
Louise Patten	**66**	65	**–**	–	**–**	–	**–**	–	**–**	–	**66**	65
Neil Sachdev	**89**	85	**–**	–	**–**	–	**–**	–	**–**	–	**89**	85
Andrew Strang	**61**	62	**–**	–	**–**	–	**–**	–	**–**	–	**61**	62
Other Non-Executive												
Richard Gordon	**56**	57	**–**	–	**–**	–	**–**	–	**–**	–	**56**	57
John Whittaker[1]	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Total	**1,797**	1,744	**47**	46	**752**	646	**–**	–	**267**	261	**2,863**	2,697

1 John Whittaker did not receive any remuneration in 2014 or 2013 in connection with his position as Deputy Chairman and Non-Executive Director of the Company. A management fee of £200,000 per annum was paid to Peel Management Limited for the provision by Peel of management and advisory services, as further described on page 81.

The figures have been calculated as follows:

- Base salary: amount earned for the year
- Benefits: the taxable value of annual benefits received in the year. The main benefits are life assurance, long-term sickness insurance, private healthcare and company car cash allowance. The value of the company car cash allowance is £18,000
- Pension: the value of the Company's contribution during the year (30 per cent salary supplement in lieu of contributions for the Chief Executive, 24 per cent SIPP contribution, part taken as a salary supplement in lieu of SIPP contributions, for the Chief Financial Officer)
- Annual bonus: cash and deferred: the value at grant of the annual incentive payable for performance over 2014
- ESOS: awards made in 2012, with vesting subject to EPS performance to 31 December 2014. The actual adjusted EPS growth over the period to 31 December 2014 was below the threshold level. As the performance condition has not been met, the Remuneration Committee has determined that the 2012 ESOS awards will lapse in March 2015

Directors' remuneration report
continued

Performance out-turns and incentives

Annual bonus §

The maximum award for both the Chief Executive and Chief Financial Officer in 2014 was 120 per cent of salary, of which 50 per cent is deferred for two and three years. This will remain unchanged for 2015.

Annual bonus payments are based on pre-determined performance measures. Two thirds is based on adjusted EPS performance in the year, split evenly between performance versus budget and prior year figures.

The remaining third is based on achievement of strategic and operational objectives against a scorecard of measures. The Remuneration Committee considers the objectives carefully each year to align with Intu's strategic objectives, and include quantitatively assessed financial and operational measures and milestones. Each objective relates directly to the strategic plan. Under the scorecard approach, the weightings of each objective vary between Executive Directors to reflect their roles and responsibilities. For 2015, the scorecard will include objectives in the following key areas:

— Optimising performance of assets

— Key capital expenditure projects

— Building the Intu brand and delivering customer experience

— Maximising the growth opportunities internationally

— Financial flexibility

— Talent development and staff engagement

Annual bonus – 2014 out-turn §

Performance against the targets for the 2014 short-term incentive arrangements is given below:

		Target				
Performance element	Weighting	Threshold	Target	Maximum	2014 performance	Out-turn (% max element)
Adjusted EPS vs. budget	33%	12.0p	12.6p	13.2p	13.3p	100%
Adjusted EPS vs. prior year	33%	100%	102.5%	105%	97.1%	0%

			David Fischel	Matthew Roberts
Scorecard of strategic and operational measures	33%	See details of scorecard achievements	95%	96%
Total			65.0%	65.3%

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

For 2014, the scorecard weightings and out-turns were as follows:

Scorecard	Weighting		Summary achievement against objectives
(Including specific objectives under each area of focus)	David Fischel	Matthew Roberts	
Optimising performance of existing assets	30%	20%	— Continued improvement in retailer demand against a difficult economic background — Strong valuation uplifts and KPI outcomes (footfall, occupancy, lettings) — Active management and development projects at every centre, including significant progress regarding planned major extensions and completion of projects, including intu Lakeside (food court), intu Eldon Square (mall upgrade), on site at intu Potteries (cinema and restaurants) and intu Victoria Centre (restaurants and reconfigurations) Upper end performance
Branding and customer relationships	20%	20%	— Broadening of digital offering, including launch of new mobile-responsive website, receiving strong website traffic levels, and launch of wifi in key shopping centres — Launch of Net Promoter Score as a customer service measure — Recognised a 30 per cent like-for-like reduction in carbon emissions since 2011, winning 'Best in continuing carbon reduction' in the Carbon Trust Standard Bearers Awards Upper end performance
Financial achievements	20%	30%	— Excellent progress on augmentation of financial headroom, including successful refinancing of bank facilities, successful bond issue and rights issue in the year Maximum achievement
Corporate development	20%	20%	— Successful acquisition of Westfield Derby and Merry Hill shopping centres and Sprucefield retail park — Strong performance from Parque Principado, in Spain Maximum achievement
Talent development	10%	10%	— Successful launch of leadership development program — Continued integration of intu Retail Services with all HR strategies — Engagement index from staff survey increased for third successive year, based on 84% response rate Maximum achievement

The Directors consider that more granular details of the strategic objectives are commercially sensitive.

The resulting total short-term incentive payouts for David Fischel and Matthew Roberts in respect of 2014 were 78.0 per cent and 78.4 per cent of salary (65.0 per cent and 65.3 per cent of maximum opportunity), respectively.

Deferral into shares
50 per cent of the 2014 short-term incentive for both David Fischel and Matthew Roberts was deferred into shares of the Company.

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

Long-term incentives §

Awards with performance periods ending in the year – Executive Share Option Scheme (ESOS)
The LTIP awards shown in the single figure relate to 2012 ESOS awards which were due to vest in March 2015.

The performance condition was as follows:

- Vesting 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 lapse for growth of less than 4 per cent p.a.
- Actual adjusted EPS growth over the period to 31 December 2014 was below the threshold level. As the performance condition has not been met, the Remuneration Committee has determined that the 2012 ESOS awards will lapse in March 2015

The ESOS does not form part of the forward looking policy for Executive Directors, and in 2013 the Company adopted the Performance Share Plan.

Directors' remuneration report
continued

Awards granted during the year – Performance Share Plan and Deferred Bonus Award §
This table summarises awards granted in the year:

Individual	Type of interest	Face value of 2014 award* £	Face value of 2014 award* % of salary	% vesting at threshold	Performance period end 3 years	Performance period end 4 years	Performance period end 5 years
David Fischel	PSP** (nil-cost options)	1,363,000	250%	25%	31 December 2016	31 December 2017	31 December 2018
Matthew Roberts	PSP** (nil-cost options)	1,049,000	250%	25%	31 December 2016	31 December 2017	31 December 2018
David Fischel	Deferred Bonus Award (restricted shares)	179,024	33%				
Matthew Roberts	Deferred Bonus Award (restricted shares)	143,417	34%				

* Face value calculated using share price at date of grant of £2.92 for the PSP and the Deferred Bonus Award.

** Vesting of awards is based 50 per cent on relative TSR and 50 per cent on Absolute Total Return (NAV growth per share plus dividends) performance, with targets equivalent to the 2015 award.

Awards for 2015 – Performance Share Plan
Awards for 2015 will be 250 per cent of salary.

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

A summary of the applicable targets are as follows:

Individual	Absolute total return (NAV growth per share plus dividends) (50% of award)	Total shareholder return relative to top-five UK-listed REITS (50% of award)
Minimum vesting (25% of element vesting)	6 per cent per annum	TSR in line with the third-ranked company
Full vesting (100% of element vesting)	10 per cent per annum	TSR in line with the top-ranked company
	Straight line vesting between points	Straight line vesting between points. Subject to a Committee-operated discretionary assessment of underlying financial performance

The combination of absolute return and relative return measures ensures a balanced assessment of Company performance and alignment to shareholders. In particular, both relative and absolute outperformance would be required for full vesting to be achieved.

Malus and clawback

Shares awarded under the Deferred Bonus Plan and the Performance Share Plan are subject to malus provisions. The Committee may apply malus at its discretion in circumstances including (but not limited to):

- a material misstatement of the Company's audited financial results
- a material failure of risk management by the Company, any Group company or business unit
- a material breach of any applicable health and safety or environmental regulations by the Company, any Group company or business unit
- serious reputational damage to the Company, any Group company or business unit
- serious misconduct of the individual

The annual bonus and the Performance Share Plan are also subject to clawback provisions. The Committee may at its discretion seek to apply clawback in circumstances of:

- a material misstatement of the Company's audited financial results where the individual is responsible or accountable (and where Executive Directors would always be deemed to have management responsibility)
- serious misconduct of the individual

Clawback provisions may be applied up to two years following the determination of the annual incentive and up to one further year following vesting for awards under the Performance Share Plan. Taking into account the three, four and five year vesting timescales, this means that Performance Share Plan awards may be reclaimed for up to four, five and six years, respectively, from the date of award.

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 £3,600 worth of shares as part of their annual bonus arrangements. As part of the SIP arrangements, the Company offers eligible employees the opportunity to participate in a 'Partnership' share scheme, the terms of which are governed by HM Revenue & Customs regulations.

Season ticket loan

All employees of the Group are entitled to an interest-free travel season ticket loan which is repaid over the year via deductions from salary. Neither David Fischel nor Matthew Roberts received a season ticket or other loan from the Group during 2014.

Chief Executive pay increase in relation to all employees

The table below sets out details of the percentage change in salary, benefits and annual bonus for the Chief Executive and the wider employee comparator group. For these purposes, head office employees (who have been in employment over both periods) have been used as a comparator group as this is considered to be a reasonable, practical sub-set of the all-employee population.

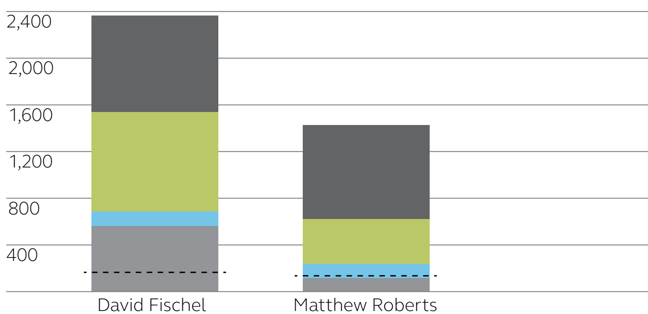
	Percentage change in remuneration from 31/12/2013 to 31/12/2014		
	Percentage change in base salary	Percentage change in benefits	Percentage change in annual bonus
Chief Executive	+0%	–0.5%	+18.8%
Head office employees	+5%	+3.3%	+20.8%

Shareholding and share interests §

Executive Directors must build up, over a period of three to five years, a holding of shares in the Company with a value equivalent to 200 per cent of salary (David Fischel) and 150 per cent of salary (Matthew Roberts). This requirement has been effective from 1 January 2013.

The graph below illustrates the shareholdings of the Executive Directors as a percentage of salary. Note that only actual holdings count towards the shareholding requirements. Shares subject to deferral and/or performance conditions have also been shown for reference.

Shareholding of Intu ordinary shares as at 31 December 2014 (% of salary)*



- Actual shareholding
- Deferred shares
- Unexercised share options (vested)
- Shares subject to performance conditions
- ··· Shareholding requirement

* Value of shareholding calculated based on 12 month average share price to 31 December 2014.

Directors' remuneration report
continued

As shown above, David Fischel's shareholding clearly exceeds his shareholding requirement. Matthew Roberts will have until January 2018 to build up the required shareholding.

The table below sets out the Directors' interests in shares as at 31 December 2014.

	Number of shares owned (including connected persons)[5]		Unvested awards				Vested awards		
			Conditional shares not subject to performance conditions						
	Own name	Held in SIP trust for > 5 years	Deferred Shares	Held in SIP trust for < 5 years	PSP subject to performance conditions[1]	Options subject to performance conditions[2]	Unexercised unapproved options[2]	Unexercised approved options	Options exercised in the year
Executive									
David Fischel	965,646	5,176	204,399	8,677	1,097,598	340,061	1,469,021	12,906	0
Matthew Roberts	154,506	0	158,705	6,210	844,302	261,924	511,339	11,203	0

1 PSP awards held as fixed-value zero-cost options and jointly owned shares.
2 Held as jointly owned shares. Includes 2012 ESOS awards, which will lapse in March 2015.
3 Partially held as jointly owned shares.
4 Outstanding share awards were adjusted as a result of the 25 April 2014 rights issue.
5 No changes in the interests of Directors have occurred between 31 December 2014 and 19 February 2015.

Vested

2009 ESOS awards — Awards of market value share options, with an exercise price of 232.41 pence. These awards became exercisable on 28/02/2013 and may be exercised until 28/05/2019.

2010 ESOS awards — Awards of market value share options, with an exercise price of 267.75 pence. These awards became exercisable on 26/05/2013 and may be exercised until 26/05/2020.

Unvested

2012 ESOS award — Awards of market value share options, granted in March 2012 with an exercise price of 287.43 pence. Vesting was based on three-year EPS growth to 31 December 2014 (ranging from 4 per cent p.a. to 6 per cent p.a.). The 2012 ESOS awards did not meet the threshold performance test and therefore will lapse in March 2015.

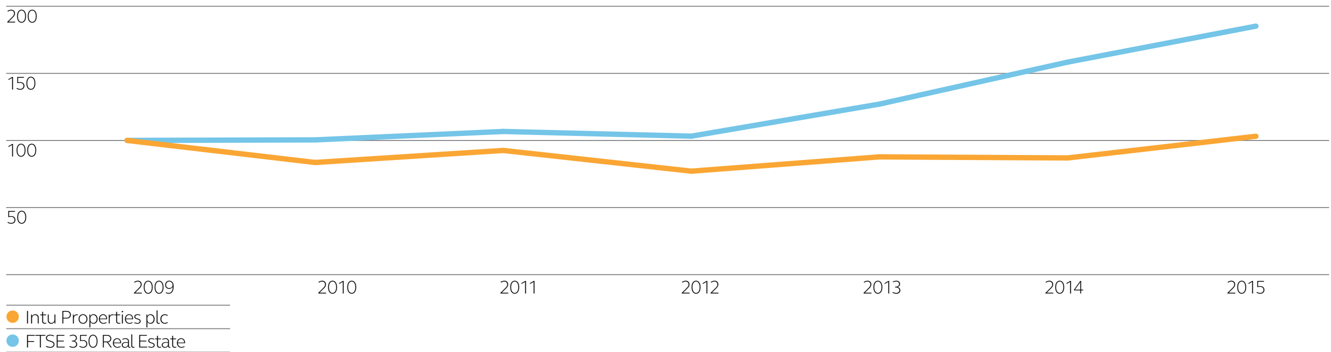
2013 PSP award — Awards of performance shares, granted on 21 May 2013. Vesting is based on TSR (relative to the top five UK-listed REITS) and absolute total return performance (ranging from 6 per cent p.a. to 10 per cent p.a.), in three equal tranches over three, four and five years. Any awards that vest will be exercisable to 21 May 2023.

2014 PSP award — Awards of performance shares, granted on 12 May 2014. Vesting is based on TSR (relative to the top five UK-listed REITS) and absolute total return performance (ranging from 6 per cent p.a. to 10 per cent p.a.), in three equal tranches over three, four and five years. Any awards that vest will be exercisable to 12 May 2024.

Six-year Total Shareholder Return chart

The following graph shows the Total Shareholder Return (TSR) for Intu Properties plc over the six-year period ended 31 December 2014, compared with our closest comparator group for this purpose, the FTSE 350 Real Estate. TSR is defined as share price growth plus reinvested dividends.

Six-year total shareholder return (TSR) performance



UK real estate is a cyclical sector. Since 2009, a key driver for growth in value within the UK real estate market has been exposure to central London properties. As a result of the demerger of Capital & Counties from Liberty International (now intu Properties plc) in 2010, Intu's portfolio does not include properties in central London and Intu has therefore not benefited from the recent uplift experienced by those property companies with exposure to London. However, given the cyclical nature of the property sector, we would not expect this trend to endure over the long-term cycle.

Chief Executive historic remuneration

The table below sets out details of historic Chief Executive pay.

	2009	2010	2011	2012	2013	**2014**
CEO single figure of total remuneration	£1,044k	£1,350k	£1,275k	£1,810k	£1,081k	**£1,152k**
Annual bonus payout (% maximum)	50%	100%	83%	70%	55%	**65%**
Long-term incentive plan vesting in year (% maximum)	0%	0%	0%	100%	0%	**0%**

Shareholder context

The table below shows the binding vote on the 2013 Policy Report and the advisory vote on the 2013 Directors' remuneration report at the 2014 AGM. It is the Committee's policy to consult with major shareholders prior to any major changes, and to maintain an ongoing dialogue on executive remuneration matters.

	For	Against	Abstentions
2013 Policy Report	99.77%	0.23%	10.6m
2013 Directors' remuneration report	99.71%	0.29%	21.8m

Additional disclosures

Other directorships

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

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 units held in a US venture controlled by Equity One, convertible into Equity One shares. David Fischel also holds another external appointment as a Non-Executive Director of Marlowe Investments (Kent) Limited, a UK private company which relates to his family affairs and does not require any significant time commitment and does not conflict in any way with his role as Chief Executive of Intu. David Fischel is also a Non-Executive Director of Prozone Intu Properties Limited, an Indian shopping centre owner and developer in which the Group has a 33 per cent interest. He does not receive a fee in respect of this appointment.

During 2014, David Fischel received a fee of $64,000 in respect of his directorship of Equity One, Inc. He retained the fees paid in respect of his appointment with the Board's consent. In addition to his fee, restricted stock in Equity One, Inc. awarded to David Fischel vested during the year with a value on vesting of $87,108. He also received and retained a fee of £5,000 in respect of his non-executive directorship of Marlowe Investments (Kent) Limited.

Directors' remuneration report
continued

Payments to former Directors §
A Life Presidency fee of £150,000 per annum (2013 – £150,000) was paid to Sir Donald Gordon, the Group's Life President and former Chairman who founded the Company in 1980. The Life Presidency fee was agreed by the Board at the time of his retirement in June 2005 in recognition of his outstanding contribution to the Group. The payment is payable for the remainder of Sir Donald's life, and is secured by Deed.

Payments for loss of office §
There were no payments for loss of office made to Directors in the year.

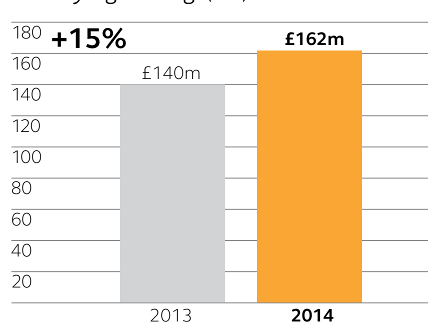
Alternate Directors §
Steven Underwood and Raymond Fine serve as Alternate Directors to John Whittaker and Richard Gordon respectively. Neither Steven Underwood nor Raymond Fine received any fees in 2014 in respect of their appointment as Alternate Directors. Raymond Fine received a fee of £159,250 in respect of consultancy services provided to the Company in connection with South African tax and shareholder issues (particularly in respect of South African dividends tax), liaison with the Gordon Family and other related matters.

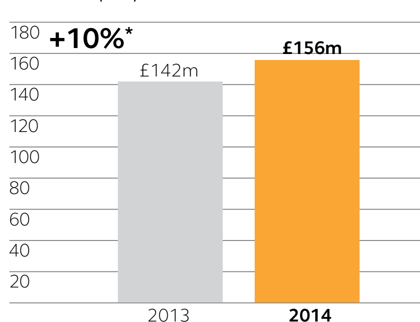
Service contracts
Executive Directors and the Chairman have rolling service contracts which are terminable on 12 months' notice on either side.

All Non-Executive Directors have been appointed on fixed terms of two or three years, subject to renewal thereafter. Richard Gordon is deemed to have served for more than nine years and is now subject to a one-year term. All are subject to annual re-election by shareholders.

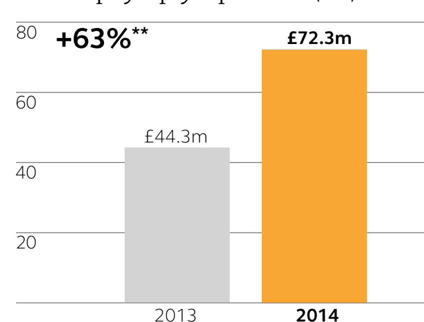
	Notice Period
David Fischel	12 months
Matthew Roberts	12 months
Patrick Burgess	12 months
	Contract term expires
Adèle Anderson	2016 AGM
Richard Gordon	2015 AGM
Andrew Huntley	2016 AGM
Louise Patten	2017 AGM
Neil Sachdev	2016 AGM
Andrew Strang	2015 AGM
John Whittaker	2017 AGM

Distribution statement
The table below shows the percentage change in underlying earnings, dividends, and total employee compensation spend from the financial year ended 31 December 2013 to the financial year ended 31 December 2014.





* Increase due to increased issued share capital. Dividend per share was £0.14 (2013 – £0.14 adjusted as as a result of the 25 April 2014 rights issue).



** 2014 includes full year impact of Intu Retail Services. Average increase in staff salaries for 2014 was 2.48%.

The Group employed a total of 2,459 staff as at 31 December 2014 (2013 – 2,027).

Chairman and Non-Executive Director fees for 2015 §

The Chairman's fee will be increased from £400,000 per annum to £410,000 per annum with effect from 1 April 2015.

The basic Non-Executive Director fee will be increased from £56,375 per annum to £59,000 per annum with effect from 1 April 2015. The Senior Independent Director receives an additional fee of £10,000 per annum. Committee chairmen receive £15,000 per annum, and Committee members receive £5,000 per annum. Fees for additional Committee responsibilities remain unchanged from 2014.

John Whittaker does not receive a fee in respect of his position as Deputy Chairman and Non-Executive Director. The Board has authorised the payment of a management fee of £210,000 per annum (2014 – £200,000) to Peel Management Limited for the provision by Peel of a Non-Executive Director and an Alternate Director, and other management and advisory services, together with reasonable costs and out of pocket expenses. It is anticipated that the agreement will be renewed annually thereafter by agreement between the parties. This payment is disclosed in the related party transactions note on page 139.

Remuneration Committee membership in 2014

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 Neil Sachdev (Chairman), Louise Patten and Adèle Anderson.

The Chairman, Chief Executive, Company Secretary, HR Director and on occasion the Chief Financial Officer are invited to attend Committee meetings to contribute to the Committee in its deliberations. However, no individual is present when his or her remuneration is being determined.

The Remuneration Committee met a total of six times in 2014, including four scheduled meetings and two additional drafting meetings. A summary of attendance at each scheduled meeting is set out on page 71.

Advisers to the Committee

Deloitte LLP were appointed by the Committee, as its independent remuneration advisers in October 2013, following a competitive tender process.

During the year, Deloitte provided advice on new reporting regulations, market data and other remuneration matters that materially assisted the Committee. The fees paid to Deloitte in respect of this work in 2014 totalled £51,450, calculated on a time and material basis.

Deloitte also provided tax advisory services to the Group in relation to the joint-venture in Spain, tax planning advisory services in relation to the Trafford Centre and the Midsummer Place acquisition, share scheme advice, and financial modelling assistance.

Deloitte are a founding member of the Remuneration Consultants Group, and adhere to its code of conduct. Deloitte were appointed directly by the Committee and the Committee is satisfied that the advice received was objective and independent.

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

On behalf of the Board

Neil Sachdev
Chairman of the Remuneration Committee
27 February 2015

Directors' remuneration report

continued

Appendix: Policy table extract from the Directors' remuneration policy approved by shareholders on 8 May 2014.

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

Element and link to strategy	Operation	Maximum potential value	Performance metrics
Executive Directors			
Base Salary To provide an appropriately competitive level of base pay to attract and retain talent.	Reviewed annually. Salary levels take account of: — Size and nature of the responsibilities of each role — Market pay levels for the role Increases for the rest of the Group — The executive's experience — Changes to the size and complexity of the Group — Implications for total remuneration — Overall affordability — Individual and Company performance The Committee may award an out-of-cycle increase if it considers it appropriate.	Salaries for 2014 are: — David Fischel: £545,480 — Matthew Roberts: £430,090 Base salary increases may be applied, taking into account the factors considered as part of the annual review. There is no maximum increase or opportunity. For new appointments salaries may be set at a lower level. In such cases, there may be scope for higher than usual salary increases in the first three years as the individual progresses in the role.	None.
Pension To help provide for an appropriate retirement benefit.	The Company operates an approved defined contribution pension arrangement. A cash alternative may be offered in certain circumstances, for example where HMRC statutory limits have been reached.	Company pension contribution is 24 per cent of base salary. The Chief Executive receives an additional 6 per cent of salary in recognition of the additional value of the benefit foregone on the closure of the defined benefit scheme. This amount was actuarially determined to be cost-neutral to the Company.	None.
Other benefits To provide an appropriately competitive level of benefits.	Benefits include a car allowance, private medical insurance, life assurance and long-term sickness insurance. Other benefits may be provided if the Committee considers it appropriate. In the event that an Executive Director is required by the Group to relocate, benefits may include, but are not limited to, relocation allowance and housing allowance.	Car allowance of up to £18,000 per annum. The cost of insurance benefits may vary from year to year depending on the individual's circumstances. There is no overall maximum benefit value but the Committee aims to ensure that the total value of benefits remains proportionate.	None.
Short-term incentive To align annual reward with annual performance and to support retention and alignment with shareholders' interests through significant deferral of bonus into shares.	Intu operates a short-term incentive arrangement with a maximum individual opportunity. A proportion of any earned bonus is normally deferred in Intu shares, vesting over two years and three years, subject to continued employment. The Committee awards dividend equivalents in respect of dividends over the deferral period which may assume reinvestment on a cumulative basis. The Committee has discretion to apply malus to unvested deferred bonus awards in certain circumstances including if there is a material misstatement in the annual financial statements or a material failure of risk management.	Maximum annual opportunity of 120 per cent of salary.	Executives' performance is measured relative to targets in key financial, operational and strategic objectives in the year. The measures selected and their weightings vary each year according to the strategic priorities, however at least two thirds will be based on Group financial measures or quantitative reported key performance indicators. Entry award level for financial measures is normally between 0 and 25 per cent of maximum.

Element and link to strategy	Operation	Maximum potential value	Performance metrics
Executive Directors (continued)			
Long-term incentives 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 key executives	Intu operates a Performance Share Plan (PSP), which was approved by shareholders at the 2013 AGM. Grants are made to eligible employees at the discretion of the Committee. Awards can be made as performance shares, nil-cost options or jointly owned equity, and vest one third, one-third, one third after three, four and five years respectively. The Committee awards dividend equivalents in respect of dividends over the vesting period, which may assume reinvestment on a cumulative basis. The Committee has discretion to apply malus to unvested awards in certain circumstances including if there is a material misstatement in the annual financial statements or a material failure of risk management by the Company.	Normal maximum grant size of 250 per cent of salary per annum. In exceptional circumstances opportunity of up to 375 per cent of salary. To ensure that participants were not unduly disadvantaged as a result of the move towards longer time horizons, the first award under the plan had an opportunity of 375 per cent.	Long-term incentive performance conditions are reviewed on an annual basis, and are chosen to be aligned with the long-term success of the business. The intention is that measures will be one or more of TSR, total return/ NAV growth, EPS growth, relative total property return or return on capital. For 2014, awards will be based — 50 per cent on relative TSR — 50 per cent on total return (NAV growth plus dividends) If the Committee considers that the level of vesting based on the extent to which the performance conditions have been satisfied is not a fair reflection of underlying financial performance, the Committee may adjust the level of vesting (upwards or downwards) accordingly. For the current performance measures this applies to the TSR portion only. Entry vesting is 25 per cent of maximum.
All employee share plans To align interests of employees with Company performance.	Executive Directors may participate in the HMRC approved Share Incentive Plan on the same basis as all employees.	Participants can contribute up to the relevant HMRC limit.	None.
Non-Executive Directors			
Fees To remunerate Non-Executive Directors	**Independent Non-Executive Directors** The Chairman's fees are determined by the Remuneration Committee. The Non-Executive Directors' fees are determined by the Board. The level of fees takes into account the time commitment, responsibilities, market levels and the skills and experience required. Non-Executive Directors normally receive a basic fee and an additional fee for specific Board responsibilities, including membership and chairmanship of committees. The Chairman is entitled to receive certain benefits in addition to fees. Additional fees may be paid to Non-Executive Directors on a per diem basis to reflect increased time commitment in certain limited circumstances. Expenses incurred in the performance of non-executive duties for the Company may be reimbursed or paid for directly by the Company, as appropriate, including any tax due on the expenses.		None.
	Other Non-Executive Directors In addition to the above, in certain circumstances Non-Executive Directors. (other than those deemed to be independent) may receive a fee in relation to consultancy services (including Alternate Directors). Such fees may be provided directly to the Director or, in certain circumstances, paid to a third party company under a consultancy services agreement. Such agreements may provide for the payment of an annual fee and reimbursement of expenses. Such an agreement is currently in place with the Peel Group for the provision of Non-Executive Director services (including Alternative Director services).		None.

Directors' report

The Directors present their Annual Report and the audited financial statements of the Group and Company for the year ended 31 December 2014.

Pages 2 to 86 inclusive of this Annual Report comprise the Directors' report that has been drawn up and presented in accordance with English Company Law and the liabilities of the Directors in connection with that report will be subject to the limitations and restrictions provided by such law.

Use of Financial Instruments

The Financial review on pages 40 to 46, accounting policies on pages 102 to 105 and note 35 on pages 127 to 132 contain information on the use of financial instruments.

Dividends

The Directors declared an interim ordinary dividend of 4.6 pence (2013 – 4.6 pence as adjusted for the rights issue bonus factor) per share on 31 July 2014, which was paid on 25 November 2014, and have recommended a final ordinary dividend of 9.1 pence per share (2013 – 9.1 pence as adjusted for the rights issue bonus factor).

Share capital and control of the Company

Details of the Company's share capital including changes during the year in the issued share capital and details of the rights attaching to the Company's ordinary shares are set out in note 37 on pages 133 and 134. 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 £600 million Revolving Facility agreement dated 25 February 2009 (as amended by amendment agreements dated 2 October 2009,19 February 2010 and 18 November 2011, and further amended and restated on 30 October 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 (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 that in the event of change of control, the Directors will be compensated for any additional time commitment in certain limited circumstances, to be calculated on a per diem basis.

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 101.

Internal control

The statement on corporate governance on pages 57 to 69 includes the Board's assessment following a review of internal controls and consideration of the 2005 Financial Reporting Council's internal control guidance for Directors.

Directors

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

Chairman
Patrick Burgess
Deputy Chairman
John Whittaker[1]
Executive
David Fischel
Matthew Roberts
Non-Executive
Adèle Anderson
Richard Gordon[1]
Andrew Huntley
Louise Patten
Neil Sachdev
Andrew Strang

1 John Whittaker and Richard Gordon have appointed Steven Underwood and Raymond Fine respectively as their alternates under the terms of the Company's Articles of Association.

In accordance with provision B.7.1 of the UK Corporate Governance Code, all 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 149 and 150 on Directors' interests, in the Governance section on pages 57 to 69, and in the Directors' remuneration report on pages 71 to 83.

The powers of the Directors are determined by UK legislation and the Articles of Association of the Company, together with any specific authorities that may be given to the Directors by shareholders from time to time, such as the power to allot shares and the power to make market purchases of the Company's shares which are described in note 37 on page 134.

Articles of Association

The rules governing the appointment and replacement of Directors are contained in the Company's Articles of Association. Changes to the Articles of Association must be approved by shareholders in accordance with the legislation in force from time to time.

Substantial shareholdings

The table at the foot of the page shows the holdings of major shareholders in Intu's issued ordinary shares as at 31 December 2014 and 20 February 2015.

Employees

Intu actively encourages employee involvement and consultation and places emphasis on keeping its employees informed of the Group's activities and financial performance by such means as employee briefings and publication to all staff of relevant information and corporate announcements. In 2014, Intu conducted one all employee survey covering a range of topics. More details are provided in the Our people section on page 33.

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 71 to 83. Note 49 on pages 145 to 149 contains details of conditional awards of shares under the annual bonus scheme and bonus shares currently outstanding.

Intu operates a non-discriminatory employment policy and full and fair consideration is given to applications for employment from people with disabilities or other protected characteristics under the Equality Act where they have the appropriate skills and abilities and to the continued employment of staff who become disabled.

Intu encourages the continuous development and training of its employees and the provision of equal opportunities for the training and career development of disabled employees and those with protected characteristics.

Further information relating to employees is given on pages 32 to 37 and in note 8 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 149.

The environment

We have 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 (which includes disclosures relating to greenhouse gas emissions) is printed on pages 48 to 53, and a summary booklet is also available for download from the website or on request from the Company Secretary's office.

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

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

Additional disclosures

For the purpose of LR 9.8.4CR, the only information required to be disclosed by LR 9.8.4R relates to sub-section (1) thereof (interest capitalised) where the amount is nil (see note 10 to the accounts). All other sub-sections of LR 9.8.4R are not applicable.

Directors' disclosure of information to the auditors

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

Auditors

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

Annual General Meeting

The notice convening the 2015 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 2015

Substantial shareholders

	At 31 December 2014		At 20 February 2015	
Shareholder	Number of shares notified	% interest in share capital	Number of shares notified	% interest in share capital
The Peel Group	288,608,899	21.92	288,608,899	21.92
Coronation Asset Management (Pty) Limited	201,971,184	15.34	186,845,054	14.19
The family interests of Sir Donald Gordon	109,097,936	8.28	109,097,936	8.28
Black Rock, Inc.	79,143,838	6.01	80,060,534	6.08
Public Investment Corporation	95,619,365	7.26	95,691,533	7.27

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 financial and corporate governance information as provided on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Governance section on pages 54 and 55 confirm that, to the best of their knowledge:

(a) the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group

(b) the Directors' report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces

Signed on behalf of the Board on 27 February 2015

David Fischel
Chief Executive

Matthew Roberts
Chief Financial Officer

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Independent auditors' report to the members of Intu Properties plc

Report on the financial statements

Our opinion

In our opinion:

- Intu Properties plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2014 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

Intu Properties plc's financial statements comprise:

- the Group and Company balance sheets as at 31 December 2014;
- the Group consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the Group and Company statements of changes in equity for the year then ended;
- the Group and Company statements of cash flows for the year then ended; and
- the notes to the accounts, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Our audit approach

Overview

Materiality	— Overall Group materiality: £96 million which represents 1% of total assets.
Audit scope	— The Group and Company financial statements are produced by the Group's central finance department using a single, consolidated general ledger, and the whole business was subject to the same audit scope.
Areas of focus	— Valuation of Investment Properties — Business combinations entered into during the year — Application of new accounting standards

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that may represent a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus

Valuation of Investment Properties

Refer to page 65 (Audit Committee report), page 103 (Accounting policies), page 101 (Critical accounting estimates and assumptions) and note 19 to the financial statements.

The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material change, warrants specific audit focus in this area.

The Group's Investment Properties are all shopping centres and comprise the majority of the assets in the Consolidated balance sheet, their carrying value amounting to £8.0bn.

The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental revenues for that particular property.

The valuations were carried out by third party valuers, CBRE, DTZ, Knight Frank, Jones Lang LaSalle and Cushman & Wakefield (the "Valuers"). The Valuers were engaged by the Directors, and performed their work in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation – Professional Standards. The Valuers used by the Group are well-known firms, with considerable experience of the market in which the Group operates.

In determining a property's valuation the Valuers take into account property specific current information such as the current tenancy agreements and rental income attached to the asset. They then apply assumptions as regards yield and current market rent, which are influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation. Due to the unique nature of each shopping centre, the assumptions to be applied are determined having regard to the individual property characteristics at a granular, unit by unit level, as well as considering the qualities of the shopping centre as a whole.

During 2014 significant transactions took place in the market involving shopping centres. The prices paid indicated that the value of the shopping centres which make up the Group's portfolio had increased compared to the valuation reflected in the Group's 31 December 2013 balance sheet.

How our audit addressed the area of focus

We read the valuation reports for all properties and attended meetings with each of the Valuers. We confirmed that the valuation approach for each was in accordance with RICS and suitable for use in determining the carrying value in the Consolidated balance sheet.

We assessed the Valuers' qualifications and expertise and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We also considered other engagements which might exist between the Group and the Valuers. We found no evidence to suggest that the objectivity of any Valuer in their performance of the valuations was compromised.

We carried out procedures, on a sample basis, to test whether property specific current information supplied to the Valuers by management reflected the underlying property records held by the Group and which had been tested during our audit. We found them to be consistent.

Our work focused on the largest properties in the portfolio and those properties where the assumptions used and / or year on year capital value movement suggested a possible outlier versus market data for the shopping centre sector. We compared the investment yields used by the Valuers to an estimated range of expected yields, determined via reference to published benchmarks. We also considered the reasonableness of other assumptions that are not so readily comparable to published benchmarks, such as Estimated Rental Value, void rates and rent free periods. Finally, we evaluated year on year movements in capital value with reference to published benchmarks. Where assumptions were outside the expected range or otherwise deemed unusual, and/or valuations appeared to experience unexpected movements, we undertook further investigations and, when necessary, held further discussions with the Valuers. In this way professional scepticism was exercised in our evaluation of whether assumptions were appropriate in light of the evidence provided by significant transactions which had taken place in the market during the year.

It was evident from our interaction with management and the Valuers and our review of the valuation reports that close attention had been paid to each property's individual characteristics at a granular, unit by unit level, as well as considering the overall quality, geographic location and desirability of the asset as a whole. The evaluation of what were the right assumptions to apply to any given property included determining the level of impact that recent significant market transactions should have on each individual property's valuation, given its unique characteristics. We saw evidence that alternative assumptions had been considered and evaluated by management and the Valuers, before determining the final valuation. We concluded that the assumptions used in the valuations were supportable in light of available and comparable market evidence.

Independent auditors' report to the members of Intu Properties plc

continued

Area of focus	How our audit addressed the area of focus
Business combinations entered into during the year Refer to page 64 (Audit Committee report), page 105 (Accounting policies), and note 40 to the financial statements. On 1 May 2014 the Group acquired 100% interests in shopping centres at Derby and Sprucefield, and a 50% joint venture interest in the Merry Hill shopping centre, from Westfield. The consideration paid was £854.9m. The acquisition has been accounted for as a single business combination, with a gain on acquisition of £1.6m, calculated by reference to the fair value of the assets and liabilities acquired. The consolidated financial statements include disclosures relating to the business combination, required by IFRS 3 Business combinations. Following acquisition, the tenancy details and general ledger balances for each of the entities acquired were migrated onto the Group's systems. Prior to migration, balances were mapped to the Group's own general ledger account lines, with adjustments made as required to ensure that the balances entering the system were in line with the Group's accounting policies. Due to the volume of data being integrated onto the Group's systems, the adjustments required and the level of manual processing, there exists a risk that the financial information in relation to entities acquired during the year may not have been migrated on to the Group accounting systems accurately and completely, resulting in a risk of material misstatement. As a result the migration of financial data relating to the entities acquired onto the Group's systems, as well as the accounting for the business combination, was an area of focus in our audit.	We inspected the purchase agreements and assessed management's determination of the fair value of assets and liabilities acquired. We focused on the fair value of the acquired properties, including the valuation methodology applied and the assumptions within the acquisition date valuation. We considered the reasons for the movements in the valuation between the acquisition date and the 30 June 2014 valuation point, in order to assess whether there was information which came to light within the two month period which should have impacted on the 1 May 2014 valuations. We also reviewed the disclosures in respect of the acquisitions from Westfield which were included in the 31 December 2014 financial statements. Our assessment included consideration of whether the acquisition of the 50% share in Merry Hill formed part of the single business acquired. We noted that the acquisitions were acquired from one vendor and announced as one transaction on the same day. We concluded that the accounting and disclosures were in accordance with applicable accounting standards. The 31 December 2014 year end is the first for which we have been required to audit the Merry Hill joint venture, intu Derby and Sprucefield, both for the purposes of the Group audit, and for the purposes of the audits of the individual subsidiary entities which were acquired. We therefore performed first year audit procedures which focused on: — Evaluation and testing of the controls over the transfer of accounting records onto the Group's general ledger and lease data onto the Group's lease system; and — Assessment of adjustments posted during the transfer process in order to bring the numbers in line with the Group's accounting policies. There were no concerns arising from our work over the migration of data onto the Group's systems.

Area of focus	How our audit addressed the area of focus
Application of new accounting standards Refer to page 64 (Audit Committee report), page 101 (Accounting convention and basis of preparation), and notes 22 and 48 to the financial statements. The consolidated financial statements for the year ended 31 December 2014 are the first to be prepared in accordance with the requirements of new standards on accounting for joint ventures and joint operations (IFRS 10, 11, 12 and the revised IAS 27 and 28). As a result, the Group's investments in joint ventures are subject to equity accounting for the first time, as opposed to being proportionally accounted for in the income statement and balance sheet of the Group. The adoption of the new standards involves the re-presentation of prior period amounts for balances related to joint ventures. Joint ventures entered into during the year ended 31 December 2014 are also required to be equity accounted for. The standard requires disclosure of how the 2014 Group financial statements would have been presented, prior to the re-presentation as a result of IFRS 11. The comparatives have been re-presented for the changes in classification and further details are provided in note 48. An additional balance sheet showing the re-presented 1 January 2013 position has also been given. Due to the judgement involved in determining the appropriate classification of an investments (as a joint venture or joint operation) and due to the size and number of balances being re-presented, the application of the new accounting standards was an area of focus in our audit.	We performed an assessment as to whether the requirements of IFRS 10, 11, 12 and the revised IAS 27, 28 had been appropriately reflected in the consolidated financial statements. This included assessing whether balances related to joint ventures which have moved from proportional consolidation to the equity method of accounting, had been correctly re-presented in accordance with IFRS 12. We also assessed whether the numbers which show how the 2014 Group financial statements would have been presented, prior to the re-presentation were in line with the requirements of the accounting standard. Our procedures covered all joint ventures as at 31 December 2014, including the intu Uxbridge, Parque Principado, and intu Merry Hill joint ventures entered into during the year. We concluded that the accounting treatment adopted and disclosures included in the financial statements are in accordance with the new standards. For those joint ventures entered into during the year we assessed the classification as a joint venture, with a particular focus on intu Uxbridge, where the Group's share is 20%. We concluded that the classification in each case is supported by the Group's ability to exercise joint control.

How we tailored the audit scope

In establishing the overall approach to our audit, we assessed the risk of material misstatement, taking into account the nature, likelihood and potential magnitude of any misstatement. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Although the Group has some interests in shopping centre operations outside the UK, the Group is structured as a single reporting unit with a centralised accounting function, therefore the whole business was subject to the same audit scope. The Group and Company financial statements are produced using numbers which are maintained on a single, consolidated trial balance, by the Group's finance department. The majority of the underlying accounting records are maintained on the Group's single general ledger. The intu Derby, intu Merry Hill and Sprucefield centres were in scope for the first time this year, having been purchased during 2014.

For Manchester Arndale, Cribbs Causeway, Centaurus Retail Park, Parque Principado and St David's, Cardiff rental income and property expense numbers are submitted quarterly by external property managers to the Group's finance department, who then review and enter the numbers onto the Group's general ledger. We performed auditing procedures over the numbers within those quarterly submissions, and on the process by which they are entered onto the Group's general ledger. The quarterly submissions for Parque Principado were in scope for the first time this year.

Materiality

The scope of our audit is influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Independent auditors' report to the members of Intu Properties plc

continued

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£96 million (2013: £82 million).
How we determined it	1% of total assets.
Rationale for benchmark applied	In arriving at this judgement we have had regard to the carrying value of the Group's assets, acknowledging that the primary measurement attribute of the Group is the carrying value of investment property. This represents a consistent year-on-year basis for determining materiality.

In addition, we set a specific materiality level of £8 million (2013: £7 million) for rental income and expenses. In arriving at this judgement we have had regard to underlying operating profit acknowledging that this is a secondary measurement attribute of the Group. We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £8 million (2013: £8 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 101, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Group and Company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Company's ability to continue as a going concern.

Other required reporting

Consistency of other in formation

Companies Act 2006 opinions

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

— Information in the Annual Report is: — materially inconsistent with the information in the audited financial statements; or — apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and company acquired in the course of performing our audit; or — is otherwise misleading.	We have no exceptions to report arising from this responsibility.
— the statement given by the Directors on page 57, in accordance with provision C.1.1 of the UK Corporate Governance Code ("the Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and company's performance, business model and strategy is materially inconsistent with our knowledge of the Group and company acquired in the course of performing our audit.	We have no exceptions to report arising from this responsibility.
— the section of the Annual Report on pages 63 to 67, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the company's compliance with 10 provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 86, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Ranjan Sriskandan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 February 2015

Notes

(a) The maintenance and integrity of the Intu Properties plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement

for the year ended 31 December 2014

	Notes	2014 £m	Re-presented 2013 £m
Revenue	4	**536.4**	511.6
Net rental income	4	**362.6**	356.2
Net other income	5	**4.8**	3.7
Revaluation of investment and development property	19	**567.8**	109.9
Gain on acquisition of businesses	40	**1.6**	–
Gain on disposal of subsidiaries	41	**0.6**	–
Administration expenses – ongoing		**(30.8)**	(27.6)
Administration expenses – exceptional	6	**(13.8)**	(21.2)
Operating profit		**892.8**	421.0
Finance costs	10	**(197.1)**	(192.6)
Finance income	11	**11.9**	0.6
Other finance costs	12	**(56.8)**	(164.5)
Change in fair value of financial instruments	13	**(157.6)**	272.3
Net finance costs		**(399.6)**	(84.2)
Profit before tax, joint ventures and associates		**493.2**	336.8
Share of post-tax profit of joint ventures	22	**99.7**	26.1
Share of post-tax profit of associates	24	**0.8**	0.5
Profit before tax		**593.7**	363.4
Current tax	14	**(0.5)**	(0.8)
Deferred tax	14	**6.6**	1.4
Taxation	14	**6.1**	0.6
Profit for the year		**599.8**	364.0
Attributable to:			
Owners of Intu Properties plc		**586.2**	359.8
Non-controlling interests		**13.6**	4.2
		599.8	364.0
Basic earnings per share	17	**48.0p**	34.5p
Diluted earnings per share	17	**46.3p**	32.0p

Details of underlying earnings are presented in the underlying profit statement on page 157. Underlying earnings per share are shown in note 17(c).

Consolidated statement of comprehensive income

for the year ended 31 December 2014

	Notes	2014 £m	2013 £m
Profit for the year		**599.8**	364.0
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Revaluation of other investments	25	**21.1**	8.1
Exchange differences		**7.0**	(8.1)
Tax relating to components of other comprehensive income	14	**(6.6)**	(1.6)
Total items that may be reclassified subsequently to profit or loss		**21.5**	(1.6)
Other comprehensive income for the year		**21.5**	(1.6)
Total comprehensive income for the year		**621.3**	362.4
Attributable to:			
Owners of Intu Properties plc		**608.1**	359.2
Non-controlling interests		**13.2**	3.2
		621.3	362.4

Balance sheets
as at 31 December 2014

	Notes	Group 2014 £m	Re-presented Group 2013 £m	Re-presented Group 2012 £m	Company 2014 £m	Company 2013 £m
Non-current assets						
Investment and development property	19	**8,019.6**	7,278.7	6,734.2	**–**	–
Plant and equipment	20	**5.1**	5.5	5.6	**3.9**	4.2
Investment in group companies	21	**–**	–	–	**2,704.7**	2,511.0
Investment in joint ventures	22	**851.5**	209.5	191.9	**–**	–
Investment in associates	24	**38.0**	35.8	40.9	**–**	–
Other investments	25	**189.7**	154.9	148.8	**–**	–
Goodwill	26	**4.0**	8.2	4.0	**–**	–
Deferred tax	36	**–**	–	–	**0.4**	–
Derivative financial instruments	29	**9.0**	25.1	21.2	**–**	–
Trade and other receivables	27	**99.7**	99.2	92.5	**–**	–
		9,216.6	7,816.9	7,239.1	**2,709.0**	2,515.2
Current assets						
Trading property		**–**	0.2	0.2	**–**	–
Trade and other receivables	27	**114.7**	78.1	63.3	**1,286.8**	1,129.4
Derivative financial instruments	29	**0.7**	0.7	0.7	**–**	–
Short-term investments		**–**	69.3	–	**–**	–
Cash and cash equivalents	28	**230.0**	156.7	182.4	**1.0**	0.3
		345.4	305.0	246.6	**1,287.8**	1,129.7
Total assets		**9,562.0**	8,121.9	7,485.7	**3,996.8**	3,644.9
Current liabilities						
Trade and other payables	30	**(251.5)**	(238.1)	(211.3)	**(394.1)**	(555.9)
Current tax liabilities		**(0.6)**	(0.9)	(0.4)	**(0.4)**	–
Borrowings	31	**(21.3)**	(70.9)	(94.1)	**–**	–
Derivative financial instruments	29	**(80.7)**	(10.1)	(19.1)	**–**	–
		(354.1)	(320.0)	(324.9)	**(394.5)**	(555.9)
Non-current liabilities						
Borrowings	31	**(4,332.7)**	(3,944.0)	(3,659.1)	**(230.0)**	(285.0)
Derivative financial instruments	29	**(275.8)**	(220.5)	(492.3)	**(25.6)**	(12.8)
Other payables		**(2.6)**	(4.3)	(3.2)	**–**	–
Deferred tax	36	**–**	(12.0)	–	**–**	–
		(4,611.1)	(4,180.8)	(4,154.6)	**(255.6)**	(297.8)
Total liabilities		**(4,965.2)**	(4,500.8)	(4,479.5)	**(650.1)**	(853.7)
Net assets		**4,596.8**	3,621.1	3,006.2	**3,346.7**	2,791.2
Equity						
Share capital	37	**658.4**	486.9	434.2	**658.4**	486.9
Share premium	37	**1,222.0**	695.6	577.4	**1,222.0**	695.6
Treasury shares	39	**(45.1)**	(48.2)	(43.9)	**(45.1)**	(48.2)
Convertible bonds	33	**–**	143.7	143.7	**–**	143.7
Other reserves	38	**358.0**	500.5	336.7	**61.4**	225.8
Retained earnings		**2,330.7**	1,740.3	1,528.9	**1,450.0**	1,287.4
Attributable to owners of Intu Properties plc		**4,524.0**	3,518.8	2,977.0	**3,346.7**	2,791.2
Non-controlling interests		**72.8**	102.3	29.2	**–**	–
Total equity		**4,596.8**	3,621.1	3,006.2	**3,346.7**	2,791.2

These consolidated financial statements have been approved for issue by the Board of Directors on 27 February 2015.

David Fischel
Chief Executive

Matthew Roberts
Chief Financial Officer

The notes on pages 101 to 150 form part of these consolidated financial statements.

Statements of changes in equity

for the year ended 31 December 2014

Group	Share capital £m	Share premium £m	Treasury shares £m	Convertible bonds £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
	Attributable to owners of Intu Properties plc								
At 1 January 2014	486.9	695.6	(48.2)	143.7	500.5	1,740.3	3,518.8	102.3	3,621.1
Profit for the year	–	–	–	–	–	586.2	586.2	13.6	599.8
Other comprehensive income:									
Revaluation of other investments (note 25)	–	–	–	–	21.1	–	21.1	–	21.1
Exchange differences	–	–	–	–	7.4	–	7.4	(0.4)	7.0
Tax relating to components of other comprehensive income (note 14)	–	–	–	–	(6.6)	–	(6.6)	–	(6.6)
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**21.9**	**586.2**	**608.1**	**13.2**	**621.3**
Conversion of bond (note 33)	21.2	122.5	–	(143.7)	–	–	–	–	–
Other ordinary shares issued	150.3	403.9	–	–	–	–	554.2	–	554.2
Dividends (note 16)	–	–	–	–	–	(155.9)	(155.9)	–	(155.9)
Interest on convertible bonds (note 33)	–	–	–	–	–	(2.9)	(2.9)	–	(2.9)
Share-based payments (note 49)	–	–	–	–	–	2.5	2.5	–	2.5
Acquisition of treasury shares	–	–	(1.0)	–	–	–	(1.0)	–	(1.0)
Disposal of treasury shares	–	–	4.1	–	–	(3.9)	0.2	–	0.2
Non-controlling interest additions	–	–	–	–	–	–	–	27.2	27.2
Distribution to non-controlling interest	–	–	–	–	–	–	–	(1.2)	(1.2)
Disposal of subsidiaries (note 41)	–	–	–	–	–	–	–	(68.7)	(68.7)
Realisation of merger reserve (note 38)	–	–	–	–	(164.4)	164.4	–	–	–
	171.5	526.4	3.1	(143.7)	(164.4)	4.2	397.1	(42.7)	354.4
At 31 December 2014	**658.4**	**1,222.0**	**(45.1)**	**–**	**358.0**	**2,330.7**	**4,524.0**	**72.8**	**4,596.8**

Statements of changes in equity

for the year ended 31 December 2014
continued

Group	Share capital £m	Share premium £m	Treasury shares £m	Convertible bonds £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
	Attributable to owners of Intu Properties plc								
At 1 January 2013	434.2	577.4	(43.9)	143.7	336.7	1,528.9	2,977.0	29.2	3,006.2
Profit for the year	–	–	–	–	–	359.8	359.8	4.2	364.0
Other comprehensive income:									
Revaluation of other investments (note 25)	–	–	–	–	8.1	–	8.1	–	8.1
Exchange differences	–	–	–	–	(7.1)	–	(7.1)	(1.0)	(8.1)
Tax relating to components of other comprehensive income (note 14)	–	–	–	–	(1.6)	–	(1.6)	–	(1.6)
Total comprehensive income for the year	–	–	–	–	(0.6)	359.8	359.2	3.2	362.4
Ordinary shares issued	52.7	118.2	–	–	164.4	–	335.3	–	335.3
Dividends (note 16)	–	–	–	–	–	(142.1)	(142.1)	–	(142.1)
Interest on convertible bonds (note 33)	–	–	–	–	–	(5.8)	(5.8)	–	(5.8)
Share-based payments (note 49)	–	–	–	–	–	2.0	2.0	–	2.0
Acquisition of treasury shares	–	–	(7.0)	–	–	–	(7.0)	–	(7.0)
Disposal of treasury shares	–	–	2.7	–	–	(2.5)	0.2	–	0.2
Non-controlling interest additions (note 40)	–	–	–	–	–	–	–	71.1	71.1
Distribution to non-controlling interest	–	–	–	–	–	–	–	(1.2)	(1.2)
	52.7	118.2	(4.3)	–	164.4	(148.4)	182.6	69.9	252.5
At 31 December 2013	486.9	695.6	(48.2)	143.7	500.5	1,740.3	3,518.8	102.3	3,621.1

Statements of changes in equity

for the year ended 31 December 2014

Company	Share capital £m	Share premium £m	Treasury shares £m	Convertible bonds £m	Other reserves £m	Retained earnings £m	Total £m
	Attributable to owners of Intu Properties plc						
At 1 January 2014	486.9	695.6	(48.2)	143.7	225.8	1,287.4	2,791.2
Profit for the year	–	–	–	–	–	158.4	158.4
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**158.4**	**158.4**
Conversion of bond (note 33)	21.2	122.5	–	(143.7)	–	–	–
Other ordinary shares issued	150.3	403.9	–	–	–	–	554.2
Dividends (note 16)	–	–	–	–	–	(155.9)	(155.9)
Interest on convertible bonds (note 33)	–	–	–	–	–	(2.9)	(2.9)
Share-based payments (note 49)	–	–	–	–	–	2.5	2.5
Acquisition of treasury shares	–	–	(1.0)	–	–	–	(1.0)
Disposal of treasury shares	–	–	4.1	–	–	(3.9)	0.2
Realisation of merger reserve (note 38)	–	–	–	–	(164.4)	164.4	–
	171.5	526.4	3.1	(143.7)	(164.4)	4.2	397.1
At 31 December 2014	**658.4**	**1,222.0**	**(45.1)**	**–**	**61.4**	**1,450.0**	**3,346.7**

Company	Share capital £m	Share premium £m	Treasury shares £m	Convertible bonds £m	Other reserves £m	Retained earnings £m	Total £m
	Attributable to owners of Intu Properties plc						
At 1 January 2013	434.2	577.4	(43.9)	143.7	61.4	1,383.0	2,555.8
Profit for the year	–	–	–	–	–	52.8	52.8
Total comprehensive income for the year	–	–	–	–	–	52.8	52.8
Ordinary shares issued	52.7	118.2	–	–	164.4	–	335.3
Dividends (note 16)	–	–	–	–	–	(142.1)	(142.1)
Interest on convertible bonds (note 33)	–	–	–	–	–	(5.8)	(5.8)
Share-based payments (note 49)	–	–	–	–	–	2.0	2.0
Acquisition of treasury shares	–	–	(7.0)	–	–	–	(7.0)
Disposal of treasury shares	–	–	2.7	–	–	(2.5)	0.2
	52.7	118.2	(4.3)	–	164.4	(148.4)	182.6
At 31 December 2013	486.9	695.6	(48.2)	143.7	225.8	1,287.4	2,791.2

Statements of cash flows

for the year ended 31 December 2014

	Notes	**Group 2014 £m**	Re-presented Group 2013 £m	**Company 2014 £m**	Company 2013 £m
Cash generated from operations	44	**292.7**	300.6	**(349.5)**	(254.5)
Interest paid		**(244.6)**	(335.2)	**(6.3)**	(7.9)
Interest received		**8.8**	0.6	**–**	–
Taxation		**(0.4)**	(0.7)	**–**	–
Cash flows from operating activities		**56.5**	(34.7)	**(355.8)**	(262.4)
Cash flows from investing activities					
Purchase and development of property, plant and equipment		**(69.7)**	(44.1)	**(1.4)**	(1.0)
Sale of property		**–**	0.1	**–**	–
Acquisition of businesses net of cash acquired	40	**(851.3)**	(382.1)	**–**	–
Acquisitions of other investments		**(3.8)**	–	**–**	–
Investment in subsidiaries	21	**–**	–	**(182.8)**	(197.2)
Redemption of preference shares	21	**–**	–	**197.2**	–
Realisation of short-term investments		**69.3**	–	**–**	–
Cash received on part disposal of intu Uxbridge net of cash sold with business	41	**174.1**	–	**–**	–
Parque Principado cash received net of cash reclassified	41	**(11.6)**	–	**–**	–
Investments in joint ventures	22	**(0.4)**	(0.5)	**–**	–
Repayment of capital by joint venture	22	**14.3**	–	**–**	–
Loan advances to joint ventures	22	**(97.6)**	(0.4)	**–**	–
Loan repayments by joint ventures	22	**52.7**	9.4	**–**	–
Distributions from joint ventures	22	**4.9**	–	**–**	–
Cash flows from investing activities		**(719.1)**	(417.6)	**13.0**	(198.2)
Cash flows from financing activities					
Issue of ordinary shares		**492.0**	273.0	**492.0**	273.0
Acquisition of treasury shares		**(1.0)**	(0.9)	**(1.0)**	(0.9)
Sale of treasury shares		**0.2**	0.2	**0.2**	0.2
Non-controlling interest funding received		**27.2**	71.1	**–**	–
Cash transferred to restricted accounts		**(15.9)**	–	**–**	–
Borrowings drawn		**989.4**	2,051.6	**(55.0)**	285.0
Borrowings repaid		**(675.1)**	(1,875.3)	**–**	–
Interest on convertible bonds	33	**(2.9)**	(5.8)	**(2.9)**	(5.8)
Equity dividends paid		**(89.8)**	(90.9)	**(89.8)**	(90.9)
Cash flows from financing activities		**724.1**	423.0	**343.5**	460.6
Effects of exchange rate changes on cash and cash equivalents		**(0.1)**	(0.1)	**–**	–
Net increase/(decrease) in cash and cash equivalents		**61.4**	(29.4)	**0.7**	–
Cash and cash equivalents at 1 January	28	**151.1**	180.5	**0.3**	0.3
Cash and cash equivalents at 31 December	28	**212.5**	151.1	**1.0**	0.3

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 or statement of comprehensive income for the Company.

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of property, available-for-sale investments, and certain other financial assets and liabilities. A summary of the more 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 2014, the following relevant standards, amendments and interpretations endorsed by the EU became effective for the first time for the Group's 31 December 2014 financial statements:

- IFRS 10 Consolidated Financial Statements;
- IFRS 11 Joint Arrangements;
- IFRS 12 Disclosure of Interests in Other Entities;
- IAS 27 Separate Financial Statements (revised);
- IAS 28 Investments in Associates and Joint Ventures (revised);
- IAS 32 Financial Instruments: Presentation (amendment);
- IAS 36 Impairment of Assets (amendment); and
- Amendments to IFRS 10, IFRS 11 and IFRS 12 (transition guidance).

IFRS 11 removes the choice of accounting treatments previously available under IAS 31 Interests in Joint Ventures. This has impacted the Group's accounting policy in respect of joint ventures but has had no impact for joint operations. The Group's interests in joint ventures are now accounted for using the equity method with the income statement and balance sheet showing a single line for the Group's share of profit and the net investment in joint ventures respectively, rather than proportionally consolidating the Group's share of assets, liabilities, income and expenses on a line-by-line basis. The Group's interest in joint operations is accounted for by including its interest in assets, liabilities, income and expenses on a line-by-line basis. This change in accounting policy has had no impact on net assets or profit for the year ended 31 December 2013. The comparatives have been re-presented for the changes in classification and further details are provided in note 48. An additional balance sheet showing the re-presented 31 December 2012 position which also reflects the position at 1 January 2013 has also been given.

Other pronouncements have not had a material impact on the financial statements, but have resulted in changes to presentation or disclosure.

A number of standards have been issued but are not yet adopted by the EU and so are not available for early adoption. The most significant of these are IFRS 9 Financial Instruments along with related amendments to other IFRSs, and IFRS 15 Revenue from Contracts with Customers. Based on the Group's current circumstances, these standards are not expected to have a material impact on the financial statements.

Use of estimates and assumptions

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic review on pages 18 to 25. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 40 to 46. In addition, note 35 includes the Group's risk management objectives, details of its financial instruments and hedging activities, its exposures to liquidity risk and details of its capital structure.

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

In preparing the most recent projections, factors taken into account include £260 million of cash (including the Group's share of cash in joint ventures of £30 million) and £411 million of undrawn facilities at 31 December 2014. The refinancing of debt completed in the year, extending the Group's debt maturity profile to 8.4 years, along with the relatively long-term and stable nature of the cash flows receivable under tenant leases were also factored into the forecasts.

After reviewing the most recent projections and the sensitivity analysis, the Directors have concluded that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus we continue to adopt the going concern basis of accounting in preparing the Group's financial statements.

Notes to the accounts
continued

2 Accounting policies – Group and Company

Basis of consolidation

The consolidated financial information includes the Company and its subsidiaries and their interests in joint arrangements and associates.

All intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

– subsidiaries

A subsidiary is an entity which the Company controls, that is when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The Company's investment in Group companies is carried at cost less accumulated impairment losses.

– joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement where decisions about the relevant activities require the unanimous consent of the parties sharing joint control.

A joint operation is a joint arrangement where the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Group's interest in a joint operation is accounted for by consolidating the Group's share of the assets, liabilities, income and expenses on a line-by-line basis.

A joint venture is a joint arrangement where the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group's interest in a joint venture is accounted for using the equity method as described below.

– associates

An associate is an entity over which the Company, either directly or indirectly, is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policies of the entity but is not control or joint control of those policies. The Group's interest in an associate is accounted for using the equity method as described below.

– the equity method

Under the equity method of accounting, interests in joint ventures and associates are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. Loan balances relating to long-term funding from Group companies to joint ventures and associates are presented on the face of the balance sheet as part of the investment.

– non-controlling interest

A non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to the Company. Non-controlling interests are presented within equity, separately from the amounts attributable to owners of the Company. Profit or loss and each component of other comprehensive income is attributed to owners of the Company and to non-controlling interests in the appropriate proportions.

Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which it operates. The consolidated financial statements are presented in pounds sterling, which is the Group's presentation currency.

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

At entity level, transactions in currencies other than an entity's functional currency are recorded at the exchange rate prevailing at the transaction dates. Foreign exchange gains and losses resulting from settlement of these transactions and from retranslation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except where these relate to loans to foreign subsidiary entities considered to be part of the net investment in those entities in which case these amounts as recorded through other comprehensive income.

Revenue recognition

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

– 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.

2 Accounting policies – Group and Company (continued)

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

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

Share-based payments
The cost of granting share options and other share-based remuneration is recognised through the income statement with reference to the fair value of the equity instrument, assessed at the date of grant. This cost is charged to the income statement over the vesting period of the awards. All awards are accounted for as equity settled with the credit entry being taken directly to equity. For awards with non-market related criteria, the charge is reversed if it appears probable that the performance criteria will not be met.

For share options an option pricing model is used applying assumptions around expected yields, forfeiture rates, exercise price and volatility. Where the share awards have non-market related performance criteria the Group has used the Black-Scholes option valuation model to establish the relevant fair values. Where the share awards have a TSR market related performance criteria the Group has used the Monte-Carlo simulation valuation model to establish the relevant fair values.

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

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

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

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

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

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

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

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

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

The Group has elected to use the fair value model. Properties are initially recognised at cost and subsequently revalued at the balance sheet date to fair value as determined by professionally qualified external valuers on the basis of market value. Valuations conform with the Royal Institution of Chartered Surveyors ('RICS'), Valuation – Professional Standards 2014.

The main estimates and judgements underlying the valuations are described in note 19.

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

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

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

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

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

Leases
Leases are classified 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.

Notes to the accounts

continued

2 Accounting policies – Group and Company (continued)

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 as described in note 25.

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

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

Goodwill

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

Impairment of assets

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

At each balance sheet date the Group reviews whether there is any indication that an impairment loss recognised in previous periods may have decreased. If such an indication exists the asset's recoverable amount is estimated. An impairment loss recognised in prior periods is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount. In this case the asset's carrying amount is increased to its recoverable amount but not exceeding the carrying amount that would have been determined had no impairment loss been recognised. The reversal of an impairment loss is recognised in the income statement. No impairment reversals are permitted to be recognised on goodwill.

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.

Pensions

The costs of defined contribution schemes and contributions to personal plans are charged to the income statement in the year in which they are incurred. The Group has no defined benefit scheme.

Borrowings

Borrowings are recognised initially at their net proceeds on issue and subsequently carried at amortised cost with the exception of certain convertible bonds as detailed in note 33. Any transaction costs and premiums or discounts are recognised over the contractual life using the effective interest method.

In the event of early repayment, all unamortised transaction costs are recognised immediately in the income statement.

2 Accounting policies – Group and Company (continued)

Derivative financial instruments

The Group uses derivative financial instruments to manage exposure to interest rate and foreign exchange risk. They are initially recognised on the trade date at fair value and subsequently re-measured at fair value. In assessing fair value the Group uses its judgement to select suitable valuation techniques and make assumptions which are mainly based on market conditions existing at the balance sheet date. The fair value of interest rate swaps is calculated by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for similar instruments at the measurement date. These values are tested for reasonableness based upon broker or counterparty quotes.

Amounts paid under derivative financial instruments (currently for the Group this relates to interest rate swaps), both on obligations as they fall due and on early settlement, are recognised in the income statement as finance costs. Fair value movements on revaluation of derivative financial instruments are shown in the income statement through changes in fair value of financial instruments.

The Group does not currently apply hedge accounting to its interest rate swaps.

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, as to whether they should be classified as a financial liability, as equity or as a compound financial instrument with both debt and equity components. This assessment is based on the terms of the bond and in accordance with IAS 32. Each bond is assessed separately and the detailed accounting treatment of each is given in note 33.

Treasury shares

Investments held in the Company's own shares are deducted from equity at cost. Where such shares are subsequently sold, any consideration received is recognised directly in equity.

Current/non-current classification

Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or consumption in, the course of the Group's operating cycle. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the Group's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non-current liabilities.

Business combinations

Business combinations are accounted for in accordance with IFRS 3 Business Combinations using the acquisition method of accounting. The consideration 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.

Notes to the accounts
continued

3 Segmental reporting

Operating segments are determined based on the internal reporting and operational management of the Group. The Group is primarily a UK shopping centre focused business and has one reportable operating segment.

The principal profit indicator used to measure performance is net rental income. An analysis of net rental income is given in note 4.

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[1]	
	2014 £m	Re-presented 2013 £m	**2014 £m**	Re-presented 2013 £m
United Kingdom	**532.7**	508.2	**8,934.4**	7,453.2
Spain	**3.7**	3.4	**49.7**	147.9
United States	**–**	–	**184.7**	153.9
India	**–**	–	**38.8**	36.8
	536.4	511.6	**9,207.6**	7,791.8

1 Non-current assets excluding financial instruments.

4 Net rental income

	2014 £m	Re-presented 2013 £m
Rent receivable	**441.1**	430.3
Service charge income	**88.2**	81.3
Facilities management income from joint ventures	**7.1**	–
Revenue	**536.4**	511.6
Rent payable	**(22.2)**	(22.4)
Service charge costs	**(98.7)**	(91.8)
Facilities management costs recharged to joint ventures	**(7.1)**	–
Other non-recoverable costs	**(45.8)**	(41.2)
Net rental income	**362.6**	356.2

5 Net other income

	2014 £m	Re-presented 2013 £m
Dividends received from other investments	**6.1**	6.3
Management fees	**1.6**	–
intu Digital	**(2.9)**	(2.6)
Net other income	**4.8**	3.7

6 Administration expenses – exceptional

Exceptional administration expenses in the year totalled £13.8 million (2013 – £21.2 million). This includes costs relating to corporate transactions, principally the acquisition of intu Merry Hill, intu Derby and Sprucefield (£11.8 million, including £3.8 million of stamp duty). See note 2 for definition.

7 Operating profit

	2014 £m	2013 £m
Operating profit is arrived at after charging:		
Staff costs (note 8)	**72.3**	44.3
Depreciation	**2.1**	1.8
Remuneration paid to the Company's auditors (note 9)	**1.6**	0.9

8 Employees' information

	Group 2014 £m	Group 2013 £m
Wages and salaries	**61.3**	36.5
Social security costs	**5.8**	3.9
Other pension costs	**2.7**	1.9
Share-based payments (note 49)	**2.5**	2.0
	72.3	44.3

At 31 December 2014 the number of persons employed by the Group was 2,459 (2013 – 2,027). The Company had no employees during the year (2013 – nil). The monthly average number of persons employed by the Group during the year was:

	2014 Number	2013 Number
Head office	**261**	203
Shopping centres	**1,916**	1,077
	2,177	1,280

The Group's staff costs and numbers increased in 2013 following the creation of Intu Retail Services Limited, a subsidiary whose role is to deliver facilities management to all intu branded shopping centres across the UK. These services were previously provided by external service providers. As a result, 1,112 staff joined the Group on 1 July 2013 and a further 163 staff joined on 1 October 2013. The Group's staff costs and numbers for 2014 include a full year's impact of this change and the impact of acquisitions in the year.

9 Auditors' remuneration

	2014 £000	2013 £000
Fees payable to the Company's auditors and their associates for:		
The audit of the Company's annual accounts	**214**	197
Other services to the Group – statutory audit of the Company's subsidiaries	**352**	173
Fees related to the audit of the Company and its subsidiaries	**566**	370
Audit-related assurance services[1]	**40**	40
Total fees for audit and audit related services	**606**	410
Other assurance services[2]	**1,034**	533
Total non-audit related services	**1,034**	533
Total fees	**1,640**	943

Fees payable to PricewaterhouseCoopers LLP ('PwC') and their associates for non-audit services to the Company are not required to be disclosed separately as they are included on a consolidated basis. The Group also used accounting firms other than PwC for a number of assignments.

1 Relates to review of the Group's Interim Report.

2 2014 included £916,000 in respect of reporting accountant work associated with the rights issue and raising debt on intu Trafford Centre and within the Secured Group Structure (SGS).

The role of the reporting accountant requires detailed knowledge of the entities involved. If a firm other than the audit firm were to undertake this work then they would have to spend a significant amount of additional time becoming familiar with those entities. PwC were therefore chosen to undertake this work as it was considered to be sensible and more efficient both in terms of time and costs. For the same reasons, certain elements of the SGS work were undertaken by another firm that had performed the most recent audit for those entities.

2014 also included £118,000 in respect of financial due diligence related to the acquisition of intu Merry Hill, intu Derby and Sprucefield. PwC were chosen to undertake this work on efficiency grounds given the overall assignment, including reporting accountant work on the rights issue. Additionally, as for all non-audit work, consideration was given as to whether PwC's independence could be affected by undertaking this work. It was concluded that this would not be the case.

2013 principally related to reporting accountant work associated with the Group raising debt within the SGS and on intu Metrocentre. The reasons for using PwC were the same as above.

Notes to the accounts
continued

10 Finance costs

	2014 £m	Re-presented 2013 £m
On bank loans and overdrafts	**186.0**	181.7
On convertible bonds (note 33)	**7.5**	7.5
On obligations under finance leases	**3.6**	3.4
Finance costs	**197.1**	192.6

No finance costs were capitalised in the year ended 31 December 2014 (2013 – £nil).

11 Finance income

	2014 £m	Re-presented 2013 £m
Interest receivable on loans to joint ventures	**10.7**	–
Other finance income	**1.2**	0.6
Finance income	**11.9**	0.6

12 Other finance costs

	2014 £m	2013 £m
Amortisation of Metrocentre compound financial instrument	**6.1**	6.5
Cost of termination of derivative financial instruments and other costs[1]	**48.4**	158.5
Foreign currency movements[1]	**2.3**	(0.5)
Other finance costs	**56.8**	164.5

1 Amounts totalling £50.7 million in the year ended 31 December 2014 are treated as exceptional items, as defined in note 2 (2013 – £158.0 million). These finance costs include termination of interest rate swaps on repayment of debt, payments on unallocated swaps and other fees.

13 Change in fair value of financial instruments

	2014 £m	Re-presented 2013 £m
Loss/(gain) on derivative financial instruments	**144.8**	(274.1)
Loss on convertible bonds designated as at fair value through profit or loss (note 33)	**12.8**	1.8
Change in fair value of financial instruments	**157.6**	(272.3)

Included within the change in fair value of derivative financial instruments are gains totalling £70.3 million resulting from the payment of obligations under derivative financial instruments during the year. Of these £17.1 million relate to the termination of swaps in the year and £27.0 million to unallocated swaps (see note 12).

14 Taxation

Taxation for the year:

	2014 £m	2013 £m
Overseas taxation	**0.5**	0.8
Current tax	**0.5**	0.8
Deferred tax:		
On investment and development property	**–**	0.2
On other investments	**(0.9)**	(1.9)
On derivative financial instruments	**(5.6)**	3.2
On other temporary differences	**(0.1)**	(2.9)
Deferred tax	**(6.6)**	(1.4)
Total tax credit	**(6.1)**	(0.6)

The tax credits for 2014 and 2013 are lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2014 £m	Re-presented 2013 £m
Profit before tax, joint ventures and associates	**493.2**	336.8
Profit before tax multiplied by the standard rate in the UK of 21.5% (2013 – 23.25%)	**106.0**	78.3
Additions and disposals of property and investments	**(0.8)**	4.0
REIT exemption – corporation tax	**(32.7)**	(8.3)
REIT exemption – deferred tax	**(109.5)**	(78.6)
Non-deductable and other items	**1.5**	1.5
Overseas taxation	**0.5**	0.7
Unprovided deferred tax	**28.9**	1.8
Total tax credit	**(6.1)**	(0.6)

Tax relating to components of other comprehensive income is analysed as:

	2014 £m	2013 £m
Deferred tax:		
On other investments	**6.6**	1.6
Tax relating to components of other comprehensive income	**6.6**	1.6

15 Profit for the year attributable to owners of Intu Properties plc

Profits of £158.4 million are recorded in the accounts of the Company in respect of the year (2013 – £52.8 million). No income statement or statement of comprehensive income is presented for the Company as permitted by Section 408 of the Companies Act 2006.

Notes to the accounts
continued

16 Dividends

	2014 £m	2013 £m
Ordinary shares		
Prior year final dividend paid of 9.1[1] pence per share (2013 – 9.1[1] pence per share)	**96.2**	94.4
Interim dividend paid of 4.6 pence per share (2013 – 4.6[1] pence per share)	**59.7**	47.7
Dividends declared	**155.9**	142.1
Proposed final dividend of 9.1 pence per share	**119.8**	

1 Adjusted for the rights issue bonus factor, see note 17.

In 2014, the Company offered shareholders the option to receive ordinary shares instead of cash for the 2013 final and 2014 interim dividends of 9.1 pence (as adjusted by the bonus factor) and 4.6 pence respectively under the Scrip Dividend Scheme. As a result of elections made by shareholders 16,442,684 new ordinary shares of 50 pence each were issued on 20 May 2014 and 5,257,861 new ordinary shares of 50 pence each were issued on 25 November 2014 in lieu of dividends otherwise payable. This resulted in £62.2 million of cash being retained in the business.

In 2013, the Scrip Dividend Scheme resulted in £56.2 million of cash being retained in the business.

Details of the shares in issue and dividends waived are given in notes 37 and 39.

17 Earnings per share

On 22 April 2014, the Company issued 278,241,628 new ordinary shares of 50 pence each through a rights issue. Further details of the rights issue are provided in note 37. To reflect the rights issue, the number of shares previously used to calculate basic, diluted, headline and underlying earnings per share have been amended in the table shown below. An adjustment factor of 1.098 has been applied, based on the ratio of an adjusted (ex-dividend) closing share price of 301.1 pence per share on 28 March 2014, the business day before the shares started trading ex-rights and the theoretical ex-rights price at that date of 274.2 pence per share. The adjusted share price has been calculated based on the Company's share price of 311.1 pence per share on 28 March 2014 less the 2013 final dividend of 10 pence per share which the rights issue shares were not entitled to.

(a) Earnings per share

Basic and diluted earnings per share as calculated in accordance with IAS 33 Earnings per Share:

	2014			Re-presented 2013		
	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Profit for the year attributable to owners of Intu Properties plc	**586.2**			359.8		
Interest on convertible bonds recognised direct to equity (note 33)	**(2.9)**			(5.8)		
Basic earnings per share[1]	**583.3**	**1,214.6**	**48.0p**	354.0	1,027.1	34.5p
Dilutive convertible bonds, share options and share awards	**23.2**	**96.4**		13.3	122.4	
Diluted earnings per share	**606.5**	**1,311.0**	**46.3p**	367.3	1,149.5	32.0p

1 The weighted average number of shares used for the calculation of basic earnings per share has been adjusted to remove shares held in the ESOP.

17 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.

	2014		Re-presented 2013	
	Gross £m	**Net[1] £m**	Gross £m	Net[1] £m
Basic earnings		**583.3**		354.0
Remove:				
Revaluation of investment and development property	**(567.8)**	**(552.9)**	(109.9)	(108.8)
Gain on acquisition of businesses	**(1.6)**	**(1.6)**	–	–
Gain on disposal of subsidiaries	**(0.6)**	**(0.6)**	–	–
Share of joint ventures' items	**(80.4)**	**(80.4)**	(15.9)	(15.9)
Share of associates' items	**(0.8)**	**(0.8)**	(0.5)	(0.5)
Headline (loss)/earnings		**(53.0)**		228.8
Dilution[2]		**23.2**		13.3
Diluted headline (loss)/earnings		**(29.8)**		242.1
Weighted average number of shares		**1,214.6**		1,027.1
Dilution[2]		**96.4**		122.4
Diluted weighted average number of shares		**1,311.0**		1,149.5
Headline (loss)/earnings per share (pence)		**(4.4)p**		22.3p
Diluted headline (loss)/earnings per share (pence)		**(2.3)p**		21.1p

1 Net of tax and non-controlling interests.

2 The dilution impact is required to be included as calculated in note 17(a) even where this is not dilutive for headline earnings per share.

(c) Underlying earnings per share

Underlying earnings per share is a non-GAAP measure but has been included as it is considered to be a key measure of the Group's performance and an indication of the extent to which dividend payments are supported by underlying earnings (see underlying profit statement on page 157).

	2014			Re-presented 2013		
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share
Basic earnings per share (per note 17(a))	**583.3**	**1,214.6**	**48.0p**	354.0	1,027.1	34.5p
Remove:						
Revaluation of investment and development property (note 19)	**(567.8)**		**(46.7)p**	(109.9)		(10.7)p
Gain on acquisition of businesses	**(1.6)**		**(0.1)p**	–		–
Gain on disposal of subsidiaries	**(0.6)**		**–**	–		–
Exceptional administration expenses (note 6)	**13.8**		**1.1p**	21.2		2.0p
Exceptional finance costs (note 12)	**50.7**		**4.2p**	158.0		15.4p
Change in fair value of financial instruments (note 13)	**157.6**		**13.0p**	(272.3)		(26.5)p
Tax on the above	**(6.7)**		**(0.6)p**	(1.5)		(0.1)p
Share of joint ventures' adjusting items	**(81.1)**		**(6.7)p**	(17.4)		(1.7)p
Share of associates' adjusting items	**(0.8)**		**(0.1)p**	(0.5)		–
Non-controlling interests in respect of the above	**14.9**		**1.2p**	8.6		0.8p
Underlying earnings per share	**161.7**	**1,214.6**	**13.3p**	140.2	1,027.1	13.7p
Dilutive convertible bonds, share options and share awards	**10.4**	**96.4**		13.3	122.4	
Underlying, diluted earnings per share	**172.1**	**1,311.0**	**13.1p**	153.5	1,149.5	13.4p

Notes to the accounts

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18 Net asset value per share

As for earnings per share, the comparative number of shares used to calculate each measure of net assets per share has been adjusted by the bonus factor of 1.098 to reflect the rights issue. See note 17 for more details.

(a) NAV per share (diluted, adjusted)

NAV per share (diluted, adjusted) is a non-GAAP measure but has been included as it is considered to be a key measure of the Group's performance.

	2014			Re-presented 2013		
	Net assets £m	**Shares million**	**NAV per share pence**	Net assets £m	Shares million	NAV per share pence
NAV per share attributable to owners of Intu Properties plc[1]	**4,524.0**	**1,303.7**	**347p**	3,518.8	1,055.5	333p
Dilutive convertible bonds, share options and awards	**22.2**	**8.6**		3.8	45.1	
Diluted NAV per share	**4,546.2**	**1,312.3**	**347p**	3,522.6	1,100.6	320p
Remove:						
Fair value of derivative financial instruments (net of tax)	**333.2**		**26p**	196.8		18p
Deferred tax on investment and development property and other investments	**14.1**		**1p**	20.4		2p
Goodwill resulting from recognition of deferred tax liabilities	**–**		**–**	(4.2)		–
Share of joint ventures' adjusting items	**4.1**		**–**	1.3		–
Non-controlling interests in respect of the above	**–**		**–**	(3.8)		–
Add:						
Non-controlling interest recoverable balance not recognised	**71.3**		**5p**	71.3		6p
NAV per share (diluted, adjusted)	**4,968.9**	**1,312.3**	**379p**	3,804.4	1,100.6	346p

1 The number of shares used has been adjusted to remove shares held in the ESOP.

Restated NAV per share (diluted, adjusted) for 31 December 2013 is 346 pence per share. Adjusting the previously reported 31 December 2013 figures for the cash raised and the shares issued in the rights issue gives a pro forma NAV per share (diluted, adjusted) of 335 pence per share.

(b) NNNAV per share (diluted, adjusted)

NNNAV per share (diluted, adjusted) is a non-GAAP measure but has been included as it is considered to be an industry standard comparable measure.

	2014			Re-presented 2013		
	Net assets £m	**Shares million**	**NAV per share pence**	Net assets £m	Shares million	NAV per share pence
NAV per share (diluted, adjusted)	**4,968.9**	**1,312.3**	**379p**	3,804.4	1,100.6	346p
Fair value of derivative financial instruments (net of tax)	**(333.2)**		**(26)p**	(196.8)		(18)p
Excess of fair value of debt over book value	**(310.2)**		**(24)p**	(56.9)		(5)p
Deferred tax on investment and development property and other investments	**(14.1)**		**(1)p**	(20.4)		(2)p
Share of joint ventures' adjusting items	**(6.0)**		**–**	(1.3)		–
Non-controlling interests in respect of the above	**17.0**		**1p**	6.3		–
NNNAV per share (diluted, adjusted)	**4,322.4**	**1,312.3**	**329p**	3,535.3	1,100.6	321p

19 Investment and development property

	Freehold £m	Leasehold £m	Total £m
At 1 January 2013 – re-presented	4,508.2	2,226.0	6,734.2
Midsummer Place acquisition (note 40)	250.5	–	250.5
Parque Principado acquisition (note 40)	144.7	–	144.7
Additions – re-presented	24.1	17.9	42.0
Disposals – re-presented	–	(0.1)	(0.1)
Surplus on revaluation – re-presented	113.1	(3.2)	109.9
Foreign exchange movements – re-presented	(2.5)	–	(2.5)
At 31 December 2013 – re-presented	5,038.1	2,240.6	7,278.7
Acquisition of intu Derby and Sprucefield (note 40)	458.4	–	458.4
Additions	48.5	17.5	66.0
Disposal of subsidiaries[1]	(350.4)	–	(350.4)
Surplus on revaluation	468.9	98.9	567.8
Foreign exchange movements	(0.9)	–	(0.9)
At 31 December 2014	**5,662.6**	**2,357.0**	**8,019.6**

1 Disposal of subsidiaries relates to Parque Principado (£142.2 million) and intu Uxbridge (£208.2 million). See note 41.

A reconciliation to market value is given in the table below:

	2014 £m	Re-presented 2013 £m
Balance sheet carrying value of investment and development property	**8,019.6**	7,278.7
Tenant incentives included within trade and other receivables (note 27)	**96.9**	96.4
Head leases included within finance leases in borrowings (note 31)	**(34.9)**	(36.0)
Market value of investment and development property	**8,081.6**	7,339.1

All investment properties measured at fair value in the consolidated balance sheet are categorised as Level 3 in the fair value hierarchy (see note 35 for definition) as one or more inputs to the valuation are partly based on unobservable market data.

Transfers into and transfers out of the fair value hierarchy levels are recognised on the date of the event or change in circumstances that caused the transfer. There were no transfers in or out of Level 3 for investment properties during the year.

The market value of investment and development property at 31 December 2014 includes £74.4 million (31 December 2013 – £29.3 million) in respect of property considered to be developments. These are accounted for as investment property and are valued using the same methodology as other investment property.

The Group has only one class of investment and development property asset. All the Group's significant investment and development property relates to prime shopping centres which are of a similar nature and share characteristics and risks.

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19 Investment and development property (continued)

Valuation process

It is the Group's policy to engage independent external valuers to determine the market value of its investment and development property at both 30 June and 31 December. The Group provides information to the valuers, including current lease and tenant data along with asset specific business plans. The valuers use this and other inputs including market transactions for similar properties to produce valuations (see valuation methodology below). These valuations and the assumptions they have made are then discussed and reviewed with the Group's asset management team and Directors.

The Group engages a number of independent valuation experts to undertake the Group's property valuations. A summary of the valuers and the value of property assets they have been engaged to value is given below:

	2014 £m	Re-presented 2013 £m
DTZ	**4,623.5**	4,100.5
Cushman & Wakefield	**2,200.0**	1,900.0
CBRE	**1,248.1**	1,188.6
Jones Lang LaSalle	**–**	143.1
Others	**10.0**	6.9
	8,081.6	7,339.1

In addition to the above, investment properties in the Group's joint ventures were valued by Knight Frank, Jones Lang LaSalle and DTZ.

Valuation fees are a fixed amount agreed between the Group and the valuers in advance of the valuation and are not linked to the valuation output.

Valuation methodology

The fair value of the Group's investment and development property as at 31 December 2014 was determined by independent external valuers at that date. The valuations are in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards 2014 and were arrived at by reference to market transactions for similar properties. Fair values for investment properties are calculated using the present value income approach. The main assumptions underlying the valuations are in relation to rent profile and yields as discussed below.

The key driver of the property valuations is the terms of the leases in place at the valuation date. These determine the majority of the cash flow profile of the property for a number of years and therefore form the base of the valuation. The valuation assumes adjustments from these rental values to current market rent at the time of the next rent review (where a typical lease allows only for upward adjustment) and as leases expire and are replaced by new leases. The current market level of rent is assessed based on evidence provided by the most recent relevant leasing transactions and negotiations. This is based on evidence available at the date of valuation and does not assume future increases in market rent.

The nominal equivalent yield is applied as a discount rate to the rental cash flows which, after taking into account other input assumptions such as vacancies and costs, generates the market value of the property. The nominal equivalent yield applied is assessed by reference to market transactions for similar properties and takes into account, amongst other things, any risks associated with the rent uplift assumptions.

Annual property income as disclosed in the table below reflects current annualised gross income.

The net initial yield is calculated as the current net income over the gross market value of the asset and is used as a sense check and to compare against market transactions for similar properties.

Full definitions of nominal equivalent yield, annual property income and net initial yield are provided in the Glossary.

The valuation output, inputs and assumptions, are reviewed to ensure that they are in line with those of market participants.

A significant change in the nominal equivalent yield in isolation, would result in a significant change in the value of investment and development property. A decrease in nominal equivalent yield of 50 basis points would result in an increase in the total market value of £874 million (31 December 2013 – £718 million re-presented), while a 50 basis point increase would result in a decrease in the total market value of £718 million (31 December 2013 – £611 million re-presented).

19 Investment and development property (continued)

The tables below provide details of the assumptions used in the valuation and key unobservable inputs:

				2014
	Market value £m	**Net initial yield (EPRA)**	**Nominal equivalent yield**	**Annual property income £m**
intu Trafford Centre	2,200.0	3.9%	4.5%	86.9
intu Lakeside	1,255.0	4.2%	5.0%	59.7
intu Metrocentre	928.1	4.3%	5.4%	46.8
intu Braehead	599.3	3.7%	5.9%	25.5
Manchester Arndale	430.2	4.6%	5.2%	21.7
intu Derby	420.0	6.3%	6.2%	28.4
intu Watford	335.0	4.5%	6.3%	17.3
intu Victoria Centre	314.0	4.0%	6.2%	16.9
intu Milton Keynes	277.5	4.5%	4.9%	13.8
intu Eldon Square	272.6	4.1%	6.1%	14.0
intu Chapelfield	261.0	5.0%	6.0%	15.1
Cribbs Causeway	242.9	4.1%	5.5%	12.6
intu Bromley	170.7	5.3%	7.1%	10.5
intu Potteries	164.5	5.3%	7.5%	10.5

				2013
	Market value £m	Net initial yield (EPRA)	Nominal equivalent yield	Annual property income £m
intu Trafford Centre	1,900.0	4.2%	5.1%	86.0
intu Lakeside	1,124.5	4.8%	5.5%	58.6
intu Metrocentre	885.2	5.0%	5.8%	48.2
intu Braehead	602.3	4.4%	5.9%	29.1
Manchester Arndale	399.0	5.0%	5.5%	21.8
intu Watford	323.0	4.7%	6.5%	17.0
intu Victoria Centre	306.0	4.7%	6.6%	17.6
intu Milton Keynes	251.0	5.1%	5.5%	13.9
intu Eldon Square	250.2	4.8%	6.6%	14.6
intu Chapelfield	245.5	5.7%	6.4%	15.3
Cribbs Causeway	241.5	4.2%	5.8%	12.4
intu Uxbridge	213.9	5.4%	6.4%	12.3
intu Potteries	162.6	6.1%	7.6%	10.7
intu Bromley	159.2	5.5%	7.5%	9.9
Parque Principado	143.1	6.9%	7.2%	11.5

Notes to the accounts
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20 Plant and equipment

Group	2014 Cost £m	2014 Accumulated depreciation £m	2014 Net £m	2013 Cost £m	2013 Accumulated depreciation £m	2013 Net £m
At 1 January	**13.5**	**(8.0)**	**5.5**	11.8	(6.2)	5.6
Additions	**1.7**	**–**	**1.7**	1.7	–	1.7
Charge for the year	**–**	**(2.1)**	**(2.1)**	–	(1.8)	(1.8)
At 31 December	**15.2**	**(10.1)**	**5.1**	13.5	(8.0)	5.5

Company	2014 Cost £m	2014 Accumulated depreciation £m	2014 Net £m	2013 Cost £m	2013 Accumulated depreciation £m	2013 Net £m
At 1 January	**9.0**	**(4.8)**	**4.2**	8.0	(3.3)	4.7
Additions	**1.4**	**–**	**1.4**	1.0	–	1.0
Charge for the year	**–**	**(1.7)**	**(1.7)**	–	(1.5)	(1.5)
At 31 December	**10.4**	**(6.5)**	**3.9**	9.0	(4.8)	4.2

Plant and equipment consists of vehicles, fixtures, fittings and other office equipment.

21 Investment in group companies

Company	2014 Cost £m	2014 Accumulated impairment £m	2014 Net £m	2013 Cost £m	2013 Accumulated impairment £m	2013 Net £m
At 1 January	**3,328.1**	**(817.1)**	**2,511.0**	3,130.9	(905.4)	2,225.5
Additions	**182.8**	**–**	**182.8**	197.2	–	197.2
Redemption of preference shares	**(197.2)**	**–**	**(197.2)**	–	–	–
Impairment reversed in the year	**–**	**208.1**	**208.1**	–	88.3	88.3
At 31 December	**3,313.7**	**(609.0)**	**2,704.7**	3,328.1	(817.1)	2,511.0

Details of principal subsidiary undertakings are provided in note 45.

22 Joint ventures

The Group's principal investments in joint ventures own and manage investment properties.

	St David's, Cardiff £m	intu Merry Hill £m	Parque Principado £m	Other £m	2014 Total £m
At 1 January 2014 – re-presented	194.6	–	–	14.9	209.5
Acquisition of intu Merry Hill (note 40)	–	403.8	–	–	403.8
intu Uxbridge (note 41)	–	–	–	43.0	43.0
Parque Principado (note 41)	–	–	71.3	–	71.3
Other additions	–	–	–	0.4	0.4
Share of underlying profit	11.3	5.1	0.4	1.8	18.6
Share of other net profit	38.8	26.8	13.9	1.6	81.1
Share of profit	50.1	31.9	14.3	3.4	99.7
Distributions	–	(2.7)	–	(2.2)	(4.9)
Repayment of capital	–	–	(14.3)	–	(14.3)
Loan advances	79.7	–	17.1	0.8	97.6
Loan repayments	(13.5)	–	(39.2)	–	(52.7)
Foreign exchange movements	–	–	(1.9)	–	(1.9)
At 31 December 2014	**310.9**	**433.0**	**47.3**	**60.3**	**851.5**
Represented by:					
Loans to joint venture	128.6	386.2	31.6	1.9	548.3
Equity	182.3	46.8	15.7	58.4	303.2

	St David's, Cardiff £m	Other £m	Re-presented 2013 Total £m
At 1 January 2013	179.0	12.9	191.9
Share of underlying profit	7.9	0.8	8.7
Share of other net profit	17.1	0.3	17.4
Share of profit	25.0	1.1	26.1
Investment in share capital	–	0.5	0.5
Loan advances	–	0.4	0.4
Loan repayments	(9.4)	–	(9.4)
At 31 December 2013	194.6	14.9	209.5
Represented by:			
Loans to joint venture	62.4	0.6	63.0
Equity	132.2	14.3	146.5

At 31 December 2014, the Boards of joint ventures had approved £0.5 million (2013 – £nil) of future expenditure for the purchase, construction, development and enhancement of investment property. Of this, £0.1 million is contractually committed. These amounts represent the Group's share.

It is intended that the exemption, conferred by regulation 7 of The Partnerships (Accounts) Regulations 2008, from needing to prepare and file accounts, will be taken in respect of the following limited partnerships which are dealt with on a consolidated basis in these financial statements: MH (No. 1) Limited Partnership, MH (No. 2) Limited Partnership, MH (No. 3) Limited Partnership, MH (No. 4) Limited Partnership, MH (No. 5) Limited Partnership, MH (No. 6) Limited Partnership, MH (No. 7) Limited Partnership and MH (No. 8) Limited Partnership.

Notes to the accounts
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22 Joint ventures (continued)

Set out below is the summarised information of the Group's joint ventures with financial information presented at 100 per cent. The summarised income statements are presented for the period from acquisition or becoming a joint venture:

					2014
	St David's, Cardiff £m	intu Merry Hill £m	Parque Principado £m	Other £m	Total £m
Summary information					
Group's interest	50%	50%	50%		
Principal place of business	Wales	England	Spain		
Summarised income statement					
Revenue	38.8	43.0	10.5	12.0	104.3
Net rental income	27.2	29.6	6.8	8.7	72.3
Net other income	1.2	–	–	–	1.2
Revaluation of investment and development property	75.5	53.7	28.8	1.5	159.5
Administration expenses	(0.1)	(0.7)	(0.7)	(0.8)	(2.3)
Net finance costs	(3.6)	(18.7)	(6.2)	–	(28.5)
Profit for the year	**100.2**	**63.9**	**28.7**	**9.4**	**202.2**
Group's share of profit for the year	**50.1**	**31.9**	**14.3**	**3.4**	**99.7**
Summarised balance sheet					
Investment and development property	594.1	868.9	164.4	245.1	1,872.5
Other non-current assets	20.6	0.5	4.4	2.3	27.8
Current assets excluding cash and cash equivalents	7.5	5.9	1.6	1.9	16.9
Cash and cash equivalents	13.1	30.0	12.1	9.0	64.2
Current financial liabilities	(0.3)	(17.8)	(3.8)	(1.6)	(23.5)
Other current liabilities	(13.3)	(21.4)	(0.9)	(5.3)	(40.9)
Non-current financial liabilities	–	–	(72.0)	–	(72.0)
Other non-current liabilities	–	–	(11.2)	–	(11.2)
Partners' loans	(257.2)	(772.5)	(63.2)	(1.4)	(1,094.3)
Net assets	**364.5**	**93.6**	**31.4**	**250.0**	**739.5**
Group's share of net assets	**182.3**	**46.8**	**15.7**	**58.4**	**303.2**

22 Joint ventures (continued)

			Re-presented 2013
	St David's, Cardiff £m	Other £m	Total £m
Summary information			
Group's interest	50%		
Principal place of business	Wales		
Summarised income statement			
Revenue	41.4	10.8	52.2
Net rental income	25.0	1.6	26.6
Revaluation of investment and development property	31.2	0.6	31.8
Net finance costs	(6.2)	–	(6.2)
Profit for the year	50.0	2.2	52.2
Group's share of profit for the year	25.0	1.1	26.1
Summarised balance sheet			
Investment and development property	520.4	25.0	545.4
Other non-current assets	22.6	1.4	24.0
Current assets excluding cash and cash equivalents	8.0	1.8	9.8
Cash and cash equivalents	13.6	4.2	17.8
Current financial liabilities	(172.6)	(2.5)	(175.1)
Other current liabilities	–	(0.1)	(0.1)
Non-current financial liabilities	(2.8)	(1.2)	(4.0)
Partners' loans	(124.8)	–	(124.8)
Net assets	264.4	28.6	293.0
Group's share of net assets	132.2	14.3	146.5

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23 Joint operations

The Group's interests in Cribbs Causeway and Manchester Arndale are accounted for as joint operations. The Group holds 50 per cent beneficial interests in the relevant freehold or leasehold of these properties. Each joint arrangement is governed by a Trust Deed giving each party rights to income, and obligations for expenses, in respect of their beneficial interest in the property. The management of the property is established under the Trust Deed as being undertaken by an entity jointly controlled by the beneficial owners of the property. This entity does not have the right to a share of the income or expenditure from the property, other than the receipt of a management fee. Therefore these interests are accounted for as joint operations. The principal place of business of the joint operations is England.

24 Investment in associates

	Group 2014 £m	Group 2013 £m
At 1 January	**35.8**	40.9
Share of profit of associates	**0.8**	0.5
Foreign exchange movements	**1.4**	(5.6)
At 31 December	**38.0**	35.8

Investment in associates comprises a 32.4 per cent holding in the ordinary shares of Prozone Intu Properties Limited (formerly Prozone Capital Shopping Centres Limited) ('Prozone') (incorporated in India).

As required by IAS 28 Investments in Associates and Joint Ventures, the equity method of accounting is applied in accounting for the Group's investment in Prozone. The results of Prozone for the year to 30 September have been used as 31 December information is not available in time for these financial statements. Those results are adjusted to be in line with the Group's accounting policies and include the most recent property valuations, as at 30 September 2014, determined by independent professionally qualified external valuers in line with the valuation methodology described in note 19. The market price per share at 31 December 2014 was INR26 (31 December 2013 – INR18), valuing the Group's interest at £13.0 million (31 December 2013 – £8.8 million). Following a review it was concluded no adjustment was required at this time.

Set out below is the summarised financial information of Prozone at 100%:

	2014 £m	2013 £m
Summarised income statement		
Revenue	**4.6**	2.8
Profit for the year[1]	**2.4**	1.5
Summarised balance sheet		
Investment and development property	**185.5**	171.2
Other non-current assets	**3.3**	3.3
Current assets	**20.3**	17.0
Current liabilities	**(8.7)**	(6.2)
Non-current liabilities	**(20.9)**	(15.6)
Non-controlling interests	**(62.2)**	(58.9)
Net assets	**117.3**	110.8
Group's 32.4 per cent share of net assets	**38.0**	35.8

1 Included within profit for the year is revaluation of investment and development property of £2.3 million (2013 – £1.5 million).

25 Other investments

	Group 2014 £m	Group 2013 £m
At 1 January	**154.9**	148.8
Additions	**3.8**	–
Revaluation	**21.1**	8.1
Foreign exchange movements	**9.9**	(2.0)
At 31 December	**189.7**	154.9

All these investments are available-for-sale investments and are analysed by type of investment as follows:

	Group 2014 £m	Group 2013 £m
Listed securities – equity	**5.0**	1.0
Unlisted securities – equity	**184.7**	153.9
	189.7	154.9

Listed investments are accounted for at fair value using the bid market value at the reporting date. The Group's unlisted securities all relate to the 11.4 million units in a US venture controlled by Equity One, convertible into Equity One shares and therefore the fair value of the investment is measured by reference to the Equity One share price.

26 Goodwill

	Group 2014 £m	Group 2013 £m
At 1 January	**8.2**	4.0
Additions	**–**	4.2
Disposal of subsidiaries (note 41)	**(4.2)**	–
At 31 December	**4.0**	8.2

27 Trade and other receivables

	Group 2014 £m	Re-presented Group 2013 £m	**Company 2014 £m**	Company 2013 £m
Current				
Trade receivables	**24.6**	16.0	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**1,284.4**	1,126.4
Amounts owed by joint ventures	**20.5**	0.5	**–**	–
Other receivables	**16.8**	18.8	**0.9**	1.0
Prepayments and accrued income	**52.8**	42.8	**1.5**	2.0
Trade and other receivables – current	**114.7**	78.1	**1,286.8**	1,129.4
Non-current				
Other receivables	**11.4**	8.9	**–**	–
Prepayments and accrued income	**88.3**	90.3	**–**	–
Trade and other receivables – non-current	**99.7**	99.2	**–**	–

Included within prepayments and accrued income for the Group of £141.1 million (2013 – £133.1 million) are tenant lease incentives of £96.9 million (2013 – £96.4 million).

Amounts owed by subsidiary undertakings are unsecured and repayable on demand.

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28 Cash and cash equivalents

	Group 2014 £m	Re-presented Group 2013 £m	Company 2014 £m	Company 2013 £m
Unrestricted cash	**212.5**	151.1	**1.0**	0.3
Restricted cash	**17.5**	5.6	**–**	–
Cash and cash equivalents	**230.0**	156.7	**1.0**	0.3

In 2014, restricted cash is the deposit paid in relation to the acquisition of Puerto Venecia, Zaragoza. In 2013, restricted cash primarily reflected amounts held to match the 2014 loan notes shown within borrowings and cash deposited against a Spanish local property tax included within trade and other payables.

A number of the Group's borrowing arrangements place certain restrictions on the rent received each quarter. These do not prevent access to or use of this funding within the borrowing entities, however they do place certain restrictions on moving those funds around the wider group, typically requiring debt servicing costs to be paid before restrictions are lifted.

29 Derivative financial instruments

All derivative financial instruments held by the Group relate to interest rate swaps which are classified as held for trading (see note 35).

The derivative financial instrument held by the Company relates to the Bondholder option (see note 33) and is classified as held for trading.

30 Trade and other payables

	Group 2014 £m	Re-presented Group 2013 £m	Company 2014 £m	Company 2013 £m
Current				
Rents received in advance	**97.2**	95.3	**–**	–
Trade payables	**2.7**	5.0	**–**	–
Amounts owed to joint ventures	**2.7**	–	**–**	–
Amounts owed to subsidiary undertakings	**–**	–	**376.8**	544.6
Accruals and deferred income	**110.7**	97.8	**10.6**	8.1
Other payables	**11.6**	17.7	**0.4**	–
Other taxes and social security	**26.6**	22.3	**6.3**	3.2
Trade and other payables	**251.5**	238.1	**394.1**	555.9

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

31 Borrowings

Group	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	2014 Fair value £m
Current						
Bank loans and overdrafts	1.7	1.7	–	–	1.7	1.7
Commercial mortgage backed securities ('CMBS') notes	16.5	16.5	–	13.3	3.2	19.1
Current borrowings, excluding finance leases	18.2	18.2	–	13.3	4.9	20.8
Finance lease obligations	3.1	3.1	–	3.1	–	3.1
	21.3	**21.3**	**–**	**16.4**	**4.9**	**23.9**
Non-current						
Revolving credit facility 2019	230.0	230.0	–	–	230.0	230.0
CMBS notes 2019	19.5	19.5	–	19.5	–	20.3
CMBS notes 2022	51.2	51.2	–	51.2	–	62.8
CMBS notes 2024	87.4	87.4	–	87.4	–	95.4
CMBS notes 2029	88.6	88.6	–	88.6	–	101.9
CMBS notes 2033	351.8	351.8	–	351.8	–	429.5
CMBS notes 2035	186.2	186.2	–	–	186.2	208.4
Bank loans 2016	330.8	330.8	–	–	330.8	330.8
Bank loan 2017	166.5	166.5	–	–	166.5	166.5
Bank loan 2018	347.9	347.9	–	–	347.9	347.9
Bank loan 2021	120.3	120.3	–	–	120.3	120.3
3.875% bonds 2023	440.2	440.2	–	440.2	–	474.1
4.125% bonds 2023	475.8	475.8	–	475.8	–	518.4
4.625% bonds 2028	340.6	340.6	–	340.6	–	392.7
4.250% bonds 2030	344.5	344.5	–	344.5	–	376.8
Debenture 2027	227.9	227.9	–	227.9	–	241.0
2.5% convertible bonds 2018 (note 33)	325.6	–	325.6	325.6	–	325.6
Non-current borrowings, excluding finance leases and Metrocentre compound financial instrument	4,134.8	3,809.2	325.6	2,753.1	1,381.7	4,442.4
Metrocentre compound financial instrument	166.1	–	166.1	166.1	–	166.1
Finance lease obligations	31.8	31.8	–	31.8	–	31.8
	4,332.7	**3,841.0**	**491.7**	**2,951.0**	**1,381.7**	**4,640.3**
Total borrowings	**4,354.0**	**3,862.3**	**491.7**	**2,967.4**	**1,386.6**	**4,664.2**
Cash and cash equivalents	(230.0)					
Net debt	**4,124.0**					

Details of the Group's net external debt are provided in the Other information section.

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 Group substantially eliminates its interest rate exposure to floating rate debt through interest rate swaps as described in note 35.

The market value of assets secured as collateral against borrowings at 31 December 2014 is £8,818.6 million. 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.

The Company had non-current borrowings of £230.0 million at 31 December 2014 consisting of a revolving credit facility expiring in 2019 (2013 – £285.0 million). This debt is floating rate, secured and its fair value is equal to book value.

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31 Borrowings (continued)

Group	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Re-presented 2013 Fair value £m
Current						
Bank loans and overdrafts	49.3	49.3	–	–	49.3	49.3
Commercial mortgage backed securities ('CMBS') notes	16.5	16.5	–	12.3	4.2	17.6
Loan notes 2014	1.6	–	1.6	1.6	–	1.6
Current borrowings, excluding finance leases	67.4	65.8	1.6	13.9	53.5	68.5
Finance lease obligations	3.5	3.5	–	3.5	–	3.5
	70.9	69.3	1.6	17.4	53.5	72.0
Non-current						
Revolving credit facility 2017	285.0	285.0	–	–	285.0	285.0
CMBS notes 2015	3.1	3.1	–	–	3.1	3.2
CMBS notes 2022	51.6	51.6	–	51.6	–	59.2
CMBS notes 2029	93.2	93.2	–	93.2	–	99.8
CMBS notes 2033	364.1	364.1	–	364.1	–	401.7
CMBS notes 2035	184.0	184.0	–	–	184.0	189.7
Bank loans 2016	586.9	586.9	–	–	586.9	586.9
Bank loan 2017	41.9	41.9	–	–	41.9	41.9
Bank loan 2018	346.6	346.6	–	–	346.6	346.6
3.875% bonds 2023	439.4	439.4	–	439.4	–	438.3
4.125% bonds 2023	475.2	475.2	–	475.2	–	476.2
4.625% bonds 2028	340.1	340.1	–	340.1	–	349.7
Debenture 2027	227.6	227.6	–	227.6	–	216.3
2.5% convertible bonds 2018 (note 33)	312.8	–	312.8	312.8	–	312.8
Non-current borrowings, excluding finance leases and Metrocentre compound financial instrument	3,751.5	3,438.7	312.8	2,304.0	1,447.5	3,807.3
Metrocentre compound financial instrument	160.0	–	160.0	160.0	–	160.0
Finance lease obligations	32.5	32.5	–	32.5	–	32.5
	3,944.0	3,471.2	472.8	2,496.5	1,447.5	3,999.8
Total borrowings	4,014.9	3,540.5	474.4	2,513.9	1,501.0	4,071.8
Cash and cash equivalents	(156.7)					
Net debt	3,858.2					

The maturity profile of debt (excluding finance leases) is as follows:

	Group 2014 £m	Re-presented Group 2013 £m
Repayable within one year	**18.2**	67.4
Repayable in more than one year but not more than two years	**328.4**	14.4
Repayable in more than two years but not more than five years	**1,148.1**	1,601.3
Repayable in more than five years	**2,824.4**	2,295.8
	4,319.1	3,978.9

Certain borrowing agreements contain financial and other conditions that, if contravened, could alter the repayment profile. During the year there were no breaches of these conditions (see Financial covenants section on pages 153 and 154).

As at 31 December 2014 the Group had committed borrowing facilities of £640.7 million, £600.0 million expiring in 2019 and £40.7 million expiring in 2021. At 31 December 2014, £410.7 million was undrawn (2013 – facilities £375.0 million, undrawn £90.0 million).

31 Borrowings (continued)

Finance lease disclosures:

	Group 2014 £m	Group 2013 £m
Minimum lease payments under finance leases fall due:		
Not later than one year	**4.2**	4.7
Later than one year and not later than five years	**17.0**	17.0
Later than five years	**64.3**	66.2
	85.5	87.9
Future finance charges on finance leases	**(50.6)**	(51.9)
Present value of finance lease liabilities	**34.9**	36.0
Present value of finance lease liabilities:		
Not later than one year	**3.1**	3.5
Later than one year and not later than five years	**13.5**	13.0
Later than five years	**18.3**	19.5
	34.9	36.0

Finance lease liabilities are in respect of head leases on investment property. A number of these leases provide for payment of contingent rent, usually a proportion of net rental income, in addition to the rents above.

32 Movement in net debt

				2014
Group	**Cash and cash equivalents £m**	**Current borrowings £m**	**Non-current borrowings £m**	**Net debt £m**
Balance at 1 January 2014	**156.7**	**(70.9)**	**(3,944.0)**	**(3,858.2)**
Acquisition of businesses	**(851.3)**	**–**	**–**	**(851.3)**
Cash received on part disposal of intu Uxbridge net of cash sold with business	**174.1**	**–**	**–**	**174.1**
Parque Principado cash received net of cash reclassified	**(11.6)**	**–**	**–**	**(11.6)**
Borrowings drawn down	**989.4**	**–**	**(989.4)**	**–**
Borrowings repaid	**(675.1)**	**1.4**	**672.7**	**(1.0)**
Issue of ordinary shares	**492.0**	**–**	**–**	**492.0**
Cash flows with joint ventures	**(26.1)**	**–**	**–**	**(26.1)**
Other net cash movements	**(18.1)**	**–**	**–**	**(18.1)**
Other non-cash movements	**–**	**48.2**	**(72.0)**	**(23.8)**
Balance at 31 December 2014	**230.0**	**(21.3)**	**(4,332.7)**	**(4,124.0)**

				Re-presented 2013
Group	Cash and cash equivalents £m	Current borrowings £m	Non-current borrowings £m	Net debt £m
Balance at 1 January 2013	182.4	(94.1)	(3,659.1)	(3,570.8)
Acquisition of businesses	(382.1)	–	–	(382.1)
Borrowings drawn down	2,051.6	–	(2,051.6)	–
Borrowings repaid	(1,875.3)	74.4	1,731.6	(69.3)
Issue of ordinary shares	273.0	–	–	273.0
Loan repayments from joint ventures	9.4	–	–	9.4
Other net cash movements	(102.3)	–	–	(102.3)
Other non-cash movements	–	(51.2)	35.1	(16.1)
Balance at 31 December 2013	156.7	(70.9)	(3,944.0)	(3,858.2)

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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 (the 'Issuer') issued £300.0 million 2.5 per cent Guaranteed Convertible Bonds due 2018 at par all of which remain outstanding at 31 December 2014. At 31 December 2014 the exchange price was £3.5759 per ordinary share. 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 2.5 per cent bonds and the obligations of the Company, as Guarantor, constitute direct, unsubordinated and unsecured obligations of the Company.

Subject to certain conditions, the 2.5 per cent bonds are convertible into preference shares of the Issuer which are automatically transferred to the Company in exchange for ordinary shares in the Company or (at the Company's election) any combination of ordinary shares and cash. The 2.5 per cent bonds can be converted at any time from 14 November 2012 up to the 20th dealing day before the maturity date.

The initial exchange price was £4.3752 per ordinary share, a conversion rate of approximately 22,856 ordinary shares for every £100,000 nominal of the 2.5 per cent bonds. Under the terms of the 2.5 per cent bonds, the exchange price is adjusted upon certain events including the rights issue on 22 April 2014 and the payment of dividends by the Company.

The 2.5 per cent bonds may be redeemed at par at the Company's option subject to the Company's ordinary share price having traded at 30 per cent above the conversion price for a specified period, or at any time once 85 per cent by nominal value of the 2.5 per cent bonds originally issued have been converted or cancelled. If not previously converted, redeemed or purchased and cancelled, the 2.5 per cent bonds will be redeemed at par on 4 October 2018.

The 2.5 per cent bonds are designated as at fair value through profit or loss and so are presented on the balance sheet at fair value with all gains and losses taken to the income statement through the changes in fair value of financial instruments line. At 31 December 2014, the fair value of the 2.5 per cent bonds was £325.6 million (2013 – £312.8 million), with the change in fair value reflected in note 13. The 2.5 per cent bonds are listed on the Professional Securities Market of the London Stock Exchange.

During the year interest of £7.5 million (2013 – £7.5 million) in respect of these bonds has been recognised within finance costs.

In the Company's balance sheet the bondholder option is held at its fair value of £25.6 million on a derivative financial instrument.

3.75 per cent convertible bonds ('the 3.75 per cent bonds')

In 2011 the Company issued £154.3 million, 3.75 per cent perpetual subordinated convertible bonds, with a conversion price of £4.00 per ordinary share, in connection with the acquisition of intu Trafford Centre. These were accounted for as equity at their fair value on issue which totalled £143.7 million. Following the rights issue on 22 April 2014, the conversion price was adjusted to £3.64 per ordinary share. On 2 July 2014 a conversion notice was issued for all the bonds resulting in 42,394,779 new ordinary shares being issued.

During the year interest of £2.9 million (2013 – £5.8 million) has been recognised on these bonds directly in equity. This is deducted in arriving at earnings per share (see note 17).

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:

	2014 £m	Re-presented 2013 £m
Not later than one year	**416.9**	411.1
Later than one year and not later than five years	**1,263.3**	1,274.9
Later than five years	**1,423.2**	1,433.8
	3,103.4	3,119.8

The income statement includes £3.6 million (2013 – £3.1 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, and foreign exchange 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 exposure to interest rate fluctuations in order to establish certainty over 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 40 to 46.

The table below shows the effects of interest rate swaps on the borrowings profile of the Group:

	Fixed 2014 £m	**Floating 2014 £m**	Fixed 2013 £m	Re-presented Floating 2013 £m
Borrowings[1]	**2,738.4**	**1,448.6**	2,292.8	1,561.9
Derivative impact (nominal value of interest rate swaps)	**943.9**	**(943.9)**	1,207.4	(1,207.4)
Net borrowings profile	**3,682.3**	**504.7**	3,500.2	354.5
Interest rate protection		**87.9%**		90.8%

1 Borrowings are stated at nominal value and excludes the Metrocentre compound financial instruments and finance leases. At 31 December 2014 they include the £230.0 million (2013 - £285.0 million) drawn under the revolving credit facility which incurs interest at a variable rate. Excluding the revolving credit facility borrowing interest rate protection is 93.1 per cent (2013 – 98.1 per cent).

Group policy is to target interest rate protection within the range of 75 per cent to 100 per cent.

The weighted average rate for interest rate swaps currently effective is 2.24 per cent (2013 – 2.71 per cent).

Unallocated and forward starting swaps are excluded from the above calculation. The nominal value of these swaps is £746.7 million of which £125.0 million are forward starting. Their fair value of £242.5 million is included as a liability in the balance sheet.

The approximate impact of a 50 basis point shift upwards in the level of interest rates would be a positive movement of £83.6 million (2013 – £73.7 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 £90.2 million (2013 – £78.7 million) in the fair value of derivatives. In practice, a parallel shift in the yield curve is highly unlikely. However, the above sensitivity analysis is a reasonable illustration of the possible effect from the changes in slope and shifts in the yield curve that may actually occur. Where the fixed rate derivative financial instruments are matched by floating rate debt, the overall effect on Group cash flow of such a movement would be very small.

b) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a functional currency other than sterling. The Group's policy is to ensure the Group's net exposure to foreign currency is less than 10 per cent of the Group's equity attributable to owners of the Company. At 31 December 2014 the Group's exposure amounted to 6.4 per cent of equity attributable to owners of the Company (31 December 2013 – 7.6 per cent).

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35 Financial risk management (continued)

The table summarises the Group's exposure to foreign currency risk:

	2014 €m	2013 €m	2014 INRm	2013 INRm	2014 US$m	2013 US$m
Net exposure	**87.0**	90.2	**3,819.3**	3,766.2	**288.0**	254.9

The following foreign exchange rates apply to the Group's foreign exchange risk:

	2014 €m	2013 €m	2014 INRm	2013 INRm	2014 US$m	2013 US$m
Foreign exchange rate	**1.2886**	1.2020	**98.4238**	102.4470	**1.5593**	1.6563

The approximate impact of a 10 per cent appreciation in foreign exchange rates would be positive movement of £32.3 million (2013 – £29.5 million) to equity attributable to owners of the Company. The approximate impact of a 10 per cent depreciation in foreign exchange rates would be a negative movement of £26.5 million (2013 – £24.2 million) to equity attributable to owners of the Company.

Liquidity risk

Liquidity risk is managed to ensure that the Group is able to meet future payment obligations when financial liabilities fall due. Liquidity analysis is conducted to ensure that sufficient headroom is available to meet the Group's operational requirements and committed investments. The Group treasury policy aims to meet this objective through maintaining adequate cash, marketable securities and committed facilities to meet these requirements. Undrawn borrowing facilities are detailed in note 31. The Group's policy is to seek to optimise its exposure to liquidity risk by balancing its exposure to interest rate risk and to refinancing risk. In effect the Group seeks to borrow for as long as possible at the lowest acceptable cost.

Group policy is to maintain a weighted average debt maturity of over five years. As at 31 December 2014, the maturity profile of Group debt showed an average maturity of eight years (2013 – eight years). The Group regularly reviews the maturity profile of its borrowings and seeks to avoid bunching of maturities through the regular replacement of facilities and by arranging a selection of maturity dates. Refinancing risk may be reduced by re borrowing prior to the contracted maturity date, effectively switching liquidity risk for market risk.

The tables below set out the maturity analysis of the Group's financial liabilities based on the undiscounted contractual obligations to make payments of interest and to repay principal. Where interest payment obligations are based on a floating rate the rates used are those implied by the par yield curve for the relevant currency. Where payment obligations are in foreign currencies, the spot exchange rate ruling at the balance sheet date is used.

					2014
Group	**Within 1 year £m**	**1–2 years £m**	**2–5 years £m**	**Over 5 years £m**	**Total £m**
Borrowings (including interest)	**(180.2)**	**(514.6)**	**(1,574.9)**	**(3,607.3)**	**(5,877.0)**
Finance lease obligations	**(4.2)**	**(4.2)**	**(12.7)**	**(64.4)**	**(85.5)**
Other financial liabilities	**(17.0)**	**(2.5)**	**–**	**–**	**(19.5)**
Derivative payments	**(121.6)**	**(61.7)**	**(143.5)**	**(198.7)**	**(525.5)**
Derivative receipts	**17.0**	**15.7**	**34.0**	**90.1**	**156.8**
	(306.0)	**(567.3)**	**(1,697.1)**	**(3,780.3)**	**(6,350.7)**

					Re-presented 2013
Group	Within 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m	Total £m
Borrowings (including interest)	(221.8)	(180.6)	(2,056.3)	(3,045.5)	(5,504.2)
Finance lease obligations	(4.7)	(4.3)	(12.7)	(66.2)	(87.9)
Other financial liabilities	(22.6)	(3.8)	–	–	(26.4)
Derivative payments	(69.6)	(71.6)	(141.8)	(518.0)	(801.0)
Derivative receipts	19.3	29.6	96.5	417.0	562.4
	(299.4)	(230.7)	(2,114.3)	(3,212.7)	(5,857.1)

35 Financial risk management (continued)

Company	Within 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m	2014 Total £m
Borrowings (including interest)	**(7.9)**	**(7.5)**	**(545.0)**	**–**	**(560.4)**
Other financial liabilities	**(0.2)**	**–**	**–**	**–**	**(0.2)**
Amounts owed to subsidiary undertakings	**(376.8)**	**–**	**–**	**–**	**(376.8)**
	(384.9)	**(7.5)**	**(545.0)**	**–**	**(937.4)**

Company	Within 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m	2013 Total £m
Borrowings (including interest)	(11.2)	(11.2)	(307.3)	–	(329.7)
Other financial liabilities	(0.2)	–	–	–	(0.2)
Amounts owed to subsidiary undertakings	(544.5)	–	–	–	(544.5)
	(555.9)	(11.2)	(307.3)	–	(874.4)

Credit risk

Credit risk is the risk of financial loss if a tenant or counterparty fails to meet an obligation under a contract. Credit risk arises primarily from trade receivables but also from the Group's holdings of assets with counterparties such as cash deposits and derivative instruments.

Credit risk associated with trade receivables is actively managed; tenants are managed individually by asset managers, who continuously monitor and work with tenants, aiming wherever possible to identify and address risks prior to default.

Prospective tenants are assessed via a review process, including obtaining credit ratings and reviewing financial information, which is conducted internally. As a result deposits or guarantees may be obtained. The amount of deposits held as collateral at 31 December 2014 is £3.4 million (2013 – £4.0 million).

It is Group policy to calculate any impairment of receivables specifically on each contract.

The ageing analysis of trade receivables is as follows:

	Group 2014 £m	Re-presented Group 2013 £m
Up to three months	**22.5**	13.6
Three to six months	**2.1**	2.4
Trade receivables	**24.6**	16.0

At 31 December 2014 trade receivables are shown net of provisions totalling £7.1 million (2013 – £6.1 million).

The credit risk relating to cash deposits and derivative financial instruments is actively managed by the Group's treasury department. Relationships are maintained with a number of tier one institutional counterparties, ensuring compliance with Group policy relating to limits on the credit ratings of counterparties (between BBB+ and AAA).

Excessive credit risk concentration is avoided through adhering to authorised limits for all counterparties.

Counterparty	Credit rating	Authorised limit £m	Group Exposure 31 December 2014 £m
Counterparty #1	AA–	125.0	170.6*
Counterparty #2	A	100.0	41.0
Counterparty #3	A	75.0	13.5
Counterparty #4	A–	100.0	6.9
Counterparty #5	A	15.0	4.8
Sum of five largest exposures			236.8
Sum of cash deposits and derivative financial instrument assets			239.7
Five largest exposures as a percentage of risk			99%

* The exposure exceeded the authorised limit for seven days over the balance sheet date reducing back to below the limit on 5 January 2015. A review and authorisation process was adhered to before the limit was exceeded and authorisation was given on the basis of the strength of the counterparty and the short time the limit would be exceeded.

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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 2014 and 31 December 2013.

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.

				2014
	Carrying value £m	**Fair value £m**	**Profit/(loss) to income statement £m**	**Profit to other comprehensive income £m**
Derivative financial instrument assets	**9.7**	**9.7**	**(15.9)**	**–**
Total held for trading assets	**9.7**	**9.7**	**(15.9)**	**–**
Trade and other receivables	**70.9**	**70.9**		
Cash and cash equivalents	**230.0**	**230.0**	**–**	**–**
Total cash and receivables	**300.9**	**300.9**	**–**	**–**
Other investments	**189.7**	**189.7**	**–**	**21.1**
Total available-for-sale investments	**189.7**	**189.7**	**–**	**21.1**
Derivative financial instrument liabilities	**(356.5)**	**(356.5)**	**(128.9)**	**–**
Total held for trading liabilities	**(356.5)**	**(356.5)**	**(128.9)**	**–**
Trade and other payables	**(19.5)**	**(19.5)**	**–**	**–**
Borrowings	**(4,354.0)**	**(4,664.2)**	**(12.8)**	**–**
Total loans and payables	**(4,373.5)**	**(4,683.7)**	**(12.8)**	**–**

				Re-presented 2013
	Carrying value £m	Fair value £m	Profit/(loss) to income statement £m	Profit to other comprehensive income £m
Derivative financial instrument assets	25.8	25.8	3.4	–
Total held for trading assets	25.8	25.8	3.4	–
Trade and other receivables	41.9	41.9	–	–
Short-term investments	69.3	69.3	–	–
Cash and cash equivalents	156.7	156.7	–	–
Total cash and receivables	267.9	267.9	–	–
Other investments	154.9	154.9	–	8.1
Total available-for-sale investments	154.9	154.9	–	8.1
Derivative financial instrument liabilities	(230.6)	(230.6)	270.7	–
Total held for trading liabilities	(230.6)	(230.6)	270.7	–
Trade and other payables	(26.4)	(26.4)	–	–
Borrowings	(4,014.9)	(4,071.8)	(1.8)	–
Total loans and payables	(4,041.3)	(4,098.2)	(1.8)	–

35 Financial risk management (continued)

The table below presents the Group's financial assets and liabilities recognised at fair value.

				2014
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**
Assets				
Derivative financial instruments:				
– Fair value through profit or loss	**–**	**9.7**	**–**	**9.7**
Available-for-sale investments	**5.0**	**184.7**	**–**	**189.7**
Total assets	**5.0**	**194.4**	**–**	**199.4**
Liabilities				
Convertible bonds:				
– Designated as at fair value through profit or loss	**325.6**	**–**	**–**	**325.6**
Derivative financial instruments:				
– Fair value through profit or loss	**–**	**356.5**	**–**	**356.5**
Total liabilities	**325.6**	**356.5**	**–**	**682.1**

				Re-presented 2013
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Derivative financial instruments:				
– Fair value through profit or loss	–	25.8	–	25.8
Available-for-sale investments	1.0	153.9	–	154.9
Total assets	1.0	179.7	–	180.7
Liabilities				
Convertible bonds:				
– Designated as at fair value through profit or loss	312.8	–	–	312.8
Derivative financial instruments:				
– Fair value through profit or loss	–	230.6	–	230.6
Total liabilities	312.8	230.6	–	543.4

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 unobservable. Valuations at this level are more subjective and therefore more closely managed, including sensitivity analysis of inputs to valuation models. Such testing has not indicated that any material difference would arise due to a change in input variables.

Transfers into and transfers out of the fair value hierarchy levels are recognised on the date of the event or change in circumstances that caused the transfer. There were no transfers in or out for the above financial assets and liabilities during the year.

Valuation techniques for level 2 hierarchy financial assets and liabilities are presented in the accounting policies.

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35 Financial risk management (continued)

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 2014 the debt to asset ratio remains within the preferred range and the interest cover ratio continues to be above the preferred level.

As the Group's debt is sometimes secured on joint ventures, these ratios are monitored for the Group including share of joint ventures. A reconciliation from the relevant amounts as presented to those including the Group's share of joint ventures is presented in the Other information section.

Debt to assets ratio	Group 2014 £m	Group 2013 £m
Market value of investment and development property	**8,963.4**	7,623.8
Net external debt	**(3,963.4)**	(3,698.4)
Debt to assets ratio	**44.2%**	48.5%

Interest cover	Group 2014 £m	Group 2013 £m
Finance costs	**(201.2)**	(197.2)
Finance income	**1.2**	0.6
Interest on convertible bonds recognised directly in equity	**(2.9)**	(5.8)
	(202.9)	(202.4)
Underlying operating profit	**370.3**	345.6
Remove trading property related items	**(0.6)**	(0.1)
	369.7	345.5
Interest cover	**1.82x**	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 (2013 – 0 per cent), for other UK assets and liabilities the relevant rate will be 21.5 per cent (2013 – 20 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:

Group	Investment and development property £m	Other investments £m	Derivative financial instruments £m	Other temporary differences £m	Total £m
Provided deferred tax provision/(asset):					
At 1 January 2013	–	8.7	(11.2)	2.5	–
Acquisition of subsidiaries (note 40)	12.0	–	–	–	12.0
Recognised in the income statement	0.2	(1.9)	3.2	(2.9)	(1.4)
Recognised in other comprehensive income	–	1.6	–	–	1.6
Foreign exchange movements	(0.2)	–	–	–	(0.2)
At 31 December 2013	12.0	8.4	(8.0)	(0.4)	12.0
Recognised in the income statement	–	(0.9)	(5.6)	(0.1)	(6.6)
Recognised in other comprehensive income	–	6.6	–	–	6.6
Disposal of subsidiaries (note 41)	(12.0)	–	–	–	(12.0)
At 31 December 2014	**–**	**14.1**	**(13.6)**	**(0.5)**	**–**
Unrecognised deferred tax asset:					
At 1 January 2014	(0.3)	–	(23.1)	(45.8)	(69.2)
On acquisition of subsidiaries	–	–	–	(1.0)	(1.0)
Income statement items	(0.2)	–	(16.9)	(8.9)	(26.0)
At 31 December 2014	**(0.5)**	**–**	**(40.0)**	**(55.7)**	**(96.2)**

In accordance with the requirements of IAS 12 Income Taxes, the deferred tax asset has not been recognised in the Group financial statements due to uncertainty over the level of profits that will be available in the non-REIT elements of the Group in future periods.

The Company recognises a deferred tax asset of £0.4 million, which resulted from carried forward losses and a difference between the timing of certain deductions for tax and accounting purposes.

37 Share capital and share premium

	Share capital £m	Share premium £m
Issued and fully paid		
At 1 January 2013 – 868,473,001 ordinary shares of 50p each	434.2	577.4
Ordinary shares issued	52.7	118.2
At 31 December 2013 – 973,845,701 ordinary shares of 50p each	486.9	695.6
Ordinary shares issued on conversion of bonds (note 33)	21.2	122.5
Other ordinary shares issued	150.3	403.9
At 31 December 2014 – 1,316,838,051 ordinary shares of 50p each	**658.4**	**1,222.0**

During the year the Company issued a total of 655,398 ordinary shares in connection with the exercise of options by employees and former employees under the Intu Properties plc Approved Share Option Scheme and the Intu Properties plc Unapproved Share Option Scheme. As a result the Company's share capital increased by £0.3 million and share premium by £1.3 million.

On 22 April 2014, the Company undertook a two for seven rights issue of 278,241,628 new ordinary shares at an issue price of 180.0 pence per share. Shareholders did not take up their rights for 2,747,838 shares, approximately one per cent of the total rights issue shares. These shares were placed at 289.5 pence per share. The combined impact was that the Company raised a total of £502.4 million, before £12.0 million of expenses, and as a result the Company's share capital increased by £139.1 million and share premium by £351.3 million net of expenses charged to share premium.

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37 Share capital and share premium (continued)

On 20 May 2014 and 25 November 2014, the Company issued 16,442,684 and 5,257,861 new ordinary shares respectively to shareholders who elected to receive their 2013 final and 2014 interim dividends in shares under the Scrip Dividend Scheme. The value of the Scrip Shares was calculated in accordance with the terms of the Scrip Dividend Scheme, being the average middle market quotations for each day between 31 March to 4 April 2014 inclusive and between 3 October to 9 October 2014 respectively less the gross amount of dividend payable. As a result the Company's share capital increased by £10.9 million and share premium by £51.3 million.

On 7 July 2014, the Company issued 42,394,779 new ordinary shares following conversion of 3.75 per cent convertible bonds (see note 33). Utilising the convertible bonds equity reserve of £143.7 million, the Company's share capital increased by £21.2 million and share premium by £122.5 million.

Full details of the rights and obligations attaching to the ordinary shares are contained in the Company's Articles of Association. These rights include an entitlement to receive the Company's report and financial statements, to attend and speak at General Meetings of the Company, to appoint proxies and to exercise voting rights. Holders of ordinary shares may also receive dividends and may receive a share of the Company's assets on the Company's liquidation. There are no restrictions on the transfer of the ordinary shares.

At 27 February 2015, the Company had an unexpired authority to repurchase shares up to a maximum of 125,208,732 shares with a nominal value of £62.6 million, and the Directors have an unexpired authority to allot up to a maximum of 353,267,119 shares with a nominal value of £176.6 million.

Included within the issued share capital as at 31 December 2014 are 13,131,185 ordinary shares (2013 – 12,620,925) held by the Trustee of the ESOP which is operated by the Company (note 39). The nominal value of these shares at 31 December 2014 is £6.6 million (2013 – £6.3 million).

38 Other reserves

Group	Capital redemption £m	Translation reserve £m	Other £m	Total £m
At 1 January 2013	61.4	(0.2)	275.5	336.7
Revaluation of other investments (note 25)	–	–	8.1	8.1
Exchange differences	–	(7.1)	–	(7.1)
Tax relating to components of other comprehensive income (note 14)	–	–	(1.6)	(1.6)
Ordinary shares issued	–	–	164.4	164.4
At 31 December 2013	61.4	(7.3)	446.4	500.5
Revaluation of other investments (note 25)	–	–	21.1	21.1
Exchange differences	–	7.4	–	7.4
Tax relating to components of other comprehensive income (note 14)	–	–	(6.6)	(6.6)
Realisation of merger reserve	–	–	(164.4)	(164.4)
At 31 December 2014	**61.4**	**0.1**	**296.5**	**358.0**

Company	Capital redemption £m	Merger reserve £m	Total £m
At 1 January 2013	61.4	–	61.4
Ordinary shares issued	–	164.4	164.4
At 31 December 2013	61.4	164.4	225.8
Realisation of merger reserve	–	(164.4)	(164.4)
At 31 December 2014	**61.4**	**–**	**61.4**

During the year the merger reserve created as part of the March 2013 capital raise has been realised and transferred to retained earnings following redemption of preference shares held by the Company.

39 Employee Share Ownership Plan ('ESOP')

The cost of shares in Intu Properties plc held by the Trustee of the Employee Share Ownership Plan operated by the Company is accounted for as a deduction from equity.

The purpose of the ESOP is to acquire and hold shares which will be transferred to employees in the future under the Group's employee incentive arrangements as described in note 49 and the Director's remuneration report on pages 71 to 83, including joint ownership of shares in its role as Trustee of the Joint Share Ownership Plan. Dividends of £1.4 million (2013 – £1.8 million) in respect of these shares have been waived by agreement.

	Group and Company			
	2014 Shares million	**2014 £m**	2013 Shares million	2013 £m
At 1 January	**12.6**	**48.2**	11.4	43.9
Adjustment for rights issue	**1.3**	**–**	–	–
Acquisitions	**0.3**	**1.0**	2.0	7.0
Disposals	**(1.1)**	**(4.1)**	(0.8)	(2.7)
At 31 December	**13.1**	**45.1**	12.6	48.2

40 Business combinations

Acquisition during 2014

On 1 May 2014 the Group acquired interests in a number of entities for a consideration of £854.9 million. These entities together hold a 100 per cent interest in intu Derby, a 50 per cent joint venture interest in intu Merry Hill and a 100 per cent interest in Sprucefield retail park in Northern Ireland. The transaction is accounted for as a single business combination as this was announced as one deal, from one ultimate vendor and completed on the same day. Consideration was in cash and totalled £854.9 million, consisting of a payment on completion of £867.8 million less £12.9 million received following final agreement of the completion balance sheet. The cash flow statement reflects the £854.9 million less the cash acquired of £3.6 million. Acquisition related costs of £11.8 million have been incurred in the year and recognised in the income statement in exceptional administration expenses. Further details of the acquisition are given in the Strategic review.

The fair value of assets and liabilities acquired is set out in the table below:

	Fair value £m
Assets	
Investment and development property	458.4
Investment in joint venture – intu Merry Hill	403.8
Cash and cash equivalents	3.6
Trade and other receivables	2.8
Total assets	**868.6**
Liabilities	
Trade and other payables	(12.1)
Total liabilities	**(12.1)**
Net assets	**856.5**
Fair value of consideration paid	854.9
Gain on acquisition of businesses	**1.6**

The fair value of the assets, investment in joint venture and liabilities acquired exceeds the fair value of the consideration and as a result a gain of £1.6 million is recognised in the income statement on acquisition.

The acquired companies contributed £28.7 million to the revenue of the Group and £76.9 million to the profit of the Group for the year.

Acquisitions during 2013

Acquisition of Midsummer Place

On 25 March 2013, the Group acquired 100 per cent of the Midsummer Place Shopping Centre (renamed intu Milton Keynes) with certain integrated activities, assets and liabilities for cash consideration of £248.6 million. Assets and liabilities acquired consisted of investment property with book and fair value of £250.5 million, along with other payables with book and fair value of £1.9 million. Consideration was equal to the fair value of assets and liabilities acquired and so no goodwill arose. Acquisition related costs of £11.2 million were incurred and recognised in the income statement in exceptional administration expenses.

During 2013 the acquired business contributed £11.4 million to the revenue and £9.3 million to the profit of the Group.

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40 Business combinations (continued)

Acquisition of Parque Principado

In 2013, the Group and CPP Investment Board Real Estate Holdings Inc. (CPPIB) together established Parque Principado S.à r.l., set up for the purpose of acquiring Parque Principado. On 4 October 2013 a 100 per cent owned subsidiary of Parque Principado S.à r.l., acquired 100 per cent of the share capital of Parque Principado S.L. and other properties for total cash consideration of €168.6 million (£142.6 million). The businesses acquired form Parque Principado, a shopping centre in Oviedo, Spain. Acquisition related costs of £2.0 million were incurred and recognised in the income statement in exceptional administration expenses.

CPPIB held a 49 per cent non-controlling interest in Parque Principado S.à r.l., the holding company for the Group's Parque Principado investment, and provided funding of £71.1 million. In 2014, CPPIB exercised an option allowing them to acquire an additional one per cent of debt and equity, on terms in line with the original acquisition (see note 41).

The fair value of assets and liabilities acquired in 2013 is set out in the table below:

	Fair value £m
Assets	
Investment property	144.7
Trade and other receivables	1.1
Cash and cash equivalents (including restricted cash of £4.1 million)	13.0
Total assets	158.8
Liabilities	
Trade and other payables	(8.4)
Deferred tax liabilities	(12.0)
Total liabilities	(20.4)
Net assets	138.4

The fair value of the consideration of £142.6 million exceeded the fair value of the assets and liabilities acquired resulting in the recognition of goodwill of £4.2 million in the balance sheet on acquisition. The goodwill arose due to the recognition of a deferred tax liability. The deferred tax liability is calculated, as required under IFRS, on the basis of the tax gain that would arise in the acquired company were it to dispose of the asset.

During 2013 the acquired businesses contributed £3.4 million to the revenue and £2.8 million to the profit of the Group.

41 Disposal of subsidiaries

On 20 June 2014, the Group sold 80 per cent of its interest in Intu Uxbridge Limited, a wholly owned subsidiary, for consideration of £174.6 million, before expenses of £1.3 million. The Group retains a 20 per cent interest in the company and as a result of the terms governing the management of the business, this interest has been accounted for as a joint venture from 20 June 2014. As a result of this transaction the Group has recorded a gain on disposal of £0.6 million in the income statement. The cash flow statement records a net inflow of £174.1 million being cash received of £174.6 million net of cash in the business of £0.5 million.

During the year CPPIB, who held a 49 per cent non-controlling interest in Parque Principado S.à r.l., exercised an option allowing them to acquire an additional one per cent holding and certain rights relating to the management of the business. This has resulted in Parque Principado, previously accounted for as a subsidiary, being accounted for as a joint venture from that date. As a result the assets and liabilities of Parque Principado, previously recorded in the balance sheet at 100 per cent, and the related non-controlling interest in reserves of £68.7 million, have been reclassified to investments in joint ventures. The cash flow statement shows an outflow of £11.6 million representing cash in the business of £12.9 million, which is reclassified as part of the investment in joint ventures, net of consideration received on exercise of the option of £1.3 million. No gain or loss arose on exercise of the option.

42 Capital commitments

At 31 December 2014, the Board had approved £80.1 million (2013 – £86.1 million) of future expenditure for the purchase, construction, development and enhancement of investment property. Of this, £30.7 million (2013 – £54.3 million) is contractually committed. The majority of this is expected to be spent in 2015.

43 Contingent liabilities

At 31 December 2014, the Group has no material contingent liabilities other than those arising in the normal course of business.

44 Cash generated from operations

	Notes	Group 2014 £m	Re-presented Group 2013 £m	Company 2014 £m	Company 2013 £m
Profit before tax, joint ventures and associates		**493.2**	336.8	**158.6**	53.0
Remove:					
Revaluation of investment and development property	19	**(567.8)**	(109.9)	**–**	–
Gain on acquisition of businesses	40	**(1.6)**	–	**–**	–
Gain on disposal of subsidiaries	41	**(0.6)**	–	**–**	–
Depreciation	20	**2.1**	1.8	**1.7**	1.5
Share-based payments		**2.5**	2.0	**2.5**	2.0
Lease incentives and letting costs		**(8.3)**	(11.5)	**–**	–
Reversal of impairment of investment in group companies	21	**–**	–	**(208.1)**	(88.3)
Finance costs	10	**197.1**	192.6	**26.4**	17.4
Finance income	11	**(11.9)**	(0.6)	**(13.0)**	(8.0)
Other finance costs	12	**56.8**	164.5	**7.5**	0.8
Change in fair value of financial instruments	13	**157.6**	(272.3)	**12.7**	2.0
Changes in working capital:					
Change in trade and other receivables		**(29.6)**	(4.3)	**(144.8)**	(450.9)
Change in trade and other payables		**3.2**	1.5	**(193.0)**	216.0
Cash generated from operations		**292.7**	300.6	**(349.5)**	(254.5)

45 Principal subsidiary undertakings

Company and principal activity	Class of share capital	% held[4]
— Barton Square Limited[1] (property)	Ordinary shares of £1 each	100
— Intu Shopping Centres plc (property) and its principal subsidiary undertakings:	Ordinary shares of 50p each	100
Belside Limited (property) (Jersey)	Ordinary shares of £1 each	100
Braehead Park Estates Limited (property)	Ordinary shares of £1 each	100
Broadmarsh Retail General Partner Limited[1] acting as General Partner of The Broadmarsh	'A' Ordinary shares of £1 each	100
Retail Limited Partnership (property)	'B' Ordinary shares of £1 each	100
Curley Limited (property) (Jersey)	Ordinary shares of £1 each	100
IntuDigital Limited[1] (online shopping centre) (31 March year end)	Ordinary shares of £1 each	100
Intu Bromley Limited (property)	Ordinary shares of £1 each	100
Intu Experiences Limited (commercial promotion)	Ordinary shares of £1 each	100
Intu Midsummer Limited (property)	Ordinary shares of £1 each	100
Intu Retail Services Limited (facilities management services)	Ordinary shares of £1 each	51[3]
Intu The Hayes Limited (finance)	Ordinary shares of 50p each	100

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45 Principal subsidiary undertakings (continued)

Company and principal activity	Class of share capital	% held[4]
— Intu (SGS) Limited[1] (holding company) and its principal subsidiary undertakings:		
Braehead Glasgow Limited (property)	'A' Ordinary shares of £1 each	100
	'B' Ordinary shares of €1.3 each	100
Braehead Park Investments Limited (property)	Ordinary shares of £1 each	100
Chapelfield GP Limited acting as General Partner of The Chapelfield Partnership (property)	Ordinary shares of £1 each	100
Intu Lakeside Limited (property)	Ordinary shares of £1 each	100
Intu (SGS) Finco Limited (finance)	Ordinary shares of £1 each	100
Intu Watford Limited (property)	Ordinary shares of £1 each	100
VCP (GP) Limited acting as General Partner of The Victoria Centre Partnership (property)	Ordinary shares of £1 each	100
Wilmslow (No.3) General Partner Limited acting as General Partner of The Wilmslow No.3 Limited Partnership	Ordinary shares of £1 each	100
— Intu Debenture plc (finance) and its principal subsidiary undertakings:	Ordinary shares of £1 each	100
Intu Braehead Limited as partner in the Braehead Leisure Partnership (property)	Ordinary shares of £1 each	100
Intu Braehead Leisure Limited as partner in the Braehead Leisure Partnership (property)	Ordinary shares of £1 each	100
Intu 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
— Intu Finance MH Limited (finance)	Ordinary shares of £1 each	100
— Intu (Jersey) Limited (finance) (Jersey)	Ordinary shares of £100 each	100
— Sprucefield No.2 General Partner Limited[1] acting as General Partner of Sprucefield No.2 Limited Partnership	Ordinary shares of £100 each	100
— Liberty International Group Treasury Limited[1] (treasury management)	Ordinary shares of £1 each	100
— Liberty International Holdings Limited[1] (holding company)	Ordinary shares of 50p each	100
— Metrocentre (GP) Limited[1] acting as General Partner of The Metrocentre Partnership (property)	Ordinary shares of £1 each	100[2]
— Nailsfield Limited (holding company) (Mauritius)	Ordinary shares of US$1 each	100
— The Trafford Centre Finance Limited[1] (finance) (Cayman Islands)	Ordinary shares of £1 each	100
— The Trafford Centre Limited[1] (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 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. £72.8 million of the non-controlling interest shown in the balance sheet as at 31 December 2014 (2013 – £33.0 million) and £12.5 million of the non-controlling interest share of profit for the year shown in the income statement for the year ended 31 December 2014 (2013 – £4.0 million) relates to GIC Real Estate's interest. At 31 December 2014, this was the Group's only subsidiary that has a non-controlling interest that is material to the Group. Summarised financial information is provided below.

3 Bilfinger Europa Facilities Management Limited (formerly Europa Support Services Limited) hold a 49 per cent interest in Intu Retail Services Limited. At 31 December 2014 an amount of nil is included within the non-controlling interest balance in the balance sheet of £nil million (2013 – £nil million)) and £nil million of the non-controlling interest share of profit for the year shown in the income statement for the year ended 31 December 2014 (2013 – £nil) relating to their interest.

4 Percentage held is the Group's effective interest in the subsidiaries listed.

45 Principal subsidiary undertakings (continued)

Companies are incorporated and registered in England and Wales and have a 31 December year end unless otherwise stated. The companies listed 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.

Intu (SGS) Finance plc and Intu Metrocentre Finance plc are consolidated as subsidiaries in these financial statements but are not listed in the table above as the Group does not own the shares in these companies. These companies are vehicles set up on behalf of the Group for the sole purpose of issuing some of the Group's listed debt. The Group's obligations in respect of this debt via a back-to-back intercompany loan agreement between these companies and other Group companies, and security over investment property via a deed of charge between the security trustees and other Group companies, mean that the Group is deemed to have control of these entities.

Set out below is the summarised financial information of The Metrocentre Partnership at 100%, as consolidated:

	2014 £m	2013 £m
Summarised income statement		
Revenue	**65.9**	66.7
Profit for the year	**31.2**	10.0
Summarised balance sheet		
Investment and development property	**909.5**	867.0
Other assets	**50.8**	38.1
Liabilities	**(775.1)**	(819.1)
Net assets	**185.2**	86.0

46 Related party transactions

Key management[1] compensation is analysed below:

	2014 £m	2013 £m
Salaries and short-term employee benefits	**5.4**	4.8
Pensions and other post-employment benefits	**0.4**	0.4
Share-based payments	**1.6**	1.3
	7.4	6.5

1 Key management comprise the Directors of Intu Properties plc and employees who have been designated as persons discharging managerial responsibility.

As John Whittaker, Deputy Chairman and Non-Executive Director of Intu, 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:

	2014 £m	2013 £m
Income	**1.6**	2.7
Expenditure	**(0.9)**	(1.0)

Income predominantly relates to leases of office space and a contract to provide advertising services. Expenditure predominantly relates to costs incurred under a management services agreement and the supply of utilities. All contracts are on an arm's length basis at commercial rates.

Additionally, as part of the rights issue on 22 April 2014, the Peel Group agreed to underwrite their rights for which the Group paid an underwriting fee of £1.0 million.

Balances outstanding between the Group and members of the Peel Group as at 31 December 2014 are shown below:

	2014 £m	2013 £m
Amounts owed by members of the Peel Group	**0.2**	0.1
Amounts owed to members of the Peel Group	**–**	(0.1)

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46 Related party transactions (continued)

Under the terms of the Group's acquisition of intu Trafford Centre from the Peel Group, the Peel Group have provided a guarantee in respect of Section 106 planning obligation liabilities at Barton Square which as at 31 December 2014 totalled £11.6 million (2013 – £11.3 million).

In 2012, the Group acquired for €2.5 million, alongside a refundable deposit of €7.5 million, a three year option to purchase two parcels of land in the province of Málaga, Spain from Peel Holdings Limited. The option was subsequently extended, for no additional consideration, to 6 March 2015 and it is the Group's intention, subject to shareholder approval, to exercise this option in March 2015. During the year the Group paid £3.1 million towards costs associated with pre-development activity.

Richard Gordon, a Non-Executive Director of Intu, is the Gordon Family Interest's representative on the Board, therefore those companies comprising the Gordon Family Interest are considered to be related parties. As part of the rights issue on 22 April 2014, the Gordon Family Shareholders agreed to underwrite part of their rights for which the Group paid an underwriting fee of £0.2 million.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation in the Group's financial information.

Significant transactions between the Company and its subsidiaries are shown below:

	2014 **£m**	2013 £m
Interest paid	**(20.6)**	(10.3)
Interest received	**13.0**	7.9
Dividend received	**9.1**	–
Investment in subsidiaries	**182.8**	197.2
Redemption of preference shares	**(197.2)**	–

The Company has provided Intu (Jersey) Limited a guarantee over obligations in relation to the 2.5 per cent convertible bonds (see note 33).

Significant balances outstanding between the Company and its subsidiaries are shown below:

	2014 **£m**	2013 £m
Amounts owed by subsidiary undertakings	**1,284.4**	1,126.4
Amounts owed to subsidiary undertakings	**(376.8)**	(544.6)

47 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 71 to 83, form part of these financial statements.

48 Change in accounting policy

As described in note 1 the Group has adopted IFRS 11 Joint Arrangements in preparing these financial statements. The tables below show the impact on the income statements and balance sheets for the periods presented in these financial statements. The adoption of IFRS 11 Joint Arrangements has no impact on the profit for the year attributable to owners of Intu Properties plc and non-controlling interests, basic earnings per share and diluted earnings per share, the consolidated statement of comprehensive income or statement of changes in equity for current or comparative periods.

Details of the Group's principal investments in joint ventures are given in note 22.

			2014
Consolidated income statement	Before adoption £m	Impact of IFRS 11 £m	As presented £m
Revenue	582.2	(45.8)	536.4
Net rental income	396.6	(34.0)	362.6
Net other income	4.8	–	4.8
Revaluation of investment and development property	648.2	(80.4)	567.8
Gain on acquisition of businesses	1.6	–	1.6
Gain on disposal of subsidiaries	0.6	–	0.6
Administration expenses – ongoing	(31.1)	0.3	(30.8)
Administration expenses – exceptional	(13.9)	0.1	(13.8)
Operating profit	1,006.8	(114.0)	892.8
Finance costs	(201.2)	4.1	(197.1)
Finance income	1.2	10.7	11.9
Other finance costs	(56.8)	–	(56.8)
Change in fair value of financial instruments	(157.0)	(0.6)	(157.6)
Net finance costs	(413.8)	14.2	(399.6)
Profit before tax, joint ventures and associates	593.0	(99.8)	493.2
Share of post-tax profit of joint ventures	–	99.7	99.7
Share of post-tax profit of associates	0.8	–	0.8
Profit before tax	593.8	(0.1)	593.7
Current tax	(0.6)	0.1	(0.5)
Deferred tax	6.6	–	6.6
Taxation	6.0	0.1	6.1
Profit for the year	599.8	–	599.8

Notes to the accounts

continued

48 Change in accounting policy (continued)

Consolidated income statement	As previously presented £m	Impact of IFRS 11 £m	2013 Re-presented £m
Revenue	533.2	(21.6)	511.6
Net rental income	369.5	(13.3)	356.2
Net other income	3.8	(0.1)	3.7
Revaluation of investment and development property	125.8	(15.9)	109.9
Administration expenses – ongoing	(27.7)	0.1	(27.6)
Administration expenses – exceptional	(21.2)	–	(21.2)
Operating profit	450.2	(29.2)	421.0
Finance costs	(197.2)	4.6	(192.6)
Finance income	0.6	–	0.6
Other finance costs	(164.5)	–	(164.5)
Change in fair value of financial instruments	273.8	(1.5)	272.3
Net finance costs	(87.3)	3.1	(84.2)
Profit before tax, joint ventures and associates	362.9	(26.1)	336.8
Share of post-tax profit of joint ventures	–	26.1	26.1
Share of post-tax profit of associates	0.5	–	0.5
Profit before tax	363.4	–	363.4
Current tax	(0.8)	–	(0.8)
Deferred tax	1.4	–	1.4
Taxation	0.6	–	0.6
Profit for the year	364.0	–	364.0

48 Change in accounting policy (continued)

Consolidated balance sheet	Before adoption £m	Impact of IFRS 11 £m	2014 As presented £m
Non-current assets			
Investment and development property	8,888.8	(869.2)	8,019.6
Plant and equipment	5.1	–	5.1
Investment in joint ventures	–	851.5	851.5
Investment in associates	38.0	–	38.0
Other investments	189.7	–	189.7
Goodwill	5.9	(1.9)	4.0
Derivative financial instruments	9.0	–	9.0
Trade and other receivables	113.8	(14.1)	99.7
	9,250.3	(33.7)	9,216.6
Current assets			
Trading property	0.1	(0.1)	–
Trade and other receivables	128.1	(13.4)	114.7
Derivative financial instruments	0.7	–	0.7
Cash and cash equivalents	260.1	(30.1)	230.0
	389.0	(43.6)	345.4
Total assets	9,639.3	(77.3)	9,562.0
Current liabilities			
Trade and other payables	(270.8)	19.3	(251.5)
Current tax liabilities	(0.7)	0.1	(0.6)
Borrowings	(21.3)	–	(21.3)
Derivative financial instruments	(80.7)	–	(80.7)
	(373.5)	19.4	(354.1)
Non-current liabilities			
Borrowings	(4,368.3)	35.6	(4,332.7)
Derivative financial instruments	(276.2)	0.4	(275.8)
Other payables	(18.9)	16.3	(2.6)
Deferred tax	(5.6)	5.6	–
	(4,669.0)	57.9	(4,611.1)
Total liabilities	(5,042.5)	77.3	(4,965.2)
Net assets	4,596.8	–	4,596.8

Notes to the accounts
continued

48 Change in accounting policy (continued)

Consolidated balance sheet	2013 As previously presented £m	 Impact of IFRS 11 £m	 Re-presented £m
Non-current assets			
Investment and development property	7,551.4	(272.7)	7,278.7
Plant and equipment	5.5	–	5.5
Investment in joint ventures	–	209.5	209.5
Investment in associates	35.8	–	35.8
Other investments	154.9	–	154.9
Goodwill	8.2	–	8.2
Derivative financial instruments	25.1	–	25.1
Trade and other receivables	111.2	(12.0)	99.2
	7,892.1	(75.2)	7,816.9
Current assets			
Trading property	0.4	(0.2)	0.2
Trade and other receivables	81.6	(3.5)	78.1
Derivative financial instruments	0.7	–	0.7
Short-term investments	69.3	–	69.3
Cash and cash equivalents	165.5	(8.8)	156.7
	317.5	(12.5)	305.0
Total assets	8,209.6	(87.7)	8,121.9
Current liabilities			
Trade and other payables	(245.8)	7.7	(238.1)
Current tax liabilities	(1.2)	0.3	(0.9)
Borrowings	(149.2)	78.3	(70.9)
Derivative financial instruments	(11.4)	1.3	(10.1)
	(407.6)	87.6	(320.0)
Non-current liabilities			
Borrowings	(3,944.0)	–	(3,944.0)
Derivative financial instruments	(220.5)	–	(220.5)
Other payables	(4.4)	0.1	(4.3)
Deferred tax	(12.0)	–	(12.0)
	(4,180.9)	0.1	(4,180.8)
Total liabilities	(4,588.5)	87.7	(4,500.8)
Net assets	3,621.1	–	3,621.1

48 Change in accounting policy (continued)

Consolidated balance sheet	2012 As previously presented £m	Impact of IFRS 11 £m	Re-presented £m
Non-current assets			
Investment and development property	7,009.7	(275.5)	6,734.2
Plant and equipment	5.6	–	5.6
Investment in joint ventures	–	191.9	191.9
Investment in associates	40.9	–	40.9
Other investments	148.8	–	148.8
Goodwill	4.0	–	4.0
Derivative financial instruments	21.2	–	21.2
Trade and other receivables	104.0	(11.5)	92.5
	7,334.2	(95.1)	7,239.1
Current assets			
Trading property	2.1	(1.9)	0.2
Trade and other receivables	66.6	(3.3)	63.3
Derivative financial instruments	0.7	–	0.7
Cash and cash equivalents	188.1	(5.7)	182.4
	257.5	(10.9)	246.6
Total assets	7,591.7	(106.0)	7,485.7
Current liabilities			
Trade and other payables	(220.9)	9.6	(211.3)
Current tax liabilities	(0.6)	0.2	(0.4)
Borrowings	(94.2)	0.1	(94.1)
Derivative financial instruments	(19.1)	–	(19.1)
	(334.8)	9.9	(324.9)
Non-current liabilities			
Borrowings	(3,751.6)	92.5	(3,659.1)
Derivative financial instruments	(495.8)	3.5	(492.3)
Other payables	(3.3)	0.1	(3.2)
	(4,250.7)	96.1	(4,154.6)
Total liabilities	(4,585.5)	106.0	(4,479.5)
Net assets	3,006.2	–	3,006.2

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 based on the fair value of the equity instruments awarded as determined at their grant date. The expense is recognised on a straight-line basis over the vesting period based on Group estimates of the number of shares that are expected to vest.

Share Option Schemes

Options to subscribe for ordinary shares may be awarded under the Intu Properties plc Approved Share Option Scheme and the Intu Properties plc Unapproved Share Option Scheme.

Certain grants are subject to an earnings per share ('EPS') performance condition. Options granted to members of the Executive Committee in 2012 are subject to a sliding scale performance condition based on EPS growth of between 4 to 6 per cent per annum over a three-year period. Options granted to staff who are not members of the Executive Committee 2012 are not subject to a performance condition.

Notes to the accounts
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49 Share-based payment (continued)

Except in the case of a 'good' leaver, options may not be exercised within three years of grant and before satisfaction or waiver of any applicable performance condition, and are forfeited if the employee leaves the Group before the options become capable of exercise. The options automatically lapse if not exercised within 10 years of the date of grant.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2014		2013	
	Number of options	**Weighted average exercise price (pence)**	Number of options	Weighted average exercise price (pence)
Outstanding at 1 January	**5,867,697**	**320**	6,202,036	312
Awarded prior to rights issue	**–**	**–**	1,565,000	335
Forfeited prior to rights issue	**(10,000)**	**335**	(234,417)	346
Lapsed prior to rights issue	**(536,628)**	**430**	(93,016)	389
Exercised prior to rights issue	**(11,041)**	**272**	(1,571,906)	294
Adjustment for rights issue	**897,337**	**n/a**	–	n/a
Awarded after rights issue	**1,834,800**	**292**	–	–
Forfeited after rights issue	**(100,759)**	**287**	–	–
Exercised after rights issue	**(1,768,303)**	**255**	–	–
Outstanding at 31 December	**6,173,103**	**275**	5,867,697	320
Exercisable at 31 December	**2,406,626**	**253**	3,744,305	307

The weighted average share price at the date of exercise during the year was 307p (2013 – 334p).

The number of options outstanding at 31 December 2014 includes a total of 2,150,541 (2013 – 3,817,931) which are subject to a capped gain price of £2.8563 per share (as adjusted for rights issue). In 2013, 663,192 were subject to a capped price of £3.066 per share (adjusted for the rights issue). All were exercised in 2014. 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 2014 had exercise prices between 232p and 292p (2013 – between 272p and 528p) and a weighted average remaining contractual life of approximately seven years (2013 – seven years). More detail by exercise price ranges is shown below:

	2014	
Exercise price (pence)	**Number of options**	**Weighted average remaining contractual life**
232 to 292	**6,173,103**	**7**

	2013	
Exercise price (pence)	Number of options	Weighted average remaining contractual life
272 to 346	5,331,069	7
387 to 528	536,628	5

The fair value of options granted during the year, determined using the Black-Scholes option pricing model, was £0.26 per option (2013 – £0.34). The significant inputs to the model for the majority of options granted during the year were as follows:

	2014	2013
Share price and exercise price at grant date	**£2.92**	£3.35
Expected option life in years	**4 years**	4 years
Risk free rate	**1.8%**	0.9%
Expected volatility	**19.2%**	22.0%
Expected dividend yield	**4.7%**	4.5%

Expected dividend yield is based on public pronouncements about future dividend levels. All other measures are based on historical data.

49 Share-based payment (continued)

Performance Share Plan

The Company operates a Performance Share Plan ('PSP') for eligible employees at the discretion of the Remuneration Committee. The PSP was approved by shareholders at the 2013 Annual General Meeting.

Awards may be made in the form of nil cost options, a conditional share award or a joint share ownership award and fixed value zero cost option, and eligible employees may be granted any combination of such awards subject to any individual limits.

Vesting of PSP awards made in 2014 and 2013 is based on Total Shareholder Return (TSR) and Absolute Total Return (TR) with performance measured one third over three years, one third over four years and one third over five years. Half of the awards vest by reference to TR (25 per cent vesting for 6 per cent per annum return; full vesting for 10 per cent per annum; straight line vesting in between). The remaining half of the awards vest by reference to TSR relative to the top five UK-listed REITs (25 per cent return vesting for TSR in line with the third rated company; full vesting for TSR in line with the top rated company; straight line vesting in between) subject to a Remuneration Committee operated discretionary assessment of underlying financial performance.

Movements in the number of PSP options outstanding are as follows:

	2014 Number of options	2013 Number of options
Outstanding at 1 January	**1,913,145**	–
Adjustment for rights issue	**205,416**	–
Awarded during the year	**1,559,340**	1,913,145
Forfeited in the year	**(129,825)**	–
Outstanding at 31 December	**3,548,076**	1,913,145

The fair value of TSR options granted during the year was determined using the Monte-Carlo option pricing model. The fair value of the TR options granted during the year was determined using the Black-Scholes option pricing model. The fair values per option granted in the year were as follows:

	2014		2013	
Performance period	**TSR**	**TR**	TSR	TR
3 years	**£0.74**	**£0.73**	£0.72	£0.89
4 years	**£0.79**	**£0.73**	£0.98	£0.89
5 years	**£0.84**	**£0.73**	£1.42	£0.89

The significant inputs to the valuation model for the TSR options granted during the year were as follows:

	2014			2013		
Performance period	**TSR 3 years**	**TSR 4 years**	**TSR 5 years**	TSR 3 years	TSR 4 years	TSR 5 years
Share price at grant date	**£2.92**	**£2.92**	**£2.92**	£3.57	£3.57	£3.57
Expected option life in years	**2.7 years**	**3.7 years**	**4.7 years**	2.5 years	3.5 years	4.5 years
Risk free rate	**1.06%**	**1.51%**	**1.83%**	0.38%	0.58%	0.81%
Expected volatility	**20%**	**23%**	**26%**	23%	27%	43%
Expected competitor volatility	**11%-17%**	**11%-17%**	**11%-17%**	20%-23%	24%-27%	41%-52%
Average correlation	**68%**	**71%**	**72%**	72%	74%	78%

The fair value of the TR options, before taking account of the performance condition, is equal to the share price at the date of grant of £2.92 (2013 – £3.57) as these awards accumulate dividends over the performance period. At the date of grant a 25 per cent vesting has been assumed resulting in a fair value per share of £0.73 (2013 – £0.89) as above.

Joint Share Ownership Plan

Eligible employees may be invited to participate in the Joint Share Ownership Plan ('JSOP') which forms part of the Intu Properties plc Unapproved Share Option Scheme and the PSP. Under the JSOP shares are held jointly by the employee and the Employee Share Ownership Plan Trustee with any increases in the share price and dividends paid on those shares being allocated between the joint owners in accordance with the terms of the scheme.

Conditions for exercise (including satisfaction of the same performance condition), forfeiture and lapsing are as set out above for options or PSP generally.

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49 Share-based payment (continued)

In 2012, individuals who received awards of unapproved options in 2011 and 2012 were given the option to exchange their awards for jointly owned shares under the JSOP. In 2013, participants in the PSP were given the option to take their awards in the form of jointly owned shares under the JSOP and fixed value zero cost options. No option was given in 2014.

Bonus Share Scheme

Under the Company's Bonus Scheme (the 'Bonus Scheme'), deferred shares may be awarded as part of any bonus.

Such awards comprise 'Restricted' shares and 'Additional' shares. Where awarded, Additional shares are equal to 50 per cent of the Restricted shares and SIP shares (see below) combined. The vesting of deferred share awards is not dependent on the achievement of any further performance conditions other than that participants remain employed by the Group for a specified time from the date of the award, typically two to three years in the case of Restricted shares and four years in the case of Additional shares. The fair value of Restricted shares granted with the condition for participants to remain employed by the Group for two years during the year, determined using the Black-Scholes option pricing model, was £2.66 per share (2013 – £3.06 per share). The fair value of Restricted shares with the condition for participants to remain employed by the Group for three years, determined using the Black-Scholes options pricing model, was £2.54. The significant inputs to the model were as follows:

Vesting period	2014	2014	2013
Remain employed for	**3 years**	**2 years**	2 years
Share price at grant date	**£2.92**	**£2.92**	£3.35
Expected option life in years	**3 years**	**2 years**	2 years
Risk free rate	**1.5%**	**1.1%**	0.6%
Expected volatility	**15.6%**	**15.4%**	14.2%
Expected dividend yield	**4.7%**	**4.7%**	4.5%

Movements in shares awarded under the Bonus Share Scheme are as follows:

	2014		2013	
Year of grant	Restricted	Additional	Restricted	Additional
Outstanding at 1 January	**1,085,286**	**–**	995,099	–
Awarded during the year	**428,424**	**–**	545,219	–
Adjustment for rights issue	**183,348**	**–**	–	–
Forfeited during the year	**(35,751)**	**–**	(32,885)	–
Vested during the year	**(647,500)**	**–**	(422,147)	–
Outstanding at 31 December	**1,013,807**	**–**	1,085,286	–

Share incentive plan ('SIP')

The Company operates a SIP for all eligible employees, who may receive up to £3,000 (£3,600 from the tax year 2014/15) 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 £2.92 per share (2013 – £3.35 per share). As these awards accumulate dividends, the fair value of each share awarded is equal to the share price at the date of grant of £2.92.

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 (£150 a month from the tax year 2014/15). The Group offers one free Matching share for every two Partnership shares purchased by the employee at the end of a 12 month saving period. Matching shares are forfeited if the employee leaves the Group within three years of the date of award, and qualify for tax advantages if they are held in the SIP for five years. The fair value of Matching shares is determined by the market price at the grant date.

The dividend payable in respect of the shares held in the SIP is used to purchase additional shares, known as Dividend Shares, which are also held in trust and allocated to individuals and are subject to the same conditions of release.

49 Share-based payment (continued)

Movements in SIP bonus shares granted are as follows:

	2014	2013
Outstanding at 1 January	**224,743**	147,935
Awarded during the year	**114,319**	84,956
Adjustment for rights issue	**7,158**	–
Forfeited during the year	**(20,171)**	(8,148)
Vested during the year[1]	**(65,778)**	–
Outstanding at 31 December[2]	**260,271**	224,743

1 May still be held in trust.

2 Shares that remain within their three-year holding period.

50 Pensions

The Group operates defined contribution group pension plans for its head office and centre management staff. Additionally the Group makes contributions to self-invested personal pension arrangements ('SIPPs') on behalf of an Executive Director. All contributions are invested in funds administered outside of the Group.

In 2013, the Group also operated for Trafford Centre employees a trustee-based money purchase scheme (The Trafford Centre Limited Retirement Benefits Scheme) and a stakeholder scheme. From 1 October 2013, the Group's subsidiary, Intu Retail Services Limited has operated a defined contribution group pension plan for its staff, including previous members of The Trafford Centre Limited Retirement Benefit Scheme. Since 1 October 2013, the Group has made no further contribution to The Trafford Centre Limited Retirement Benefits Scheme, which no longer has any active members.

The pension charge for the Group's contributions to these arrangements is the amount paid which totalled £2.7 million for the year ended 31 December 2014 (2013 – £1.9 million).

51 Events after the reporting period

On 19 January 2015 the Group completed the acquisition of Puerto Venecia Investments SOCIMI SA which owns the Puerto Venecia shopping centre in Zaragoza, Spain. Initial consideration was €215.5 million which will be adjusted to reflect the finalisation of the completion balance sheet. Additionally, loans of €59.1 million were acquired from the vendor. The value of investment properties on acquisition was €450.8 million and loan liabilities of €180.9 million were acquired and refinanced on completion. An exercise is being undertaken to assess the fair value of assets and liabilities acquired but has not been completed at the date of signing 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:

	2014	2013
Chairman:		
Patrick Burgess	**37,627**	29,266
Deputy Chairman:		
John Whittaker*	**296,155,452**	192,102,358
Executive:		
David Fischel	**965,646**	666,987
Matthew Roberts	**154,506**	64,499
Non-Executive:		
Adèle Anderson	**18,124**	13,712
Richard Gordon	**7,004,818**	5,436,526
Andrew Huntley	**7,714**	18,000
Louise Patten	**12,857**	10,000
Neil Sachdev	**–**	–
Andrew Strang	**–**	–

* Total beneficial interest includes shares held by subsidiaries of the Peel Group of which John Whittaker is the Chairman. In addition, the 2013 reporting included the 3.75 per cent convertible bonds issued on 28 January 2011 and converted on 7 July 2014, which are explained in detail in note 33, are held by the Peel Group and therefore constituted an interest of John Whittaker. John Whittaker's total interest in ordinary shares of the Company (including shares issuable on conversion of the 3.75 per cent convertible bonds) at 31 December 2013 was therefore 230,681,608, representing 23.69 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 £2.9 million (2013 – £5.8 million).

Notes to the accounts
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52 Directors' interests (continued)

Conditional awards of shares have previously been made to Executive Directors under the Company's annual bonus scheme.

The awards comprise 'Restricted' shares and 'Additional' shares, the latter equal to 50 per cent of the Restricted and Share Incentive Plan shares combined. Executive Directors were required to retain the shares, net of shares sold to meet tax and PAYE deductions, which vested ahead of the normal vesting date.

Awards to Executive Directors under the scheme since January 2013 are as follows:

	Award date	Market price at award (pence)	Original vesting date	Market price at vesting (pence)	Number of shares at 31 December 2013	**Adjustment for rights issue**	**Number of shares awarded during 2014**	**Number of shares vested during 2014**	**Number of shares at 31 December 2014**
David Fischel	05/03/2012	336	05/03/2014[1]	292	153,795	**25,991**	**–**	**179,786**	**–**
	07/03/2013	335	07/03/2015	–	123,283	**20,834**	**–**	**–**	**144,117**
	29/04/2014	292	29/04/2016	–	–	**–**	**30,655**	**–**	**30,655**
	29/04/2014	292	29/04/2017	–	–	**–**	**29,627**	**–**	**29,627**
Matthew Roberts	05/03/2012	336	05/03/2014[1]	292	113,170	**19,125**	**–**	**132,295**	**–**
	07/03/2013	335	07/03/2015	–	94,626	**15,991**	**–**	**–**	**110,617**
	29/04/2014	292	29/04/2016	–	–	**–**	**24,558**	**–**	**24,558**
	29/04/2014	292	29/04/2017	–	–	**–**	**23,530**	**–**	**23,530**

1 Due to the rights issue, vesting was delayed to 7 April 2014.

Details of Restricted and Additional shares awarded in respect of the year ended 31 December 2014 are given in the Directors' remuneration report on pages 71 to 83.

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 2013	Removed from trust	Lapsed	Awarded[1]	Partnership, matching and dividend shares	**At 31 December 2014**
Current Directors:						
David Fischel	11,578	–	–	1,027	1,248	**13,853**
Matthew Roberts	4,222	–	–	1,027	961	**6,210**

1 SIP shares in respect of the year ended 31 December 2013 awarded in April 2014. Details of SIP shares awarded in respect of the year ended 31 December 2014 are given in the Directors' remuneration report on pages 71 to 83.

(b) In share options in the Company
Executive Directors interests in share options and the PSP are given in the Directors' remuneration report on pages 71 to 83.

(c) Other disclosures
No Director had any dealings in the shares of any Group company between 31 December 2014 and 27 February 2015, 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 2014.

Investment and development property (unaudited)

1 Property data

	Market value £m	Revaluation surplus/deficit %	Net initial yield (EPRA)	'Topped-up' NIY (EPRA)	Nominal equivalent yield	Occupancy
As at 31 December 2014						
Subsidiaries						
intu Trafford Centre	2,200.0	+16%	3.9%	4.0%	4.5%	95%
intu Lakeside	1,255.0	+11%	4.2%	4.4%	5.0%	96%
intu Metrocentre	928.1	+4%	4.3%	4.7%	5.4%	96%
intu Braehead	599.3	–1%	3.7%	4.1%	5.9%	92%
Manchester Arndale	430.2	+7%	4.6%	4.7%	5.2%	96%
intu Derby	420.0	+8%[A]	6.3%	6.6%	6.2%	100%
intu Watford	335.0	+3%	4.5%	4.8%	6.3%	92%
intu Victoria Centre	314.0	–7%	4.0%	4.6%	6.2%	93%
intu Milton Keynes	277.5	+10%	4.5%	4.6%	4.9%	99%
intu Eldon Square	272.6	+7%	4.1%	4.9%	6.1%	95%
intu Chapelfield	261.0	+7%	5.0%	5.5%	6.0%	97%
Cribbs Causeway	242.9	+5%	4.1%	4.3%	5.5%	90%
intu Bromley	170.7	+5%	5.3%	5.6%	7.1%	86%
intu Potteries	164.5	–3%	5.3%	5.4%	7.5%	95%
Other	210.8					
Investment and development property excluding Group's share of joint ventures	**8,081.6**					
Joint ventures						
St David's, Cardiff	308.0	+15%	4.7%	4.9%	5.2%	93%
intu Merry Hill	434.8	+7%[A]	5.1%	5.2%	5.1%	95%
Parque Principado	82.2	+21%[B]	5.7%	6.5%	6.0%	99%
Other	56.8					
Investment and development property including Group's share of joint ventures	**8,963.4**		**4.36%**	**4.60%**	**5.32%**	**95%**
As at 31 December 2013 including Group's share of joint ventures	7,623.8		4.74%	4.97%	5.79%	95%

Notes

A Revaluation surplus assessed from date of acquisition.

B Calculated in local currency.

	31 December 2014 £m	31 December 2013 £m
Passing rent	**401.4**	367.9
Annual property income	**436.2**	402.1
ERV	**515.3**	476.0
Weighted average unexpired lease term	**7.4 years**	7.5 years

Please refer to the Glossary for definitions.

Investment and development property (unaudited)

continued

2 Analysis of capital return in the year

	Market value		Revaluation surplus/(deficit)	
	2014 £m	2013 £m	£m	2014 %
Like-for-like property	**7,839.7**	7,187.5	**587.7**	**8.2**
Acquisitions	**923.2**	–	**56.3**	**n/a**
Part disposals	**126.1**	357.0	**15.5**	**n/a**
Developments	**74.4**	79.3	**(11.3)**	**n/a**
Total investment and development property	**8,963.4**	7,623.8	**648.2**	**n/a**

3 Additional property information

	Ownership	Note	Form of Ownership[E]	Gross area million sq. ft.[F]	Year opened	Acquisition Date[G]
As at 31 December 2014						
intu Trafford Centre	100%		FH	2.0	1998	2011
intu Lakeside	100%		FH	1.4	1990	–
intu Metrocentre	90%	A	LH	2.1	1986	1995
intu Braehead	100%		FH	1.1	1999	–
Manchester Arndale	48%	B	LH	1.6	1976	2005
intu Derby	100%		FH/LH	1.3	2007	2014
intu Watford	93%		LH	0.7	1992	–
intu Victoria Centre	100%		FH	1.0	1972	2002[H]
intu Milton Keynes	100%		FH	0.4	2000	2013
intu Eldon Square	60%		FH/LH	1.4	1976	–
intu Chapelfield	100%		FH	0.5	2005	–
Cribbs Causeway	33%	C	FH/LH	1.1	1998	2005
intu Bromley	64%		LH	0.5	1991	–
intu Potteries	100%		FH	0.6	1998	–
St David's, Cardiff	50%		FH/LH	1.4	2009	2006
intu Merry Hill	50%		FH	1.7	1985	2014
Parque Principado	50%		FH	0.8	2001	2013
Other		D		1.8		
Investment and development property including Group's share of joint ventures				**21.4**		
As at 31 December 2013				18.2		

Notes

A Interest shown is that of the Metrocentre Partnership in intu Metrocentre (90 per cent) and the Metro Retail Park (100 per cent). The Group has a 60 per cent interest in the Metrocentre Partnership which is consolidated as a subsidiary of the Group.

B The Group's interest is through a joint operation ownership of a 95 per cent interest in Manchester Arndale, and a 90 per cent interest in New Cathedral Street, Manchester.

C The Group's interest is through a joint operation ownership of a 66 per cent interest in The Mall at Cribbs Causeway and a 100 per cent interest in The Retail Park, Cribbs Causeway.

D Includes the Group's interests in intu Broadmarsh, Soar at intu Braehead, Sprucefield and intu Uxbridge.

E Form of ownership is shown as either freehold ('FH'), leasehold ('LH') or freehold and leasehold ('FH/LH').

F Area shown is not adjusted for the proportion of ownership.

G The acquisition date is presented only where the centre was not built by the Group.

H Intu held a 20 per cent stake in intu Victoria Centre, Nottingham prior to 2002 when it acquired the remaining 80 per cent to take its holding to 100 per cent.

Financial covenants (unaudited)

Intu (SGS) Finance plc and Intu (SGS) Finco Limited ('Secured Group Structure')

	Loan £m	Maturity	LTV covenant*	LTV actual	Interest cover covenant*	Interest cover actual
Term loan	351.8	2018				
3.875 per cent bonds	450.0	2023				
4.625 per cent bonds	350.0	2028				
4.250 per cent bonds	350.0	2030				
	1,501.8		80%	47%	125%	241%

* Tested on the Security Group, the principal assets of which are intu Lakeside, intu Braehead, intu Watford, intu Victoria Centre, intu Chapelfield and intu Derby.

The structure has a tiered operating covenant regime giving the Group a significant degree of flexibility when the covenants are below certain levels. In higher tiers the level of flexibility is reduced. The Group retains operating control below loan to value of 72.5 per cent and interest cover above 1.4x. No financial covenant default occurs unless the loan to value exceeds 80 per cent or the interest cover falls below 1.25x.

The Trafford Centre Finance Limited

There are no financial covenants on the intu Trafford Centre debt of £812.7 million at 31 December 2014. However a debt service cover ratio is assessed quarterly and where this falls below specified levels restrictions come into force. The loan to 31 December 2014 market value ratio is 38 per cent. No restrictions are in place at present.

Intu Metrocentre Finance plc

	Loan £m	Maturity	LTV covenant	LTV actual	Interest cover covenant	Interest cover actual
4.125 per cent bonds	485.0	2023	100%	52%	125%	212%

The structure's covenant regime gives the Group a significant degree of flexibility when the covenants are below certain levels. The Group retains operating control below loan to value of 70 per cent and interest cover above 1.4x. No financial covenant default occurs unless loan to value exceeds 100 per cent or interest cover falls below 1.25x.

Other asset-specific debt

	Loan outstanding at 31 January 2015[1] £m	Maturity	LTV covenant	Loan to 31 December 2014 market value[2]	Interest cover covenant	Interest cover actual[3]
intu Bromley	114.1	2016	80%	67%	120%	198%
Sprucefield	30.0	2016	65%	44%	150%	509%
intu Merry Hill	191.3	2016	65%	44%	150%	338%
intu Milton Keynes[4]	125.3	2017	65%	45%	150%	242%
Barton Square	42.5	2017	65%	49%	175%	205%
St David's, Cardiff	122.5	2021	65%	40%	150%	298%
Parque Principado[5]	€94.7m	2019	65%	51%	150%	273%

1 The loan values are the actual principal balances outstanding at 31 January 2015, which take into account any principal repayments made in January 2015.

2 The loan to 31 December 2014 market value provides an indication of the impact the 31 December 2014 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 2014 and 31 January 2015. The calculations are loan specific and include a variety of historic, forecast and in certain instances a combined historic and forecast basis.

4 During the year, the loan facility was extended by one year.

5 50 per cent of the debt is shown which is consistent with the Group's economic interest.

Financial covenants (unaudited)

continued

Intu Debenture plc

	Loan £m	Maturity	Capital cover covenant	Capital cover actual	Interest cover covenant	Interest cover actual
	231.4	2027	150%	231%	100%	114%

The debenture is currently secured on a number of the Group's properties including intu Potteries, intu Eldon Square, intu Broadmarsh and Soar at intu Braehead.

Should the capital cover or interest cover test be breached, Intu Debenture plc (the 'Issuer') has three months from the date of delivery of the valuation or the latest certificate to the Trustees to make good any deficiencies. The Issuer may withdraw property secured on the debenture by paying a sum of money or through the substitution of alternative property provided that the capital cover and interest cover tests are satisfied immediately following the substitution.

Financial covenants on corporate facilities

	Net worth covenant	Net worth actual	Interest cover covenant	Interest cover actual	Borrowings/net worth covenant	Borrowings/net worth actual
£600m facility, maturing in 2019*	£750m	£2,575.3m	120%	192%	110%	57%
£300m due in 2018 2.5 per cent convertible bonds**	n/a	n/a	n/a	n/a	175%	10%

* Tested on the Borrower Group which excludes, at the Group's election, certain subsidiaries with asset-specific finance. The facility is secured on the Group's investments in Manchester Arndale and Cribbs Causeway.

** Tested on the Group excluding, at the Group's election, the borrowings on certain subsidiaries with asset-specific finance.

Interest rate swaps

The table below sets out the nominal amount and average rate of hedging, excluding lenders' margins, in place under current and forward starting swap contracts.

	Nominal amount £m	Average rate %
In effect on or after:		
1 year	1,678.3	3.20
2 years	1,382.4	3.41
5 years	926.8	4.62
10 years	675.9	4.82
15 years	665.6	4.83
20 years	283.5	4.53

Group including share of joint ventures (unaudited)

for the year ended 31 December 2014

The information below is presented to show the Group including its share of joint ventures. A reconciliation from the amounts shown in the Group's income statement and balance sheet is also shown.

Underlying profit for the year ended 31 December 2014

	Group's income statement £m	Share of joint ventures £m	Group including share of joint ventures £m
Rent receivable	441.1	39.3	480.4
Service charge income	88.2	9.5	97.7
Facilities management income from joint ventures	7.1	(3.0)	4.1
Revenue	536.4	45.8	582.2
Net rental income	362.6	34.0	396.6
Net other income	4.8	–	4.8
Administration expenses	(30.8)	(0.3)	(31.1)
Underlying operating profit	**336.6**	**33.7**	**370.3**
Finance costs	(197.1)	(4.1)	(201.2)
Finance income	11.9	(10.7)	1.2
Other finance costs	(6.1)	–	(6.1)
Underlying net finance costs	(191.3)	(14.8)	(206.1)
Underlying profit before tax, joint ventures and associates	**145.3**	**18.9**	**164.2**
Tax on underlying profit	(0.6)	(0.3)	(0.9)
Share of underlying profit of joint ventures	18.6	(18.6)	–
Remove amounts attributable to non-controlling interests	1.3	–	1.3
Interest on convertible bonds deducted directly in equity	(2.9)	–	(2.9)
Underlying earnings	**161.7**	**–**	**161.7**

Balance sheet as at 31 December 2014

	Group's balance sheet £m	Share of joint ventures £m	Group including share of joint ventures £m
Assets			
Investment and development property	8,019.6	869.2	8,888.8
Investments in joint ventures	851.5	(851.5)	–
Derivative financial instruments	9.7	–	9.7
Cash and cash equivalents	230.0	30.1	260.1
Other assets	451.2	29.5	480.7
Total assets	**9,562.0**	**77.3**	**9,639.3**
Liabilities			
Borrowings	(4,354.0)	(35.6)	(4,389.6)
Derivative financial instruments	(356.5)	(0.4)	(356.9)
Other liabilities	(254.7)	(41.3)	(296.0)
Total liabilities	**(4,965.2)**	**(77.3)**	**(5,042.5)**
Net assets	**4,596.8**	**–**	**4,596.8**

Group including share of joint ventures (unaudited)

for the year ended 31 December 2014 continued

Net external debt

The table below provides a reconciliation between the components of net debt included on the Group's balance sheet and net external debt including the Group's share of joint ventures' debt and cash.

	2014 £m	2013 £m
Total borrowings	**4,354.0**	4,014.9
Cash and cash equivalents	**(230.0)**	(156.7)
Net debt	**4,124.0**	3,858.2
Metrocentre compound financial instrument	**(166.1)**	(160.0)
Short-term investments[1]	**–**	(69.3)
Net external debt – before Group's share of joint ventures	**3,957.9**	3,628.9
Add share of borrowing of joint ventures	**35.6**	78.3
Less share of cash of joint ventures	**(30.1)**	(8.8)
Net external debt – including Group's share of joint ventures	**3,963.4**	3,698.4
Analysed as:		
Debt including Group's share of joint ventures	**4,223.5**	3,933.2
Cash including Group's share of joint ventures	**(260.1)**	(165.5)
Short-term investments[1]	**–**	(69.3)
Net external debt – including Group's share of joint ventures	**3,963.4**	3,698.4

1 Short-term investments represents CMBS notes issued in respect of intu Metrocentre and received as cash in February 2014 following refinancing of this debt.

Debt to assets ratio

	2014 £m	2013 £m
Market value of investment and development property	**8,963.4**	7,623.8
Net external debt	**(3,963.4)**	(3,698.4)
Debt to assets ratio	**44.2%**	48.5%

Interest cover

	2014 £m	2013 £m
Finance costs	**(201.2)**	(197.2)
Finance income	**1.2**	0.6
Interest on convertible bonds recognised directly to equity	**(2.9)**	(5.8)
	(202.9)	(202.4)
Underlying operating profit	**370.3**	345.6
Less trading property related items	**(0.6)**	(0.1)
	369.7	345.5
Interest cover	**1.82x**	1.71x

Underlying profit statement (unaudited)

The underlying profit information in the table below shows the Group including its share of joint ventures which have been included on a line-by-line basis.

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m	**Six months ended 31 December 2014 £m**	Six months ended 31 December 2013 £m	**Six months ended 30 June 2014 £m**	Six months ended 30 June 2013 £m
Net rental income	**396.6**	369.5	**207.4**	188.5	**189.2**	181.0
Net other income	**4.8**	3.8	**2.8**	1.4	**2.0**	2.4
	401.4	373.3	**210.2**	189.9	**191.2**	183.4
Administration expenses	**(31.1)**	(27.7)	**(16.2)**	(13.8)	**(14.9)**	(13.9)
Underlying operating profit	**370.3**	345.6	**194.0**	176.1	**176.3**	169.5
Finance costs	**(201.2)**	(197.2)	**(103.5)**	(98.7)	**(97.7)**	(98.5)
Finance income	**1.2**	0.6	**0.7**	–	**0.5**	0.6
Other finance costs	**(6.1)**	(6.5)	**(3.0)**	(3.2)	**(3.1)**	(3.3)
Underlying net finance costs	**(206.1)**	(203.1)	**(105.8)**	(101.9)	**(100.3)**	(101.2)
Underlying profit before tax and associates	**164.2**	142.5	**88.2**	74.2	**76.0**	68.3
Tax on underlying profit	**(0.9)**	(0.9)	**(0.6)**	(0.6)	**(0.3)**	(0.3)
Share of underlying profit/(loss) of associates	**–**	–	**–**	(0.1)	**–**	0.1
Remove amounts attributable to non-controlling interests	**1.3**	4.4	**2.1**	1.5	**(0.8)**	2.9
Interest on convertible bonds deducted directly in equity	**(2.9)**	(5.8)	**–**	(2.9)	**(2.9)**	(2.9)
Underlying earnings	**161.7**	140.2	**89.7**	72.1	**72.0**	68.1
Underlying earnings per share (pence)	**13.3p**	13.7p	**6.9p**	6.9p	**6.4p**	6.8p
Weighted average number of shares (million)	**1,214.6**	1,027.1	**1,297.9**	1,049.7	**1,129.5**	1,004.0

For the reconciliation from basic earnings per share see note 17.

EPRA performance measures (unaudited)

1 Summary

The EPRA Best Practice Recommendations identify six key performance measures, including the EPRA Cost Ratios. The measures are deemed to be of importance for investors in property companies and aim to encourage more consistent and widespread disclosure. The Group is supportive of this initiative but continues to disclose additional measures throughout this report which it believes are more appropriate in the Group's current circumstances.

In 2014, the Group retained its EPRA Gold Award for exceptional compliance with the EPRA Best Practice Recommendations.

The EPRA measures, as calculated including the Group's share of joint ventures, are summarised below and detailed in the tables following:

	Table	2014	Restated 2013
EPRA cost ratio (including direct vacancy costs)	2	**19.4%**	18.9%
EPRA cost ratio (excluding direct vacancy costs)	2	**15.5%**	15.7%
EPRA earnings	3	**£154.9m**	£134.6m
– per share	3	**12.8p**	13.1p
EPRA NAV	4(a)	**£4,740.0m**	£3,669.5m
– per share	4(a)	**361p**	334p
EPRA NNNAV	4(b)	**£4,322.4m**	£3,535.3m
– per share	4(b)	**329p**	321p
EPRA net initial yield	5	**4.4%**	4.7%
EPRA 'topped-up' NIY	5	**4.6%**	5.0%
EPRA vacancy rate	6	**3.0%**	3.0%

Details of the Group's performance against the EPRA Best Practice Recommendations on Sustainability Reporting can be found in full in the 2014 Corporate Responsibility Report. In 2014, the Group was awarded a Gold EPRA Sustainability Best Practice Recommendations award.

2 EPRA Cost Ratios

	2014 £m	2013 £m
Other non-recoverable costs	**49.1**	43.9
Administration expenses – ongoing	**31.1**	27.7
Net service charge costs	**11.3**	10.7
Remove:		
Service charge costs recovered through rents	**(3.3)**	(2.5)
EPRA costs – including direct vacancy costs	**88.2**	79.8
Direct vacancy costs	**(17.9)**	(13.5)
EPRA costs – excluding direct vacancy costs	**70.3**	66.3
Rent receivable	**480.4**	447.6
Rent payable	**(23.4)**	(23.5)
Gross rental income less ground rent payable	**457.0**	424.1
Remove:		
Service charge costs recovered through rents	**(3.3)**	(2.5)
Gross rental income	**453.7**	421.6
EPRA cost ratio (including direct vacancy costs)	**19.4%**	18.9%
EPRA cost ratio (excluding direct vacancy costs)	**15.5%**	15.7%

EPRA performance measures (unaudited)

3 EPRA earnings

EPRA earnings per share has been presented as recommended by EPRA which seeks to assist comparison between European property companies. However, we believe that our measure of underlying earnings per share is more appropriate than the EPRA measure in the context of our business as set out in note 17. The key difference relates to the adjustments in respect of exceptional items where EPRA is prescriptive about the adjustments that can be made limiting these to acquisition related costs and costs incurred on termination of derivative financial instruments. A reconciliation of EPRA earnings per share to the Group's measure of underlying earnings per share is provided below.

On 22 April 2014, the Company issued 278,241,628 new ordinary shares of 50 pence each through a rights issue. The number of shares previously used to calculate earnings per share have been adjusted to reflect the rights issue as per note 17.

	2014			Re-presented 2013		
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share
Basic earnings per share	**583.3**	**1,214.6**	**48.0p**	354.0	1,027.1	34.5p
Remove:						
Revaluation of investment and development property	**(567.8)**		**(46.7)p**	(109.9)		(10.7)p
Gain on acquisition of businesses	**(1.6)**		**(0.1)p**	–		–
Gain on disposal of subsidiaries	**(0.6)**		**–**	–		–
Share of associates' adjusting items	**(0.8)**		**(0.1)p**	(0.5)		–
Share of joint ventures' adjusting items	**(81.7)**		**(6.7)p**	(17.5)		(1.7)p
Change in fair value of financial instruments	**157.6**		**13.0p**	(272.3)		(26.5)p
Exceptional administration costs – acquisition and disposal related	**13.1**		**1.1p**	13.2		1.3p
Exceptional finance charges – termination of derivative financial instruments	**44.1**		**3.6p**	155.1		15.1p
Tax on the above	**(5.6)**		**(0.5)p**	3.4		0.3p
Non-controlling interests in respect of the above	**14.9**		**1.2p**	9.1		0.8p
EPRA earnings per share	**154.9**	**1,214.6**	**12.8p**	134.6	1,027.1	13.1p
Reconciliation to the Group's measure of underlying earnings per share						
Remove:						
Other exceptional items	**7.3**		**0.6p**	10.9		1.0p
Other exceptional tax	**(1.1)**		**(0.1)p**	(4.9)		(0.4)p
Add:						
Share of joint ventures' adjusting items	**0.6**		**–**	0.1		–
Non-controlling interest in respect of the above	**–**		**–**	(0.5)		–
Underlying earnings per share	**161.7**	**1,214.6**	**13.3p**	140.2	1,027.1	13.7p

EPRA performance measures (unaudited)

Continued

4 EPRA NAV

(a) EPRA NAV

EPRA NAV has been presented as recommended by EPRA which seeks to assist comparison between European property companies. However, we believe that our measure of NAV per share (diluted, adjusted), as presented in note 18a, is more appropriate than the EPRA measure in the context of our business. The key difference is the swaps not currently used for economic hedges of debt which are excluded in the Group's definition of NAV per share (diluted, adjusted). The adjustment in respect of the non-controlling interest recoverable balance not recognised is due to 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. A reconciliation of EPRA NAV to the Group's measure of NAV per share (diluted, adjusted) is provided below.

As for earnings per share, the comparative number of shares have been adjusted to reflect the rights issue. See note 17 for details.

		2014				Re-presented 2013
	Net assets £m	**Shares million**	**NAV per share pence**	Net assets £m	Shares million	NAV per share pence
NAV attributable to owners of Intu Properties plc	**4,524.0**	**1,303.7**	**347p**	3,518.8	1,055.5	333p
Dilutive convertible bonds, share options and awards	**22.2**	**8.6**		3.8	45.1	
Diluted NAV	**4,546.2**	**1,312.3**	**347p**	3,522.6	1,100.6	320p
Remove:						
Fair value of derivative financial instruments (excluding swaps not currently used for economic hedges of debt and net of tax)	**104.3**		**8p**	61.9		6p
Deferred tax on investment and development property and other investments	**14.1**		**1p**	20.4		2p
Goodwill resulting from recognition of deferred tax liabilities	**–**		**–**	(4.2)		–
Share of joint ventures' adjusting items	**4.1**		**–**	1.3		–
Non-controlling interest in respect of the above	**–**		**–**	(3.8)		–
Add:						
Non-controlling interest recoverable balance not recognised	**71.3**		**5p**	71.3		6p
EPRA NAV	**4,740.0**	**1,312.3**	**361p**	3,669.5	1,100.6	334p
Reconciliation to the Group's measure of underlying earnings per share						
Remove:						
Swaps not currently used for economic hedges of debt (net of tax)	**228.9**		**18p**	134.9		12p
NAV per share (diluted, adjusted)	**4,968.9**	**1,312.3**	**379p**	3,804.4	1,100.6	346p

(b) EPRA NNNAV

The Group's measure of NNNAV per share (diluted, adjusted) disclosed in note 18 is equal to the EPRA NNNAV measure presented below.

		2014				Re-presented 2013
	Net assets £m	**Shares million**	**NAV per share pence**	Net assets £m	Shares million	NAV per share pence
EPRA NAV	**4,740.0**	**1,312.3**	**361p**	3,669.5	1,100.6	334p
Fair value of derivative financial instruments (net of tax)	**(104.3)**		**(8)p**	(61.9)		(6)p
Excess of fair value of debt over book value	**(310.2)**		**(24)p**	(56.9)		(5)p
Deferred tax on investment and development property and other investments	**(14.1)**		**(1)p**	(20.4)		(2)p
Share of joint ventures' adjusting items	**(6.0)**		**–**	(1.3)		–
Non-controlling interests in respect of the above	**17.0**		**1p**	6.3		–
EPRA NNNAV	**4,322.4**	**1,312.3**	**329p**	3,535.3	1,100.6	321p

5 EPRA net initial yield and 'topped-up' NIY

	2014 £m	2013 £m
Investment and development property	**8,963**	7,624
Less developments	**(74)**	(29)
Completed property portfolio	**8,889**	7,595
Allowance for estimated purchasers costs	**457**	361
Gross up completed property portfolio valuation	**9,346**	7,956
Annualised cash passing rental income	**436**	397
Property outgoings	**(21)**	(20)
Annualised net rents	**415**	377
Notional rent on expiration of rent free periods or other lease incentives	**19**	17
Topped-up net annualised rent	**434**	394
EPRA net initial yield	**4.4%**	4.7%
EPRA 'topped-up' NIY	**4.6%**	5.0%

EPRA net initial yield and 'topped-up' NIY by property is given in the Investment and development property section.

6 EPRA vacancy rate

	2014 %	2013 %
intu Trafford Centre	**3.4**	2.7
intu Lakeside	**2.2**	2.3
intu Metrocentre	**2.7**	3.5
intu Braehead	**3.8**	3.1
Manchester Arndale	**2.6**	2.7
intu Derby	**0.1**	n/a
intu Watford	**2.6**	1.1
intu Victoria Centre	**3.3**	2.4
intu Milton Keynes	**0.8**	1.8
intu Eldon Square	**3.1**	2.9
intu Chapelfield	**1.2**	3.8
Cribbs Causeway	**8.2**	5.8
intu Potteries	**3.0**	4.4
intu Bromley	**4.8**	4.7
St David's, Cardiff	**5.0**	4.9
intu Merry Hill	**3.0**	n/a
Parque Principado	**0.7**	2.5
	3.0	3.0

EPRA vacancy rate is the ERV of vacant space divided by total ERV.

Financial record

2010 – 2014

	2010	2011	2012	2013	**2014**
Net rental income	£277m	£364m	£363m	£370m	**£397m**
Underlying earnings	£97m	£139m	£138m	£140m	**£162m**
Underlying earnings per share[1]	14.0p	15.0p	14.7p	13.7p	**13.3p**
Dividend per share[1]	13.7p	13.7p	13.7p	13.7p	**13.7p**
Property revaluation surplus	£501m	£63m	£41m	£126m	**£648m**
NAV per share (diluted, adjusted)[1]	355p	356p	357p	346p	**379p**
Market value of investment and development property	£5,099m	£6,960m	£7,073m	£7,624m	**£8,963m**
Net external debt	£2,437m	£3,374m	£3,504m	£3,698m	**£3,963m**
Debt to assets ratio	48.0%	48.5%	49.5%	48.5%	**44.2%**
Interest cover	1.56x	1.71x	1.69x	1.71x	**1.82x**
Change in like-for-like net rental income	2.1%	3.6%	(2.7)%	(1.9)%	**(3.2)%**
Occupancy	98%	97%	96%	95%	**95%**
Growth in footfall (like-for-like)	3%	2%	(1)%	(2)%	**+0%**

Amounts presented include the Group's share of joint ventures.

1 Amounts for 2013 and earlier are as adjusted by the bonus factor. See note 17.

Glossary

ABC1 customers

Proportion of customers within UK social groups A, B and C1, defined as members of households whose chief earner's occupation is professional, higher or intermediate management, or supervisory.

Annual property income

The Group's share of passing rent plus the external valuers' estimate of annual excess turnover rent and sundry income such as that from car parks and mall commercialisation.

Debt to assets ratio

Net external debt dividend 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, nature or incidence to enable a full understanding of the Group's financial performance.

Headline rent ITZA

Annual contracted rent per square foot after expiry of concessionary periods in terms of zone A.

Interest cover

Underlying operating profit excluding trading property related items divided by the net finance cost plus interest on convertible bonds recognised in equity excluding the change in fair value of financial instruments, exceptional finance costs and amortisation of 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 Limited, producer of an independent benchmark of property returns.

Like-for-like property

Investment property which has been owned throughout both periods without significant capital expenditure in either period, so that income can be compared on a like-for-like basis. For the purposes of comparison of capital values, this will also include assets owned at the previous reporting period end but not throughout the prior period.

Long-term lease

A lease with a term certain of at least five years.

LTV (loan to value)

The ratio of attributable debt to the market value of an investment property.

NAV per share (diluted, adjusted)

NAV per share calculated on a diluted basis and adjusted to reflect any unrecognised surplus on trading properties (net of tax), to remove the fair value of derivatives (net of tax), to remove goodwill resulting from the recognition of deferred tax liabilities, 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 and, for 31 December 2013, short-term investments representing CMBS notes issued in respect of intu Metrocentre and received as cash in February 2014.

Net initial yield ('EPRA')

Annualised net rent on investment property (after deduction of revenue costs such as head rent, running void, service charge after shortfalls, empty rates and merchant association contribution) expressed as a percentage of the gross market value before deduction of theoretical acquisition costs, consistent with EPRA's net initial yield, and as provided by the Group's independent external valuers.

Net rental income

The Group's share of net rents receivable as shown in the income statement, having taken due account of non-recoverable costs, bad debt provisions and adjustments to comply with IFRS including those regarding tenant lease incentives.

Glossary
Continued

NNNAV per share (diluted, adjusted)
NAV per share (diluted, adjusted) adjusted to include the fair values of derivatives, debt and deferred taxes.

Nominal equivalent yield
Effective annual yield to a purchaser from an asset at market value before taking account of notional acquisition costs assuming rent is receivable annually in arrears, reflecting ERV but disregarding potential changes in market rents, as determined by the Group's independent external valuers.

Occupancy
The passing rent of let and under offer units expressed as a percentage of the passing rent of let and under offer units plus ERV of un-let units, excluding development and recently completed properties. Units let to tenants in administration and still trading are treated as let and those no longer trading are treated as un-let.

Passing rent
The Group's share of contracted annual rents receivable at the balance sheet date. This takes no account of accounting adjustments made in respect of rent free periods or tenant incentives, the reclassification of certain lease payments as finance charges or any irrecoverable costs and expenses, and does not include excess turnover rent, additional rent in respect of unsettled rent reviews or sundry income such as from car parks etc. Contracted annual rents in respect of tenants in administration are excluded.

PMA
Property Market Analysis LLP, a producer of property market research and forecasting.

Property Income Distribution (PID)
A dividend, generally subject to UK withholding tax at the basic rate of income tax, that a UK REIT is required to pay to its shareholders from its qualifying rental profits. Certain classes of shareholder may qualify to receive a PID gross, shareholders should refer to intugroup.co.uk for further information. The Group can also pay non-PID dividends which are not subject to UK withholding tax.

Real Estate Investment Trust (REIT)
REITs are internationally recognised property investment vehicles which have now been introduced in many countries around the world. Each country has its own rules, but the broad intention of REITs is to encourage investment in domestic property by removing tax distortions for investors.

In the UK, REITs must meet certain ongoing rules and regulations, including the requirement to distribute at least 90 per cent of qualifying rental profits to shareholders. Withholding tax of 20 per cent is deducted from these Property Income Distributions (see Glossary). Profits from a REIT's non-property business remain subject to normal corporation tax. The Group elected for REIT status in the UK with effect from 1 January 2007.

Scrip Dividend Scheme
The Group offers shareholders the opportunity to participate in the Scrip Dividend Scheme. This enables participating shareholders to receive shares instead of cash when a Scrip Alternative is offered for a particular dividend.

Short-term lease
A lease with a term certain of less than five years.

Tenant (or lease) incentives
Any incentives offered to occupiers to enter into a lease. Typically incentives are in the form of an initial rent free period and/or a cash contribution to fit out the premises. Under IFRS the value of incentives granted to tenants is amortised through the income statement on a straight-line basis over the lease term.

Topped-up NIY ('EPRA')
Net initial yield adjusted for the expiration of rent free periods and other unexpired lease incentives.

Total financial return
The change in NAV per share (diluted, adjusted) plus dividends per share paid in the period expressed as a percentage of opening NAV per share (diluted, adjusted).

Total property return
The change in capital value, less any capital expenditure incurred, plus net income in the year expressed as a percentage of the capital employed (opening capital value plus capital expenditure incurred) in the year as calculated by IPD.

Trading property
Property held for trading purposes rather than to earn rentals or for capital appreciation and shown as a current asset 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.

Dividends

The Directors of Intu Properties plc have proposed a final dividend per ordinary share (ISIN GB0006834344) of 9.1 pence (2013 – 9.1 pence as adjusted for the rights issue bonus factor) to bring the total dividend per ordinary share for the year to 13.7 pence (2013 – 13.7 pence as adjusted by the rights issue bonus factor). A scrip dividend alternative will continue to be offered.

The dividend may be partly paid as a Property Income Distribution ('PID') and partly paid as a non-PID. The PID element will be subject to deduction of a 20 per cent withholding tax unless exemptions apply (please refer to the PID special note below). Any non-PID element will be treated as an ordinary UK company dividend. For South African shareholders, non-PID cash dividends may be subject to deduction of South African Dividends Tax at 15 per cent.

The following are the salient dates for the payment of the proposed final dividend.

Tuesday 31 March 2015
Sterling/Rand exchange rate struck

Wednesday 1 April 2015
Sterling/Rand exchange rate and dividend amount in SA currency announced

Monday 13 April 2015
Ordinary shares listed ex-dividend on the Johannesburg Stock Exchange

Thursday 16 April 2015
Ordinary shares listed ex-dividend on the London Stock Exchange

Friday 17 April 2015
Record date for 2014 final dividend in London and Johannesburg

Thursday 28 May 2015
Dividend payment date for shareholders

South African shareholders should note that, in accordance with the requirements of Strate, the last day to trade cum-dividend will be Friday 10 April 2015 and that no dematerialisation or rematerialisation of shares will be possible from Monday 13 April 2015 to Friday 17 April 2015 inclusive. No transfers between the UK and South African registers may take place from Thursday 31 March 2015 to Sunday 19 April 2015 inclusive.

PID SPECIAL NOTE:

UK shareholders

For those who are eligible for exemption from the 20 per cent withholding tax and have not previously registered for exemption, an HM Revenue & Customs ('HMRC') Tax Exemption Declaration is available for download from the 'Investors' section of the Intu Properties plc website (intugroup.co.uk), or on request to our UK registrars, Capita Asset Services. Validly completed forms must be received by Capita Asset Services no later than the dividend Record Date, to be advised; otherwise the dividend will be paid after deduction of tax.

South African and other non-UK shareholders

South African shareholders may apply to HMRC after payment of the dividend for a refund of the difference between the 20 per cent withholding tax and the UK/South African double taxation treaty rate of 15 per cent. Other non-UK shareholders may be able to make similar claims for a refund of UK withholding tax deducted. Refund application forms for all non-UK shareholders are available for download from the 'Investors' section of the Intu Properties plc website (intugroup.co.uk), or on request to our South African registrars, Computershare, or HMRC. UK withholding tax refunds are not claimable from Intu Properties plc, the South African Revenue Service ('SARS') or other national authorities, only from the UK's HMRC.

Additional information on PIDs can be found at intugroup.co.uk/investors/shareholders-bondholders/real-estate-investment-trust/.

The above does not constitute advice and shareholders should seek their own professional guidance. Intu Properties plc does not accept liability for any loss suffered arising from reliance on the above.

Shareholder information

Registered Office

40 Broadway, London SW1H 0BT
Registered in England & Wales no. 3685527

Websites

intugroup.co.uk

intu.co.uk

Registrars

All enquiries concerning shares or shareholdings, including notification of change of address, queries regarding loss of a share certificate and dividend payments should be addressed to:

For shareholders registered in the UK
Capita Asset Services
The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
Telephone (within UK) 0871 664 0300 (calls cost 10p per minute plus network extras; lines are open 9.00 am – 5.30 pm Monday – Friday)
Telephone (outside UK) +44 20 8639 3399
Email: ssd@capitaregistrars.com
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
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.

Web-based enquiry service for shareholders

Shareholders registered in the UK can go to capitashareportal.com to obtain details of their shareholdings and dividends. The shareholder's surname, Investor Code (found on any correspondence from registrars) and postcode are required to use this service. Shareholders may also use this service to amend or change their address and dividend mandate details.

Shareholders registered in South Africa can go to 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:

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).

Sharegift

Shareholders with a small number of shares, which may be uneconomic to sell on a commission basis, may wish to consider donating them to the charity Sharegift (registered charity no. 1052686). Further information can be found on Sharegift's website sharegift.org or by calling them on 020 7930 3737.

Strate Charity Shares

SA shareholders for whom the cost of selling their shares would exceed the market value of such shares may wish to consider donating them to charity. An independent non-profit organisation called Strate Charity Shares has been established to administer this process. The South African Revenue Service (SARS) has advised Strate Charity Shares that the value of any shares donated may be deducted from taxable income, as the scheme is registered under section 18A of the Income Tax Act. For further details, queries and/or donations contact the Strate Share Care toll free help line on 0800 202 363 or +2711 373 0038 if you are phoning from outside South Africa or email charityshares@computershare.co.za

Electronic communication

The Company supplies information such as the Annual Report via its website to shareholders who have consented to such communication. Shareholders will be notified by email or post when new information is available on the website.

Shareholders can at any time revoke a previous instruction in order to receive hard copies of shareholder information.

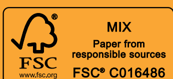
UK shareholders may register to receive email alerts by logging on to the website of the UK Registrars (capitashareportal.com) and following the instructions given to register an email address. SA shareholders may register to receive email alerts by written instruction to the SA Registrar, Computershare, sent either by email (ecomms@computershare.co.za) or by facsimile (+27 11 688 5248). Once registered, shareholders are sent a 'Notice of Availability' email highlighting that the Annual Report or other information is available for viewing on the website.

This report contains 'forward-looking statements' regarding the belief or current expectations of Intu Properties plc, its Directors and other members of its senior management about Intu Properties plc's businesses, financial performance and results of operations. These forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Intu Properties plc and are difficult to predict, that may cause actual results, performance or developments to differ materially from any future results, performance or developments expressed or implied by the forward-looking statements.

These forward-looking statements speak only as at the date of this report. Except as required by applicable law, Intu Properties plc makes no representation or warranty in relation to them and expressly disclaims any obligation to update or revise any forward-looking statements contained herein to reflect any change in Intu Properties plc's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Any information contained in this report on the price at which shares or other securities in Intu Properties plc have been bought or sold in the past, or on the yield on such shares or other securities, should not be relied upon as a guide to future performance.

Designed and produced by **Radley Yeldar** ry.com



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