Press Release

# Shaping our future

## Places where visitors smile, brands succeed, communities thrive

12 March 2020
intu properties plc

results for the year ended
31 December 2019


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# Results summary 2019

| IFRS (£m) | 2019 | 2018 | Change | Key comments |
|---|---|---|---|---|
| Revenue | 542.3 | 581.1 | (38.8) | — reduction impacted by CVAs and administrations |
| Loss for the year | (2,021.8) | (1,173.7) | (848.1) | — adversely impacted by property revaluation deficit (see below) and change in fair value of financial instruments |
| Basic loss per share (pence) | (145.1)p | (84.3)p | (60.8)p | — in line with IFRS loss for the year |
| Net assets attributable to owners of intu properties plc | 1,904.2 | 3,811.7 | (1,907.5) | — reduction predominantly as a result of property revaluation deficit |
| Dividends paid (pence) | – | 4.6p | (4.6)p | — no 2019 dividend recommended for payment |

| Alternative performance measures (APM)[1] (£m) | 2019 | 2018 | Change | Key comments |
|---|---|---|---|---|
| Net rental income | 401.6 | 450.5 | (48.9) | — like-for-like reduction of 9.1% (£39.6m) driven by impact of administrations and CVAs<br>— impact of disposals of £10.5m, main contributor being intu Derby |
| Underlying earnings | 127.2 | 193.1 | (65.9) | — net rental income reduction of £48.9m, see above<br>— finance costs increased by £4.2m, mainly due to reduced capitalised interest<br>— increased tax expense of £15.7m from current year estimated underpayment of minimum PID |
| Underlying EPS (pence) | 9.5p | 14.4p | (4.9)p | — reduction in line with underlying earnings |
| Property revaluation deficit | (1,979.7) | (1,405.0) | (574.7) | — like-for-like reduction of 22.3%<br>— 95bps outward yield shift from weakening investor sentiment<br>— like-for-like ERVs marked down by 13.4% following higher level of administrations and CVAs |
| Market value of investment and development property | 6,633.3 | 9,167.4 | (2,534.1) | — revaluation deficit of £1,979.7m<br>— part disposals of intu Derby £353.7m, intu Puerto Venecia and intu Asturias transferred to held for sale £341.8m<br>— capital investment of £129.2m, mainly on developments such as intu Lakeside and intu Trafford Centre |
| Net external debt[2] | 4,498.4 | 4,867.2 | 368.8 | — reduction from disposal proceeds and transfers to held for sale |
| EPRA NAV per share (pence)[3] | 147p | 293p | (146)p | — impact of revaluation deficit of 145p<br>— exceptional finance and administration costs of 6p, primarily from unallocated swap payments<br>— partially offset by underlying earnings in year of 10p |
| EPRA NNNAV per share (pence)[3] | 149p | 271p | (122)p | — main movement as above for EPRA NAV per share, offset by 20p movement in fair value of borrowings |
| Debt to assets ratio (per cent)[2] | 67.8% | 53.1% | 14.7% | — increase due to revaluation deficit<br>— reduces to 65.3% when adjusted for expected disposal proceeds from intu Puerto Venecia and intu Asturias |

| Operational performance | 2019 | 2018 | Key comments |
|---|---|---|---|
| Leasing activity | | | |
| — number | 205 | 248 | — level of lettings reduced slightly from economic uncertainty in 2019 |
| — new rent | £26m | £39m | — in line with valuers' assumptions |
| — new rent relative to previous passing rent | +1% | +6% | — +1% on net effective basis (net of rent frees and incentives) |
| Rental uplift on rent reviews settled | +6% | +7% | — 159 settled in year |
| Footfall | +0.3% | –1.6% | — UK -0.1%; Spain +3.5%<br>— UK outperformed Springboard benchmark which was down by 2.5% |
| Occupancy (EPRA basis) | 94.9% | 96.7% | — lower occupancy due to increased level of administrations and CVAs, in particular the impact from prior year processes |
| Net promoter score | 75 | 73 | — continued improvement in visitor satisfaction |
| Carbon emission reduction | 15% | 17% | — continued reduction, total reduction of 69% against 2010 baseline |

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

2 See other financial information for calculations.

3 See EPRA measures section for reconciliations between presented figures and IFRS figures.

# Our five year strategy

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

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

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

## The store is not dying, it is evolving

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

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

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

## Centres are transforming

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

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

## intu's fundamental strengths

There are challenges, but we also have many strengths.

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

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

## Delivering a strategy for the 2020s

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

| Strategic objective | Key actions | What have we done |
|---|---|---|
| Fix the balance sheet<br>To reduce net external debt and create liquidity to deal with any potential covenant breaches and the upcoming refinancing activity, with the first material debt maturities in early 2021 | — mitigating any potential covenant breaches, including seeking waivers<br>— considering alternative capital structures, including reviewing the feasibility of a future equity raise<br>— pausing the dividend for the time being<br>— disposing and part disposing of assets in the UK and Spain<br>— reducing the capital expenditure pipeline | — no 2018 final or 2019 dividends proposed or paid<br>— disposals of nearly £600m of assets:<br>— part disposed of intu Derby for £186m<br>— disposed of intu Puerto Venecia for £201m (€238m) and intu Asturias for £123m (€145m)<br>— disposed of £82m of sundry assets<br>— reduced capital expenditure pipeline by £60m |

| Strategic objective | Key actions | What have we done |
|---|---|---|
| Simplify, enhance and drive efficiency<br>To deliver our strategy and reshape intu, we need to ensure we have the correct leadership team in place, with the right skill sets and teams to deliver this vision | — updating management structure for our forward-looking strategy<br>— delivering a thriving culture of happy and high-performing colleagues<br>— considering new approach to incentive plans<br>— focusing on wellbeing and ESG | — refreshed the Board since 2018 with four of the seven members new to intu and one new in role<br>— restructured Executive Committee<br>— created customer and centre performance directorates<br>— delivered £5m of annualised cost savings, of which £2m will benefit our customers through lower service charges<br>— signed 'Time to Change' pledge |
| Sharpen customer focus<br>To improve our relationships with those who pay us to take space, working closer with them and taking a partnership approach to maximise returns for both parties | — identifying, nurturing and supporting leading brands<br>— investing in data and sharing the insight<br>— developing new product and service propositions for our customers to reduce their costs, remove hassle and improve sales<br>— leading the way in modernising the lease structure, to include store-generated online sales | — CEO meetings with top-30 customers<br>— appointed customer performance director<br>— created customer performance team with insight, digital and sector specialist teams<br>— enhanced customer understanding with store-level affordability database<br>— multichannel-focused approach to align with retailers |
| Transform our centres<br>To deliver what future visitors and customers want with a project pipeline for new uses | — focusing on placemaking, so our centres are places where people love to be<br>— evolving the visitor experience further to increase footfall and dwell time<br>— delivering seamless customer offering to allow new brands easy access to centres<br>— intensifying our estate, using a capital light model, introducing new uses | — appointed centre performance director<br>— opened intu Lakeside leisure extension<br>— increased experiential offering: Big Bug Tour and Upside Down House roll-out<br>— curated new retail concepts such as Birdhouse Café and Fashion House<br>— identified around 6,000 potential residential units across eight sites, seven potential hotel sites for around 800 rooms and four flexible working sites |

## 2019 results

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

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

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

## Outlook

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

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

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

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

## Presentation of information

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

## Introduction

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

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

## Income statement

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

1 A reconciliation from the IFRS consolidated income statement to the underlying earnings amounts presented above is provided in the presentation of information section.

2 Other underlying amounts includes net other income, share of underlying profit in associates and any underlying amounts attributable to non-controlling interests.

3 Other non-underlying amounts includes losses on disposal of subsidiaries, gains on sale of investment and development property, write-down on recognition of joint ventures and other assets classified as held for sale, impairment of goodwill, impairment of investment in associates, impairment of loan to associate, exceptional administration expenses, exceptional tax, and any non-underlying amounts attributable to non-controlling interests.

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

### A Net rental income

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

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

— rent increases from rent reviews and new lettings delivered 0.8 per cent rental growth. Rent reviews were settled 6 per cent ahead of previous rents and lettings were on average up 1 per cent (see operational performance section for further details)
— capital investment primarily at intu Lakeside and intu Watford delivered growth of 1.2 per cent

— vacancy throughout 2019 was on average around 2 per cent higher than 2018, resulting in a 3.7 per cent impact on net rental income from both rent foregone and increased void costs
— the effect of administrations and CVAs was a rental decline of 4.6 per cent, mainly driven by the impact in 2019 from 2018 administrations and CVAs, including House of Fraser, HMV and New Look Men, and the Debenhams, Arcadia and Monsoon CVAs in 2019
— other was adverse by 2.2 per cent primarily due to surrender premiums received, with around £7 million received in 2018 against around £4 million in 2019

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

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

### B Administration expenses

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

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

### C Finance costs

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

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

### D Tax on underlying profit

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

Current tax relating to the prior year underpayment of the minimum PID of £6.4 million was recognised in 2019 as a one-off tax expense in respect of prior year profits and so has been classified as exceptional based on its incidence. See note 5 for further details.

### E Valuation

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

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

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

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

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

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

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

### F Change in fair value of financial instruments

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

### G Other finance charges - exceptional

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

### IFRS income statement items

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

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

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

## Balance sheet[1]

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

1 A reconciliation from the IFRS consolidated balance sheet to the amounts presented above is provided in the presentation of information section. A further reconciliation of EPRA NAV to IFRS net assets attributable to owners of intu properties plc is provided within the EPRA measures section.

2 Other assets and liabilities includes property, plant and equipment, other non-current assets, trade and other receivables, trade and other payables, current tax liabilities, deferred tax liabilities and other payables.

3 Relates primarily to our partner's 40 per cent stake in intu Metrocentre. The amount is considered to be recoverable in view of the £195.4 million owed to the non-controlling interest (which is included in the Group's borrowings in note 14).

4 Other adjustments relate to fair value of derivative financial instruments, fair value of convertible bonds, deferred tax on investment and development property, share of joint ventures' adjusted items and non-controlling interest recoverable balance not recognised in EPRA NAV.

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

### A Investment and development property

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

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

### B Joint ventures and other assets classified as held for sale

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

### intu Puerto Venecia

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

### intu Asturias

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

## C Investments in associates

Investments in associates of £53.7 million primarily represent our interests in India, Prozone and Empire, which own and operate shopping centres in Coimbatore and Aurangabad. See note 10 for further details.

## D Net external debt

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

## E Derivative financial instruments

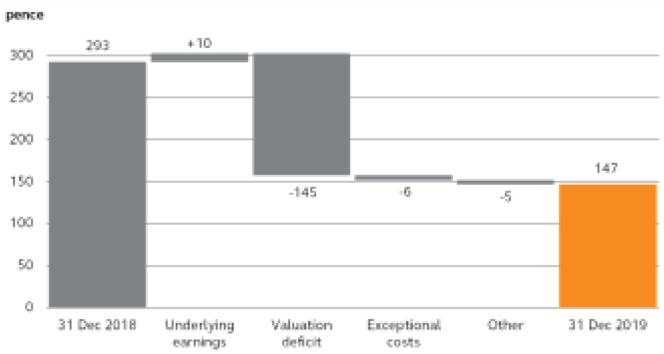
Derivative financial instruments comprise the fair value of the Group's interest rate swaps (referred to as allocated and unallocated swaps). The net liability of £286.9 million increased by £2.9 million in 2019, due primarily to decreases in interest rates, with the Sterling five-year and 10-year swap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

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

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

## F EPRA NAV per share bridge

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




As noted in previous results, NAV per share continues to include a timing impact within retained earnings of 4 pence in relation to our Spanish development partner Eurofund's expected future equity interest in the intu Costa del Sol development. Subsequent to the year end, we have received the final ratifications required for full planning to become effective and therefore we expect the positive impact on retained earnings to reverse once these arrangements are formally concluded. In this event EPRA NAV per share would have been 143 pence.

### IFRS balance sheet items

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

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

## Cash flow

| £m (IFRS Group cash flow) | Notes | 2019 | 2018 | Change |
|---|---|---|---|---|
| Cash flows from operating activities | A | 11.1 | 102.6 | (91.5) |
| Cash flows from investing activities | B | 75.5 | (0.4) | 75.9 |
| Cash flows from financing activities | C | (122.4) | (90.8) | (31.6) |
| Net (decrease)/increase in IFRS Group cash and cash equivalents | | (35.8) | 11.4 | n/a |

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

### A Cash flows from operating activities

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

### B Cash flows from investing activities

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

### C Cash flows from financing activities

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

## Debt measures

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

### A Debt to asset ratio

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

### B Interest cover

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

### C Immediately available cash and facilities

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

## Financing

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

### Disposals

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

— part disposal of intu Derby completed for £186.3 million
— disposed of £82.1 million of sundry assets, including Sprucefield retail park (£40.0 million), Waterfront business park at intu Merry Hill (£15.5 million) and King George V dock (see note 21 for further details)
— exchanged contracts on the disposal of intu Puerto Venecia for £201.0 million (€237.7 million)

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

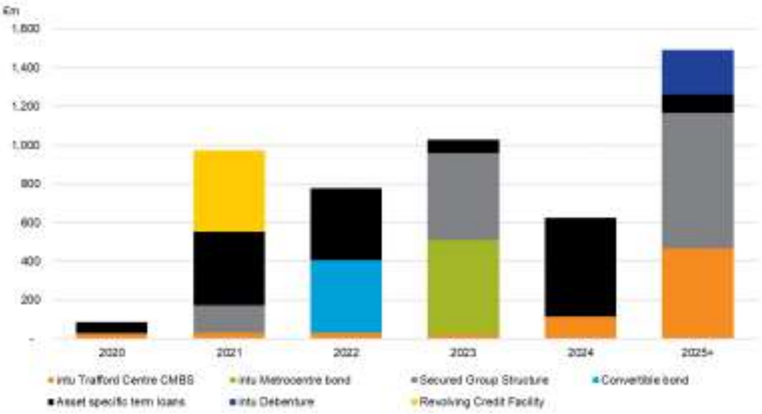
### Debt activity

During the year we undertook the following financing activity:

— raised debt of £150 million on intu Derby at the joint venture level
— removed intu Derby and added the extension of intu Watford to the SGS debt structure on 28 June 2019 and repaid £210 million of the SGS term loan (maturity 2021)

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

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




### Debt structure and covenants

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

— secured bonds and syndicated bank debt secured on individual or pools of assets
— limited or no recourse from the borrowing entities to other Group companies outside of these arrangements
— corporate-level debt limited to the RCF and £375 million 2.875 per cent convertible bonds

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

— as at 31 December 2019, a further 10 per cent fall in property valuations, equivalent to a fall of 40 per cent from the December 2017 valuation peak, would (taking into account the Spanish sales proceeds):
  — create covenant cure requirements of £113 million under the Group's asset-level borrowings; and
  — require cures on the RCF's net worth and borrowings to net worth covenants, involving repayment of £161 million of net borrowings on this facility
— a further 10 per cent decline from 2019 net rental income would create a covenant cure requirement of £34 million under the Group's asset-level borrowings

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

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

### Capital commitments

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

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

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

- at intu Broadmarsh we commenced construction of the £91 million regeneration of the centre in January 2019. This leisure-led scheme will be anchored by The Light cinema and Hollywood Bowl, with two-thirds of the units either exchanged or in advanced negotiations. Of the remaining cost of £68 million, £37 million will be funded from development finance
- at intu Trafford Centre, construction is nearing completion for the £75 million expansion and transformation of Barton Square which is scheduled to open in spring 2020 and will be anchored by Primark. Of the remaining cost of £20 million, £5 million will be funded from development finance
- the Revo award-winning extensions at intu Watford and intu Lakeside are now open, introducing new brands to the centres and delivering increased footfall. The remaining spend relates to the final units to be let
- the external enhancement project for intu Merry Hill, investing £12 million, is underway with £10 million remaining on the project
- placemaking and leasing projects total £27 million and include £3 million to complete the final design and resolve any outstanding planning matters at intu Costa del Sol and £4 million to enhance the food court at intu Xanadú

## Other

### Tax policy position

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

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

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

A UK REIT is expected to pay dividends (PIDs) of at least 90 per cent of its taxable profits from its UK property rental business by the first anniversary of each accounting date. In view of the announced short-term reduction of dividends there will be an underpayment of the minimum PID, and therefore under REIT legislation, the Group will incur UK corporation tax payable at 19 per cent while remaining a REIT. See note 5 for further details. The Group intends to remain a UK REIT for the foreseeable future.

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

### Dividends

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

# Operational performance

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

## A Leasing activity

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

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

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

## B Investment by customers

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

## C Rent reviews

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

## D Occupancy

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

## E Weighted average unexpired lease term

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

### F Footfall

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

### G Retailer sales

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

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

### H Net promoter score

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

### I Gross value added of community investment

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

### J Carbon emission intensity reduction

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

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

# Market trends

## Economic background

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

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

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

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

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

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

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

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

## The future role of the store

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

### Evolving demands of the consumer and advancing technology

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

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

### The evolving role of the physical store

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

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

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

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

### The continued value of catering and leisure provision to customer performance

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

### The impact on shopping centres

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

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

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

## Insights into rent sustainability

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

### The process

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

### Observations

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

### Sensitivity analysis

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

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

### Possible mitigating actions

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

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

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

### Conclusions

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

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

# Principal risks and uncertainties

Our Board is responsible for setting the Group's appetite for risk on the balance of potential risks and returns, and has overall responsibility for identifying and managing risks. The Board has undertaken a robust assessment of the principal risks and uncertainties facing the Group, including those that would impact the business model, future performance, solvency or liquidity.

## Risk appetite and risk management process

The Board determines the nature and extent of the principal risks that intu is willing to take in order to achieve our long-term strategic objectives, and for overall risk management. The effectiveness of the risk management process is monitored and reviewed by the Audit Committee and through periodic external review, supported by the internal audit department.

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

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

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

## Risk monitoring

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

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

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

## Principal risks and uncertainties

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

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

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

In addition, operations – health and safety has been broadened to include anti-social behaviour, violent crime and pandemic or virus outbreak, and brand now incorporates corporate reputation.

# Principal risks and uncertainties continued

| Risk and impact | Mitigation | Commentary | Opportunity |
|---|---|---|---|
| Financing – breach of covenants and availability of funds | Change: increased | | Strategic objective affected: All |
| Further fall in valuations may cause breaches of certain covenants which could result in an acceleration or immediate repayment of certain facilities<br>Reduced availability of funds could limit liquidity, leading to restriction of investing and operating activities and/or increase in funding cost | We are currently seeking to take timely mitigating actions to provide additional liquidity, including further asset disposals, the pricing of which will depend on future market conditions.<br>Actions may also include seeking covenant waivers where appropriate. | For more detailed commentary refer to the Viability Statement in the Group's annual report and financial statements.<br>Actions taken to date include asset disposals of £600m, dividend paused and capital expenditure reduced by £60m. | Explore opportunities of alternative capital structures and further asset disposals.<br>Review feasibility of an equity raise. |
| Property market – macroeconomic | Change: increased | | Strategic objective affected: All |
| Weakness in the macroeconomic environment could impact intu's ability to deliver its strategy, customer performance and our visitor's propensity to visit | We regularly review the economic outlook against the business plan, including the close monitoring and stress-testing of covenant headroom and updating of the Brexit risk review.<br>We remain focused on maintaining high-quality shopping centres, attracting and retaining aspirational customers as well as portfolio-wide marketing events targeted at attracting footfall. | The economic outlook during the year has weakened, with the annual growth of the UK economy reported to have slowed this year. Meanwhile interest and employment rates have remained fairly stable.<br>The trend of administrations and CVAs of customers has continued, and investors have responded by remaining highly cautious. These trends could be exacerbated if the UK fails to reach a trade deal with the EU by the end of 2020.<br>This has resulted in lower transaction volumes and a corresponding reduction in property valuations. | Increased customer focus on high-quality, high-footfall locations where they can maximise their productivity and profitability. |
| Property market – retail environment | Change: increased | | Strategic objective affected: Fix, Sharpen, Transform |
| Structural and cyclical changes in the retail environment, including the rise in online shopping, could undermine intu's ability to attract customers and visitors and continue to put pressure on net rental income and property valuations | With our new strategy we will be collaborating more closely with customers, sharing data and other information so we can adapt better to their changing needs.<br>The customer mix is proactively managed and plans have been developed to diversify use of future vacant units and land, including direct retailing, the building of hotels, residential units and flexible office space. | Ongoing structural change is being experienced within the retail market with an increase in administrations and CVAs during the year.<br>A new customer performance director has been appointed, who will lead a team in sharpening the customer focus. | Invest further in data and share insights.<br>Develop new product and service proposition to reduce costs, remove hassle and improve sales.<br>Lead modernisation of lease structures. |
| Operations – health and safety | Change: unchanged | | Strategic objective affected: All |
| Accidents, pandemic or virus outbreak, anti-social behaviour, violent crime or system failure leading to reputational loss | There is a strong safety culture.<br>Consistent health and safety management process and procedures across the portfolio, compliant with OHSAS 18001.<br>Annual audits of operational standards and crisis management and business continuity plans are tested and in place. | Primary Authority audits for both health and safety and fire safety are being conducted. These provide assurances surrounding compliance.<br>The rapidly evolving situation in respect of Covid-19 is being closely monitored. We have well-rehearsed plans in place that have been reviewed in line with Public Health England's advice.<br>A slight increase of anti-social behaviour in the UK has influenced the implementation of new mitigators.<br>The Group had 26 reportable accidents during the year. | Develop new approaches to higher-risk areas such as fire management and high-frequency incidents.<br>Broaden the impact of occupational health monitoring and support.<br>Extend our commitment to the wellbeing of staff. |

# Principal risks and uncertainties continued

| Risk and impact | Mitigation | Commentary | Opportunity |
| --- | --- | --- | --- |
| Operations – cybersecurity | Change: unchanged | | Strategic objective affected: Fix, Sharpen, Transform |
| Loss of data and information or failure of key systems resulting in financial and/or reputational loss | We operate robust data and cybersecurity strategies, subject to continuous review and testing – including assessments performed by CREST-accredited external consultancies.<br>A data committee and data protection officer oversees GDPR compliance.<br>Management of third parties who hold intu data.<br>Employee awareness campaigns and training. | Significant progress has been made in the year.<br>An information security architect has been appointed to develop a sustainable cybersecurity framework.<br>To reduce intu's threat exposure, new technical and logical security controls have been implemented. | Focus on vulnerability and anomaly detection and remediation. |
| Operations – terrorism | Change: unchanged | | Strategic objective affected: Fix, Transform |
| Terrorist incident at intu or other major shopping centre resulting in a decline in footfall and business disruption | Robust processes and procedures in place, supported by regular training and exercises.<br>We have strong relationships with police, NaCTSO, CPNI and other agencies. We are NaCTSO-approved to train staff in counter-terrorism awareness programme Action Counters Terrorism.<br>Crisis management and business continuity plans in place and tested regularly.<br>An embedded safety culture. | UK threat level reduced in 2019.<br>Our Group head of security was appointed as deputy chairman of the Crowded Places Information Exchange. This ensures that intu is abreast of the current threats and work undertaken by Counter Terrorism policing teams in the UK.<br>Major multiagency security exercises have been held at all five super-regional centres within the last three years and learnings have been embedded into the security strategy.<br>We invested in airport-style screening technology which can be deployed at any centre when required. | Further promote our close relationship with the security services and our market-leading security processes to our visitors. |
| Operations – people | Change: increased | | Strategic objective affected: All |
| Failure to attract, retain or develop an appropriate team with the key skills to deliver intu's objectives | Clear recruitment policies.<br>Established appraisal process linked to strategy.<br>Talent management programme for functional and personal development.<br>Regular benchmarking of salaries and benefits.<br>Opportunity for two-way communication through forums, surveys and publications. | Introduced renewed people focus into our new five-year strategy.<br>The Executive Committee was reduced and restructured and the overall organisational structure simplified.<br>We remodelled the staff survey, improved employee communication and started a review and improvement of benefits.<br>We launched our employee wellbeing strategy and signed the Time to Change pledge. | For intu to be seen as an employer of choice.<br>Create a comprehensive plan to further develop our culture and build high-performing teams. |

| Risk and impact | Mitigation | Commentary | Opportunity |
|---|---|---|---|
| Developments | Change: increased | | Strategic objective affected: Fix, Sharpen, Transform |
| Developments fail to create shareholder value | Developments pursued based on extensive research.<br>The Capital Projects Committee reviews detailed appraisals before, and monitors progress during, significant projects.<br>Target levels of pre-lets are exchanged prior to commencement of construction.<br>Fixed-price construction contracts are negotiated for developments and are agreed with a clear apportionment of risk. | The capital expenditure pipeline has been reduced by £60m and no further projects initiated. | Evolve our centres into living cities, with the introduction of residential, hotel and office/flexible working spaces. |
| Corporate reputation and brand – integrity of the brand | Change: unchanged | | Strategic objective affected: All |
| The integrity of the business is damaged leading to financial and/or reputational loss | We operate a reputation management framework, and have robust issue and crisis management procedures.<br>Staff attend induction and training programmes, and are offered reward and recognition schemes designed to embed brand values and culture throughout the organisation.<br>Strict communications protocols are in place, supported by comprehensive media monitoring.<br>We have clear guidelines for the use of the brand and intellectual property protection. | Increase in general public filming and uploading incidents to social media complicates issue management.<br>We have carried out behavioural economic-based training to improve conflict management.<br>New consumer brand-building campaign launched. | Be known as a brand that promotes compelling experiences, builds strong sustainable communities, underpinned by high-quality centres and a resilient income stream. |

## Going concern

Full detail in respect of going concern is set out in note 1.

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

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

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

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

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

## Viability statement

### Introduction

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

### Viability period and statement

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

Whilst it is not possible for the Directors to form a reasonable assessment of the Group and Company's ability to continue in operation and meet its liabilities as they fall due beyond the going concern period, the Group is committed to delivering on its 5-year strategy (see long term prospects below).

### Long term prospects

The key area of focus for the Directors is to fix the balance sheet in order to reduce net external debt and create liquidity to deal with any potential covenant breaches and the upcoming refinancing activity. Successful completion of this strategic objective would, subject to future valuations of the Group's property portfolio, position the business to deliver the other elements of its 5-year strategy as well as refinance debts with maturities beyond the going concern period.

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

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

# Statement of directors' responsibilities in respect of the financial statements

The responsibility statement below has been prepared in connection with the Group's full annual report for the year ending 31 December 2019. Certain parts thereof are not included within this announcement.

We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole;
- the financial review and operational performance includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

This responsibility statement was approved by the Board of directors on 12 March 2020 and is signed on its behalf by:

Matthew Roberts
Chief Executive

Robert Allen
Chief Financial Officer

# Consolidated income statement

for the year ended 31 December 2019

| £m | Notes | 2019 | Re-presented[1] 2018 |
|---|---|---|---|
| Revenue | 2 | 542.3 | 581.1 |
| Net rental income | 2 | 348.1 | 398.5 |
| Net other income | | 6.2 | 5.3 |
| Revaluation of investment and development property | 8 | (1,796.8) | (1,332.8) |
| Loss on disposal of subsidiaries | | (6.3) | (8.5) |
| Gain on sale of investment and development property | | 3.9 | 1.4 |
| Write-down on recognition of joint ventures and other assets classified as held for sale | 20 | (38.0) | – |
| Impairment of goodwill | | (4.0) | – |
| Impairment of investment in associates | 10 | (7.4) | – |
| Impairment of loan to associate | | (5.5) | – |
| Administration expenses – ongoing | | (39.5) | (42.9) |
| Administration expenses – exceptional | 3 | (3.4) | (13.1) |
| Operating loss | | (1,542.7) | (992.1) |
| Finance costs | 4 | (220.9) | (216.7) |
| Finance income | 4 | 16.6 | 14.8 |
| Other finance charges – exceptional | 4 | (36.9) | (32.9) |
| Change in fair value of financial instruments | 4 | (72.9) | 87.3 |
| Net finance costs | 4 | (314.1) | (147.5) |
| Loss before tax, joint ventures and associates | | (1,856.8) | (1,139.6) |
| Share of post-tax loss of joint ventures | 9 | (158.9) | (42.1) |
| Share of post-tax (loss)/profit of associates | 10 | (0.3) | 2.3 |
| Loss before tax | | (2,016.0) | (1,179.4) |
| Current tax – ongoing | 5 | (16.0) | (0.1) |
| Current tax – exceptional | 5 | (6.4) | – |
| Deferred tax | 5 | 16.6 | 5.8 |
| Taxation | 5 | (5.8) | 5.7 |
| Loss for the year | | (2,021.8) | (1,173.7) |
| | | | |
| Attributable to: | | | |
| Owners of intu properties plc | | (1,950.9) | (1,132.2) |
| Non-controlling interests | | (70.9) | (41.5) |
| | | (2,021.8) | (1,173.7) |
| | | | |
| Basic loss per share | 7 | (145.1)p | (84.3)p |
| Diluted loss per share | 7 | (145.1)p | (84.3)p |

1 See note 1 for details of re-presented amounts.

# Consolidated statement of comprehensive income
for the year ended 31 December 2019

| £m | Notes | 2019 | 2018 |
|---|---|---|---|
| Loss for the year | | (2,021.8) | (1,173.7) |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to the income statement: | | | |
| Exchange differences | | (30.7) | 4.1 |
| Total items that may be reclassified subsequently to the income statement | | (30.7) | 4.1 |
| Items that will not be reclassified subsequently to the income statement: | | | |
| Revaluation of other investments | | (2.6) | (6.4) |
| Change in fair value of financial instruments | 15 | 75.0 | 43.4 |
| Total items that will not be reclassified subsequently to the income statement | | 72.4 | 37.0 |
| Other comprehensive income for the year | | 41.7 | 41.1 |
| Total comprehensive loss for the year | | (1,980.1) | (1,132.6) |
| | | | |
| Attributable to: | | | |
| Owners of intu properties plc | | (1,909.2) | (1,091.1) |
| Non-controlling interests | | (70.9) | (41.5) |
| | | (1,980.1) | (1,132.6) |

# Consolidated balance sheet

at 31 December 2019

| £m | Notes | 2019 | Re-presented[1] 2018 |
|---|---|---|---|
| Non-current assets | | | |
| Investment and development property | 8 | 6,026.7 | 8,138.3 |
| Property, plant and equipment | | 14.3 | 11.8 |
| Investment in joint ventures | 9 | 326.6 | 487.9 |
| Loans to joint ventures | 9 | 197.5 | 336.0 |
| Investment in associates | 10 | 53.7 | 65.6 |
| Derivative financial instruments | | – | 4.3 |
| Other non-current assets | | 1.1 | 20.7 |
| | | 6,619.9 | 9,064.6 |
| Current assets | | | |
| Joint ventures and other assets classified as held for sale | 20 | 163.7 | – |
| Derivative financial instruments | | – | 0.4 |
| Trade and other receivables | 11 | 130.0 | 138.0 |
| Cash and cash equivalents | 12 | 203.5 | 239.5 |
| | | 497.2 | 377.9 |
| Total assets | | 7,117.1 | 9,442.5 |
| Current liabilities | | | |
| Trade and other payables | 13 | (243.3) | (278.4) |
| Current tax liabilities | | (5.9) | – |
| Borrowings | 14 | (71.1) | (51.1) |
| Derivative financial instruments | | (48.4) | (39.0) |
| | | (368.7) | (368.5) |
| Non-current liabilities | | | |
| Borrowings | 14 | (4,663.2) | (4,984.2) |
| Derivative financial instruments | | (237.1) | (246.2) |
| Deferred tax liabilities | 5 | (0.9) | (18.0) |
| Other payables | | (1.2) | (1.2) |
| | | (4,902.4) | (5,249.6) |
| Total liabilities | | (5,271.1) | (5,618.1) |
| Net assets | | 1,846.0 | 3,824.4 |
| Equity | | | |
| Share capital | 16 | 677.5 | 677.5 |
| Share premium | 16 | 1,327.4 | 1,327.4 |
| ESOP shares | | (33.6) | (37.0) |
| Other reserves | | 443.9 | 402.2 |
| (Accumulated losses)/retained earnings | | (511.0) | 1,441.6 |
| Attributable to owners of intu properties plc | | 1,904.2 | 3,811.7 |
| Non-controlling interests | | (58.2) | 12.7 |
| Total equity | | 1,846.0 | 3,824.4 |

1 See note 1 for details of re-presented amounts.

# Consolidated statement of changes in equity

for the year ended 31 December 2019

| | Attributable to owners of intu properties plc | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| £m | Share capital | Share premium | ESOP shares | Other reserves | Retained earnings/ (accumulated losses) | Total | Non-controlling interests | Total equity |
| At 1 January 2019 | 677.5 | 1,327.4 | (37.0) | 402.2 | 1,441.6 | 3,811.7 | 12.7 | 3,824.4 |
| Loss for the year | – | – | – | – | (1,950.9) | (1,950.9) | (70.9) | (2,021.8) |
| Other comprehensive income: | | | | | | | | |
| Revaluation of other investments | – | – | – | (2.6) | – | (2.6) | – | (2.6) |
| Change in fair value of financial instruments (note 15) | – | – | – | 75.0 | – | 75.0 | – | 75.0 |
| Exchange differences | – | – | – | (30.7) | – | (30.7) | – | (30.7) |
| Total comprehensive loss for the year | – | – | – | 41.7 | (1,950.9) | (1,909.2) | (70.9) | (1,980.1) |
| Share-based payments | – | – | – | – | 1.8 | 1.8 | – | 1.8 |
| Acquisition of ESOP shares | – | – | (0.1) | – | – | (0.1) | – | (0.1) |
| Disposal of ESOP shares | – | – | 3.5 | – | (3.5) | – | – | – |
| | – | – | 3.4 | – | (1.7) | 1.7 | – | 1.7 |
| At 31 December 2019 | 677.5 | 1,327.4 | (33.6) | 443.9 | (511.0) | 1,904.2 | (58.2) | 1,846.0 |

| | Attributable to owners of intu properties plc | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| £m | Share capital | Share premium | ESOP shares | Other reserves | Retained earnings | Total | Non-controlling interests | Total equity |
| At 1 January 2018 | 677.5 | 1,327.4 | (39.1) | 361.1 | 2,748.1 | 5,075.0 | 54.2 | 5,129.2 |
| Adjustment on adoption of new accounting standard | – | – | – | – | 14.0 | 14.0 | – | 14.0 |
| Adjusted 1 January 2018 | 677.5 | 1,327.4 | (39.1) | 361.1 | 2,762.1 | 5,089.0 | 54.2 | 5,143.2 |
| Loss for the year | – | – | – | – | (1,132.2) | (1,132.2) | (41.5) | (1,173.7) |
| Other comprehensive income: | | | | | | | | |
| Revaluation of other investments | – | – | – | (6.4) | – | (6.4) | – | (6.4) |
| Change in fair value of financial instruments (note 15) | – | – | – | 43.4 | – | 43.4 | – | 43.4 |
| Exchange differences | – | – | – | 4.1 | – | 4.1 | – | 4.1 |
| Total comprehensive loss for the year | – | – | – | 41.1 | (1,132.2) | (1,091.1) | (41.5) | (1,132.6) |
| Dividends (note 6) | – | – | – | – | (188.1) | (188.1) | – | (188.1) |
| Share-based payments | – | – | – | – | 2.8 | 2.8 | – | 2.8 |
| Acquisition of ESOP shares | – | – | (0.9) | – | – | (0.9) | – | (0.9) |
| Disposal of ESOP shares | – | – | 3.0 | – | (3.0) | – | – | – |
| | – | – | 2.1 | – | (188.3) | (186.2) | – | (186.2) |
| At 31 December 2018 | 677.5 | 1,327.4 | (37.0) | 402.2 | 1,441.6 | 3,811.7 | 12.7 | 3,824.4 |

# Consolidated statement of cash flows
for the year ended 31 December 2019

| £m | Notes | 2019 | Re-presented[1] 2018 |
|---|---|---|---|
| Cash generated from operations | 18 | 321.4 | 319.7 |
| Interest paid | | (255.4) | (236.1) |
| Payments on termination of interest rate swaps | | (52.4) | – |
| Interest received | | 14.1 | 19.3 |
| Taxation | | (16.6) | (0.3) |
| Cash flows from operating activities | | 11.1 | 102.6 |
| Cash flows from investing activities | | | |
| Purchase and development of property, plant and equipment | | (127.7) | (193.5) |
| Sale of investment and development property | | 75.3 | 24.4 |
| Additions to other investments | | (0.1) | (0.1) |
| Sale of other investments | | 8.0 | – |
| Disposal of subsidiaries net of cash sold | 19, 21 | 100.7 | 143.2 |
| Investment of capital in joint ventures | | (4.4) | (7.7) |
| Repayments of capital by joint ventures | 9 | 7.7 | 7.1 |
| Loan advances to joint ventures | 9 | (4.8) | (2.0) |
| Loan repayments by joint ventures | 9 | 16.2 | 25.3 |
| Distributions from joint ventures | 9 | 4.6 | 2.9 |
| Cash flows from investing activities | | 75.5 | (0.4) |
| Cash flows from financing activities | | | |
| Acquisition of ESOP shares | | (0.1) | (0.9) |
| Borrowings drawn | | 208.0 | 302.0 |
| Borrowings repaid | | (322.1) | (204.3) |
| Equity dividends paid | 6 | (8.2) | (187.6) |
| Cash flows from financing activities | | (122.4) | (90.8) |
| Net (decrease)/increase in cash and cash equivalents | | (35.8) | 11.4 |
| Cash and cash equivalents at 1 January | 12 | 239.5 | 228.0 |
| Effects of exchange rate changes on cash and cash equivalents | | (0.2) | 0.1 |
| Cash and cash equivalents at 31 December | 12 | 203.5 | 239.5 |

1 See note 1 for details of re-presented amounts.

## 1 Accounting convention and basis of preparation

The financial information presented does not constitute the Group's annual report and financial statements for either the year ended 31 December 2019 or the year ended 31 December 2018, but is derived from those financial statements. The Group's statutory financial statements for 2018 have been delivered to the Registrar of Companies and those for 2019 will be delivered following the Company's annual general meeting. The auditors' reports on both the 2018 and 2019 financial statements were not qualified or modified, however the 2019 financial statements drew attention to a material uncertainty in respect of going concern. The auditors' reports from both years did not contain any statement under Section 498 of the Companies Act 2006.

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

These consolidated financial statements have been prepared under the historical cost convention as modified by investment and development property, derivative financial instruments and certain other assets and liabilities that have been measured at fair value. A summary of the significant accounting policies as applied to the Group is set out in note 2 of the Group's annual report and financial statements.

The accounting policies are consistent with those applied in the last annual financial statements, as amended when relevant to reflect the adoption of new standards, amendments and interpretations which became effective in the year (see detail as follows). These changes have not had a material impact on the financial statements.

This is the Group's first set of annual financial statements where IFRS 16 Leases has been applied. The impact on the financial statements on adoption of this standard is set out below:

IFRS 16 Leases - the standard requires lessees to recognise a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Revaluation of the right-of-use asset and finance costs on the lease liability will be recognised in the income statement. The application of this standard does not result in material changes to lessor accounting including current accounting for rental income earned or related disclosures. The standard allows for different transition options and the Group has adopted the modified retrospective approach. On adoption the Group recognised a right-of-use asset and lease liability of £3.5 million. See note 2 of the Group's annual report and financial statements for the revised accounting policy.

A number of standards and amendments to standards have been issued but are not yet effective for the current year. These are not expected to have a material impact on the Group financial statements.

## 1 Accounting convention and basis of preparation (continued)

### Re-presentation of information

The Group has re-presented the following during the year in order to add clarity and simplify the primary statements. None of these re-presentations have had any impact on reported basic or diluted earnings per share.

– consolidated income statement

The underlying component of other finance charges, being the amortisation of Metrocentre compound financial instrument, has been re-presented to finance costs. As a result, other finance charges now only include exceptional items. These amounts have been classified as exceptional based on their nature. Following the change in presentation, at 31 December 2019 finance costs include £5.9 million relating to this amortisation charge. For the year ended 31 December 2018 finance costs have increased by £5.9 million, while other finance charges – exceptional have decreased by the same amount. See note 4 for disclosure details.

– consolidated balance sheet

Amounts attributable to tenant lease incentives previously classified as trade and other receivables have been re-presented to investment and development property. Following the change in presentation, at 31 December 2019 investment and development property includes £117.4 million relating to tenant lease incentives. At 31 December 2018 investment and development property has increased by £116.5 million, non-current trade and other receivables (now presented within other non-current assets) have decreased by £99.3 million and current trade and other receivables have decreased by £17.2 million.

As a result of the above change, total current assets at 31 December 2018 decreased by £17.2 million and total non-current assets increased by the same amount.

Other non-current assets at 31 December 2018 of £20.7 million contains the following amounts presented individually in the 2018 annual report and financial statements: other investments of £10.5 million; goodwill of £4.0 million; and non-current trade and other receivables of £6.2 million which remains from the initial £105.5 million after the tenant lease incentives re-classification of £99.3 million (as above).

Amounts attributable to loans to joint ventures previously classified within investment in joint ventures has been re-presented to a separate line, loans to joint ventures. Following the change in presentation, at 31 December 2019 £197.5 million has been separately classified as loans to joint ventures. At 31 December 2018, investment in joint ventures has decreased by £336.0 million, and loans to joint ventures has increased by the same amount.

– consolidated statement of cash flows

The 2018 consolidated statement of cash flows has been re-presented to reconcile to total cash and cash equivalents on the balance sheet as opposed to unrestricted cash. The impact of this is a £2.9 million increase in cash and cash equivalents at 1 January 2018, a £1.8 million decrease in the cash outflows from financing activities and resultant £1.1 million increase in cash and cash equivalents at 31 December 2018.

As a result of these changes, cash flows from financing activities at 31 December 2018 which was originally an outflow of £89.0 million is now an outflow of £90.8 million, cash and cash equivalents at 1 January 2018 which was originally £225.1 million is now £228.0 million, cash and cash equivalents at 31 December 2018 which was originally £238.4 million is now £239.5 million, and net increase in cash and cash equivalents which was originally £13.3 million is now £11.4 million.

### Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with the Group and Company's accounting policies requires management to make judgements and use estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these judgements and estimates are based on management's best knowledge of the amount, event or action, the actual result ultimately may differ from those judgements and estimates. See note 1 of the Group's annual report and financial statements for details on critical accounting judgements and key sources of estimation uncertainty.

## 1 Accounting convention and basis of preparation (continued)

### Going concern

- introduction

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report in the Group's annual report and financial statements. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial review section. The principal risks of the Group are set out in the principal risks and uncertainties section. In addition, note 27 of the Group's annual report and financial statements includes the Group's financial risk management objectives, details of its financial instruments and hedging activities, its exposure to liquidity risk and details of its capital structure. The directors have considered these areas alongside the principal risks and how they may impact going concern, the assessment of which is considered to be a critical accounting judgement as set out earlier in note 1 of the Group's annual report and financial statements.

The most recent forecast used to assess going concern includes trading and property valuations as at and for the period ended 31 December 2019 as well as 2020 budget assumptions. Included in these forecasts are assumptions in respect of like-for-like net rental income, giving particular consideration to the impact of company voluntary arrangements (CVAs) and administrations and property valuations (see note 13 of the Group's annual report and financial statements for illustrative sensitivities in respect of estimated rental values (ERVs) and nominal equivalent yields and the corresponding impact on property valuations). The Group has considered sensitivities for what are believed to be reasonably possible adverse variations in performance and property valuations, reflecting the ongoing volatility in the UK retail market as well as the resulting impact of these changes on the Group's debt structure, facilities and related financial covenants.

– material uncertainty

Due to the factors described below, a material uncertainty exists which may cast significant doubt on the Group and Company's ability to continue as a going concern.

At 31 December 2019 the Group had immediately available cash and facilities of £241.5 million. At 10 March 2020, immediately available cash and facilities was £200.3 million.

The Group expects further short-term falls in net rental income and property valuations due to the ongoing challenges facing retail and retail property. In addition, the Covid-19 situation is rapidly evolving and the impact on intu's centres is being closely monitored (see further details in the principal risks and uncertainties section).

– financing and covenant compliance

The Group has a number of secured financing facilities that contain covenants requiring the Group to maintain specified financial ratios and comply with certain other financial covenants. These include loan to value ratios, debt service ratios and, in the case of the Revolving Credit Facility (RCF), net worth and borrowings-to-net-worth covenants. These financial covenants are generally tested quarterly or semi-annually, depending on the relevant financing arrangement, or otherwise at the direction of the lender in certain circumstances.

The Group is currently in compliance with its financial covenants (see details in the financial covenants section). At 31 December 2019, the Group's debt to asset ratio was 67.8 per cent, which is higher than the directors would want, and a key driver for the current strategy of fixing its balance sheet as set out in the Chief Executive's review section. Since 31 December 2019, the Group utilised approximately £50 million from available cash resources to reduce the leverage levels in a small number of its facilities in order to meet the relevant loan to value covenants. While the Group is in compliance with all its covenants, in certain of the Group's financing arrangements additional operational and financial restrictions (including limitations on making distributions of excess cash to other intu group companies by way of repayment of intra-group debt or otherwise) have been imposed as the Group approaches the maximum loan to value ratios under those arrangements.

The Group has experienced a significant reduction in the valuation of its property portfolio over recent years, with an approximately 33 per cent like-for-like valuation decline between 31 December 2017 and 31 December 2019 including a 22 per cent like-for-like valuation decline in 2019, which has contributed to a significant increase in the Group's debt to asset ratio from 53.1 per cent to 67.8 per cent in 2019. The Group has considered the impact of further reductions in property valuations on the loan to value ratios contained in its financing arrangements in the near term. A further 10 per cent decline in property valuations from 31 December 2019, equivalent to a reduction of 40 per cent from the December 2017 valuation peak, would (after taking into account the net proceeds from the intu Asturias disposal and the net proceeds from the intu Puerto Venecia disposal, which is expected following certain regulatory approvals):

— create a covenant cure requirement of £113.0 million under the Group's asset-level borrowings
— require cures on the RCF's net worth and borrowings-to-net-worth covenants, involving repayment of £161.0 million of net borrowings on this facility

## 1 Accounting convention and basis of preparation (continued)

### Going concern (continued)

The Group has also experienced a reduction in net rental income over recent years, with an 8 per cent decline in like-for-like net rental income between 2017 and 2019, which included a 9.1 per cent decline in like-for-like net rental income in 2019. The Group has considered the impact of any further reductions in net rental income on the debt service ratios contained in its asset-level financing arrangements in the near term. A further 10 per cent decline from 2019 net rental income would create a covenant cure requirement of £34.0 million.

In addition to maintaining compliance with its financial covenants, the Group is required to repay or refinance amounts under its financing arrangements when they come due, which will be significant over the next two years. £331.5 million of borrowings are due to be repaid or refinanced prior to 31 March 2021 (£1,116.7 million by 31 December 2021, including £573.2 million outstanding under its RCF), based on the amounts drawn under the Group's borrowings as at the date of these results.

Settlement amounts could also become payable on termination of some of the Group's interest rate swap contracts which are not actively used as hedges against Group borrowings (unallocated swaps). At 31 December 2019, for unallocated swaps with break options occurring up to 31 March 2021 the settlement amounts would have been approximately £93.0 million.

– mitigating actions

The options available to the Company and the Group to address the material uncertainty in relation to going concern include:

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

The successful execution of some or all of these mitigating actions described above would mean the Group is likely to have cash available to reduce net external debt in order to provide appropriate financial covenant headroom, or refinance amounts coming due under, the borrowings secured by some of the Group's assets or other Group-wide borrowings. The Group would also likely be able to fund potential settlement costs in respect of certain unallocated swaps with break options occurring up to 31 March 2021.

If, however, the Group was unable to complete some or all of these mitigating actions described above or unable to complete them in a timely manner it may be unable to cure some or all covenant breaches that could arise in respect of, or refinance amounts coming due under, the borrowings secured by some of the Group's assets or other Group-wide borrowings. This could occur when the covenants are scheduled to be tested in July 2020. The Group may also be unable to fund potential settlement costs in respect of certain unallocated swaps.

In the event of a covenant breach or liquidity shortfall, amounts outstanding under the relevant financing arrangement would become due and payable in full (following any relevant cure periods), and lenders may take possession of one or more secured assets, which may be sold at a value which leaves no residual value for the Group. These circumstances could, depending on the materiality of the relevant financing arrangement, result in a cross-default in relation to intu's other Group-wide financing arrangements, including its RCF and/or the 2.875 per cent convertible bonds, causing amounts outstanding under those arrangements to become immediately due and payable in full.

- conclusion

The events or conditions described above indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

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

The auditors' report in the Group's annual report and financial statements refers to this material uncertainty surrounding going concern.

## 2 Segmental reporting

Operating segments are determined based on the strategic and operational management of the Group. The Group is primarily a shopping centre-focused business and has two reportable operating segments being the UK and Spain. Although certain areas of business performance are reviewed and monitored on a centre-by-centre basis, the operating segments are consistent with the strategic and operational management of the Group by the Executive Committee (the chief operating decision-makers of the Group).

Management reviews and monitors the business primarily on a proportionately consolidated basis. As such, the segmental analysis has been prepared on a proportionately consolidated basis. Additional information is provided in the presentation of information section.

The key driver used to measure performance is net rental income. An analysis of net rental income is provided below:

| | | | | | 2019 |
|---|---|---|---|---|---|
| | Group including share of joint ventures | | | | |
| £m | UK | Spain | Total | Less share of joint ventures | Group total |
| Rent receivable | 456.0 | 32.1 | 488.1 | (64.1) | 424.0 |
| Service charge income | 116.4 | 7.6 | 124.0 | (16.7) | 107.3 |
| Facilities management income from joint ventures | 7.0 | - | 7.0 | 4.0 | 11.0 |
| Revenue | 579.4 | 39.7 | 619.1 | (76.8) | 542.3 |
| Rent payable | (16.2) | - | (16.2) | 1.0 | (15.2) |
| Service charge costs | (134.0) | (7.9) | (141.9) | 18.4 | (123.5) |
| Facilities management costs recharged to joint ventures | (7.0) | - | (7.0) | (4.0) | (11.0) |
| Other non-recoverable costs | (48.0) | (4.4) | (52.4) | 7.9 | (44.5) |
| Net rental income | 374.2 | 27.4 | 401.6 | (53.5) | 348.1 |
| | | | | | |
| Loss for the year | (1,942.1) | (80.2) | (2,022.3) | 0.5[1] | (2,021.8) |

| | | | | | 2018 |
|---|---|---|---|---|---|
| | Group including share of joint ventures | | | | |
| £m | UK | Spain | Total | Less share of joint ventures | Group total |
| Rent receivable | 494.6 | 33.4 | 528.0 | (60.7) | 467.3 |
| Service charge income | 113.2 | 7.3 | 120.5 | (13.5) | 107.0 |
| Facilities management income from joint ventures | 4.5 | – | 4.5 | 2.3 | 6.8 |
| Revenue | 612.3 | 40.7 | 653.0 | (71.9) | 581.1 |
| Rent payable | (14.6) | – | (14.6) | 1.1 | (13.5) |
| Service charge costs | (131.0) | (8.0) | (139.0) | 15.0 | (124.0) |
| Facilities management costs recharged to joint ventures | (4.5) | – | (4.5) | (2.3) | (6.8) |
| Other non-recoverable costs | (40.0) | (4.4) | (44.4) | 6.1 | (38.3) |
| Net rental income | 422.2 | 28.3 | 450.5 | (52.0) | 398.5 |
| | | | | | |
| (Loss)/profit for the year | (1,175.1) | 1.9 | (1,173.2) | (0.5)[1] | (1,173.7) |

1 Relates to the loss/(profit) attributable to non-controlling interests within the Group's investment in joint ventures.

There were no transactions within net rental income between operating segments.

The Group's geographical analysis of non-current assets is presented below. This represents where the Group's assets reside and, where relevant, where revenues are generated. In the case of investments this reflects where the investee is located.

| £m | 2019 | Re-presented[1] 2018 |
|---|---|---|
| UK | 6,261.8 | 8,399.0 |
| Spain | 304.4 | 599.6 |
| India | 53.7 | 66.0 |
| | 6,619.9 | 9,064.6 |

1 See note 1 for details of re-presented amounts.

## 2 Segmental reporting (continued)

An analysis of investment and development property, capital expenditure and revaluation (deficit)/surplus are presented below:

| £m | Investment and development property 2019 | Investment and development property Re-presented[1] 2018 | Capital expenditure 2019 | Capital expenditure 2018 | Revaluation (deficit)/surplus 2019 | Revaluation (deficit)/surplus 2018 |
|---|---|---|---|---|---|---|
| UK | 6,315.8 | 8,394.6 | 108.4 | 171.8 | (1,899.8) | (1,406.6) |
| Spain | 405.8 | 861.1 | 20.8 | 29.2 | (79.9) | 1.6 |
| Group including share of joint ventures | 6,721.6 | 9,255.7 | 129.2 | 201.0 | (1,979.7) | (1,405.0) |
| Less share of joint ventures | (694.9) | (1,117.4) | (3.1) | (5.8) | 182.9 | 72.2 |
| Group | 6,026.7 | 8,138.3 | 126.1 | 195.2 | (1,796.8) | (1,332.8) |

1 See note 1 for details of re-presented amounts.

## 3 Administration expenses – exceptional

Exceptional administration expenses in the year total £3.4 million and relate principally to costs incurred in respect of the revised strategy work undertaken by the Group. The 2018 costs of £13.1 million related principally to costs associated with the aborted offers for the Group made by Hammerson plc and the consortium (comprised of the Peel Group, the Olayan Group and Brookfield Property Group). These amounts have been classified as exceptional (see accounting policy in note 2 of the Group's annual report and financial statements) based on their incidence.

## 4 Net finance costs

| £m | 2019 | 2018 |
|---|---|---|
| Interest on bank loans, overdrafts and allocated interest rate swaps | 206.4 | 203.1 |
| Less: finance costs capitalised to developments[3] | (6.7) | (10.5) |
| On convertible bonds (note 15) | 10.8 | 13.8 |
| On lease liabilities | 4.5 | 4.4 |
| Amortisation of Metrocentre compound financial instrument[1] | 5.9 | 5.9 |
| Finance costs[1] | 220.9 | 216.7 |
| Interest receivable on loans to joint ventures | (13.7) | (12.2) |
| Other finance income | (2.9) | (2.6) |
| Finance income | (16.6) | (14.8) |
| Interest on unallocated interest rate swaps and other costs | 36.9 | 31.8 |
| Foreign currency movements | – | 1.1 |
| Other finance charges – exceptional[1/2] | 36.9 | 32.9 |
| Loss/(gain) on derivative financial instruments[4] | 57.9 | (67.5) |
| Loss/(gain) on convertible bonds designated as at fair value through profit or loss (note 15) | 15.0 | (19.8) |
| Change in fair value of financial instruments | 72.9 | (87.3) |
| Net finance costs | 314.1 | 147.5 |

1 See note 1 for details of re-presented amounts.

2 Exceptional finance costs include interest on unallocated interest rate swaps, amounts associated with modifications and extinguishments of borrowings, foreign currency movements and other fees. These amounts have been classified as exceptional (see accounting policy in note 2 of the Group's annual report and financial statements) based on their nature.

3 Finance costs are capitalised to developments at interest rates that are specific to the development and are between 4.2 and 4.5 per cent.

4 Included within the loss/(gain) on derivative financial instruments are gains totalling £36.6 million (2018: £40.1 million) resulting from interest payments on interest rate swaps during the year. Of these £27.0 million (2018: £28.1 million) relate to unallocated interest rate swaps.

The cash flow statement also includes payments on termination of interest rate swaps of £52.4 million in 2019, of which £52.2 million relates to unallocated interest rate swaps.

## 5 Taxation

### Income statement

Taxation for the year:

| £m | 2019 | 2018 |
|---|---|---|
| Current tax: | | |
| UK taxation | 15.7 | – |
| Overseas taxation | 0.3 | 0.1 |
| Current tax – ongoing | 16.0 | 0.1 |
| Current tax – exceptional | 6.4 | – |
| Deferred tax: | | |
| On investment and development property | (16.4) | (5.5) |
| On other temporary differences | (0.2) | (0.3) |
| Deferred tax | (16.6) | (5.8) |
| Total tax expense/(credit) | 5.8 | (5.7) |

### Factors that may affect future current and total tax charges

Management uses judgement in assessing compliance with REIT legislation.

The Group believes it continued to operate as a UK REIT throughout the year, under which any profits and gains from the UK property investment business are exempt from corporation tax, provided certain conditions continue to be met. The Group believes that these UK REIT conditions have been fulfilled throughout the year.

In view of the announced short-term reduction of dividends there will be an underpayment of the minimum PID, and therefore under REIT legislation, the Group will incur UK corporation tax payable at 19 per cent while remaining a REIT.

The ongoing current tax expense in the year of £16.0 million includes £15.7 million relating to corporation tax on the estimated current period underpayment of the minimum PID. This amount has been included within the Group's measure of underlying earnings as it relates to a tax expense on current year UK rental income.

The UK exceptional current tax expense in the year of £6.4 million represents in full the corporation tax arising in the current year in respect of the prior year underpayment of the minimum PID. This one-off tax expense in respect of prior year profits has been classified as exceptional (see accounting policy in note 2 of the Group's annual report and financial statements) based on its incidence, and so is excluded from the Group's measure of underlying earnings.

### Balance sheet

Movements in the provision for deferred tax:

| £m | Investment and development property | Other temporary differences | Total |
|---|---|---|---|
| Provided deferred tax provision/(asset): | | | |
| At 1 January 2018 | 24.6 | (0.9) | 23.7 |
| Recognised in the income statement | (5.5) | (0.3) | (5.8) |
| Foreign exchange movements | 0.1 | – | 0.1 |
| At 31 December 2018 | 19.2 | (1.2) | 18.0 |
| Recognised in the income statement | (16.4) | (0.2) | (16.6) |
| Foreign exchange movements | (0.5) | – | (0.5) |
| At 31 December 2019 | 2.3 | (1.4) | 0.9 |

The net deferred tax provision of £0.9 million predominantly arises in respect of the revaluation of development property at intu Costa del Sol, partially offset by associated tax losses.

## 5 Taxation (continued)

There are unrecognised deferred tax assets on the following temporary differences (presented below before the application of the relevant tax rate) due to uncertainty over the level of profits in the non-REIT elements of the Group in future periods:

| £m | 2019 | 2018 |
|---|---|---|
| Revenue losses - UK | 398.4 | 300.8 |
| Capital losses - UK | 34.5 | 34.2 |
| Derivative financial instruments | 172.7 | 184.9 |
| Other temporary differences | 20.1 | 9.7 |
| Total unrecognised temporary differences | 625.7 | 529.6 |

The Company recognises no deferred tax asset or liability (2018: nil).

## 6 Dividends

| £m | 2019 | 2018 |
|---|---|---|
| Ordinary shares: | | |
| 2017 final dividend paid of 9.4 pence per share | – | 126.3 |
| 2018 interim dividend paid of 4.6 pence per share | – | 61.8 |
| Dividends paid | – | 188.1 |

The directors are not recommending a final dividend for 2019. See note 5 for further information on the associated tax consequences of not declaring and paying dividends in accordance with REIT legislation.

Additional information on distributable reserves is provided in the financial review section.

The 2019 cash flow statement outflow in respect of equity dividends paid relates to £8.2 million of withholding tax paid in respect of the 2018 interim dividend.

## 7 Earnings per share

### (a) Basic and diluted earnings per share

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Loss £m | Shares million | Loss per share pence | Loss £m | Shares million | Loss per share pence |
| Basic[1] | (1,950.9) | 1,344.5 | (145.1)p | (1,132.2) | 1,343.7 | (84.3)p |
| Diluted[2] | (1,950.9) | 1,344.5 | (145.1)p | (1,132.2) | 1,343.7 | (84.3)p |

1 The weighted average number of shares used has been adjusted to remove shares held in the ESOP.

2 Diluted shares include the impact of any dilutive convertible bonds, share options and share awards.

During 2017 the Group incurred a £49.4 million share related charge in relation to its Spanish development partner Eurofund's future interests in the share capital of the intu Costa del Sol development company. The positive impact of this share related charge on equity attributable to owners of intu properties plc is a credit to retained earnings of £49.4 million. Subsequent to 31 December 2019, the Group has received the final ratifications required for full planning to become effective and therefore we expect the positive impact on retained earnings to reverse, once these arrangements are formally concluded.

## 7 Earnings per share (continued)

### (b) Headline earnings per share

Headline earnings per share is an APM and has been calculated and presented as required by the Johannesburg Stock Exchange listing requirements.

| | 2019 | | 2018 | |
|---|---|---|---|---|
| £m | Gross | Net[1] | Gross | Net[1] |
| Basic loss | | (1,950.9) | | (1,132.2) |
| Adjusted for: | | | | |
| Revaluation of investment and development property (note 8) | 1,796.8 | 1,713.0 | 1,332.8 | 1,289.3 |
| Loss on disposal of subsidiaries | 6.3 | 6.3 | 8.5 | 8.5 |
| Gain on sale of investment and development property | (3.9) | (3.9) | (1.4) | (1.4) |
| Write-down on recognition of joint ventures and other assets classified as held for sale (note 20) | 38.0 | 38.0 | – | – |
| Impairment of goodwill | 4.0 | 4.0 | – | – |
| Impairment of investment in associates (note 10) | 7.4 | 7.4 | – | – |
| Impairment of loan to associate | 5.5 | 5.5 | – | – |
| Share of joint ventures' adjusted items | 182.4 | 183.7 | 72.4 | 74.6 |
| Share of associates' adjusted items | 1.2 | 1.2 | (2.2) | (2.2) |
| Headline earnings | | 4.3 | | 236.6 |
| Dilution[2] | | – | | – |
| Diluted headline earnings | | 4.3 | | 236.6 |
| Weighted average number of shares (million) | | 1,344.5 | | 1,343.7 |
| Dilution[2] | | – | | – |
| Diluted weighted average number of shares (million) | | 1,344.5 | | 1,343.7 |
| Headline earnings per share (pence) | | 0.3p | | 17.6p |
| Diluted headline earnings per share (pence) | | 0.3p | | 17.6p |

1 Net of tax and non-controlling interests.

2 The same dilution impact is required to be included as calculated in note 7(a) even where this is dilutive for headline earnings per share.

## 8 Investment and development property

| £m | Investment property | Development property | Total |
|---|---|---|---|
| At 1 January 2018 (re-presented[1]) | 8,853.7 | 434.9 | 9,288.6 |
| Additions | 64.3 | 130.9 | 195.2 |
| Disposals | (21.7) | – | (21.7) |
| Disposal of development property to joint venture | – | (1.2) | (1.2) |
| Transfer | 165.5 | (165.5) | – |
| Deficit on revaluation | (1,268.8) | (64.0) | (1,332.8) |
| Effect of movement in tenant lease incentives | 5.9 | 1.5 | 7.4 |
| Foreign exchange movements | – | 2.8 | 2.8 |
| At 31 December 2018 (re-presented[1]) | 7,798.9 | 339.4 | 8,138.3 |
| Additions | 48.3 | 77.8 | 126.1 |
| Disposals | (63.1) | (8.3) | (71.4) |
| Disposal of investment and development property to joint venture | (353.7) | (8.1) | (361.8) |
| Transfer | 6.6 | (6.6) | – |
| Deficit on revaluation | (1,699.9) | (96.9) | (1,796.8) |
| Transfer to assets classified as held for sale | – | (0.8) | (0.8) |
| Effect of movement in tenant lease incentives | 4.9 | 0.4 | 5.3 |
| Foreign exchange movements | – | (12.2) | (12.2) |
| At 31 December 2019 | 5,742.0 | 284.7 | 6,026.7 |

1 See note 1 for details of re-presented amounts.

## 8 Investment and development property (continued)

A reconciliation to market value is given in the table below:

| £m | 2019 | 2018 |
|---|---|---|
| Balance sheet carrying value of investment and development property | 6,026.7 | 8,138.3 |
| Head leases on investment property | (80.2) | (80.2) |
| Market value of investment and development property | 5,946.5 | 8,058.1 |

Included within investment and development property are tenant lease incentive balances totalling £117.4 million (2018: £116.5 million).

The fair value of the Group's investment and development property at 31 December 2019 was determined by independent external valuers at that date other than certain development land as detailed below. The valuations are in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards 2017 incorporating the International Valuation Standards and the UK National Supplement 2018 (the Red Book) and were arrived at by reference to market transactions for similar properties and rent profiles. Fair values for investment properties are calculated using the present value income approach.

In respect of development valuations, deductions are made for anticipated costs, including an allowance for developer's profit and any other assumptions before arriving at a valuation.

Development property not valued externally relates to certain early stage development projects. These amounts have been reviewed internally and it has been concluded that the carrying amount is a reasonable approximation of its fair value and so no valuation adjustment is needed. As the developments advance these will be valued by independent external valuers. These costs will be adjusted if the developments are no longer being pursued.

In respect of the intu Costa del Sol development site near Málaga, Spain, as the General Plan of Torremolinos was approved in December 2017, with the remaining consents expected in the coming months, the Group obtained an independent external valuation at 31 December 2017 as cost was no longer an appropriate approximation of fair value. Consistent with the 31 December 2018 valuation, the 31 December 2019 valuation is based on the assumption that planning approval is in place at the valuation date. Subsequent to 31 December 2019, the Group has received the final ratifications required for full planning to become effective.

The valuation methodology is unchanged from the prior year. Details on individual properties is provided in the investment and development property section, including market value, occupancy as well as the assumptions used in the valuation of the core portfolio and key unobservable inputs.

### Capital commitments

At 31 December 2019 the Board had approved £131.6 million (2018: £233.0 million) of future expenditure for the purchase, construction, development and enhancement of investment property. Of this, £67.7 million (2018: £188.5 million) is contractually committed. The majority of this is expected to be spent during 2020.

Capital commitments in respect of joint ventures is provided in note 9.

## 9 Investment in and loans to joint ventures

The Group's principal joint ventures own and manage investment and development property.

| £m | St David's, Cardiff | intu Derby | Intu Chapelfield | intu Puerto Venecia | intu Xanadú | intu Asturias | Other[1] | Total |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | 2019 |
| At 1 January 2019 | 296.4 | – | 134.7 | 145.7 | 125.3 | 91.2 | 30.6 | 823.9 |
| Acquisition of joint venture interest (note 19) | – | 93.9 | – | – | – | – | – | 93.9 |
| Group's share of underlying earnings | 11.6 | 3.2 | 4.6 | 2.5 | 4.8 | 0.8 | 0.4 | 27.9 |
| Group's share of other net loss | (63.4) | (56.7) | (27.3) | (18.7) | (1.5) | (5.9) | (13.3) | (186.8) |
| Group's share of (loss)/profit | (51.8) | (53.5) | (22.7) | (16.2) | 3.3 | (5.1) | (12.9) | (158.9) |
| Investment of capital | – | – | – | – | 8.7 | – | – | 8.7 |
| Repayment of capital | – | – | – | – | (7.7) | – | – | (7.7) |
| Distributions | – | – | (3.9) | – | – | – | (0.7) | (4.6) |
| Loan advances | – | – | – | 2.0 | – | – | 2.8 | 4.8 |
| Loan repayments | (12.9) | – | – | – | – | (3.3) | – | (16.2) |
| Transfer to assets classified as held for sale (note 20) | – | – | – | (123.0) | – | (77.7) | – | (200.7) |
| Foreign exchange movements | – | – | – | (8.5) | (5.1) | (5.1) | (0.4) | (19.1) |
| At 31 December 2019 | 231.7 | 40.4 | 108.1 | – | 124.5 | – | 19.4 | 524.1 |
| Represented by: | | | | | | | | |
| Loans to joint ventures | 56.7 | – | 74.0 | – | 55.0 | – | 11.8 | 197.5 |
| Group's share of net assets | 175.0 | 40.4 | 34.1 | – | 69.5 | – | 7.6 | 326.6 |

| £m | St David's, Cardiff | intu Chapelfield | intu Puerto Venecia | intu Xanadú | intu Asturias | Other[1] | Total |
|---|---|---|---|---|---|---|---|
| | | | | | | | 2018 |
| At 1 January 2018 | 347.0 | – | 133.9 | 119.4 | 95.6 | 39.6 | 735.5 |
| Acquisition of joint venture interest | – | 151.9 | – | – | – | – | 151.9 |
| Group's share of underlying earnings | 13.2 | 5.3 | 2.0 | 5.1 | 3.2 | 0.4 | 29.2 |
| Group's share of other net (loss)/profit | (49.8) | (20.3) | 9.8 | (0.8) | 0.5 | (10.7) | (71.3) |
| Group's share of (loss)/profit | (36.6) | (15.0) | 11.8 | 4.3 | 3.7 | (10.3) | (42.1) |
| Investment of capital | – | – | – | 7.7 | – | – | 7.7 |
| Repayment of capital | – | – | – | (7.1) | – | – | (7.1) |
| Distributions | – | (2.2) | – | – | – | (0.7) | (2.9) |
| Loan advances | – | – | – | – | – | 2.0 | 2.0 |
| Loan repayments | (14.0) | – | (2.0) | – | (9.3) | – | (25.3) |
| Foreign exchange movements | – | – | 2.0 | 1.0 | 1.2 | – | 4.2 |
| At 31 December 2018 | 296.4 | 134.7 | 145.7 | 125.3 | 91.2 | 30.6 | 823.9 |
| Represented by: | | | | | | | |
| Loans to joint ventures | 69.6 | 74.0 | 98.3 | 58.5 | 26.0 | 9.6 | 336.0 |
| Group's share of net assets | 226.8 | 60.7 | 47.4 | 66.8 | 65.2 | 21.0 | 487.9 |

1 Other primarily includes the Group's interest in intu Uxbridge and developments in Spain.

### Capital commitments

At 31 December 2019, the boards of joint ventures had approved £9.8 million (2018: £5.0 million) of future expenditure for the purchase, construction, development and enhancement of investment property. Of this, £7.3 million (2018: £2.7 million) is contractually committed. These amounts represent the Group's share.

## 9 Investment in and loans to joint ventures (continued)

Set out below is the summarised information of the Group's joint ventures with financial information presented at 100 per cent.

| | | | | | | | | 2019 |
|---|---|---|---|---|---|---|---|---|
| £m | St David's, Cardiff | intu Derby[1] | intu Chapelfield | intu Puerto Venecia[2] | intu Xanadú | intu Asturias[2] | Other[4] | Total |
| Summary information | | | | | | | | |
| Group's interest | 50% | 26%[5] | 50% | 50% | 50% | 50% | | |
| Principal place of business | Wales | England | England | Spain | Spain | Spain | | |
| Summarised income statement | | | | | | | | |
| Revenue | 38.0 | 22.4 | 21.6 | 26.0 | 32.0 | 17.4 | 18.1 | 175.5 |
| Net rental income | 23.3 | 10.4 | 14.4 | 19.8 | 22.3 | 12.7 | 11.5 | 114.4 |
| Revaluation of investment and development property | (126.8) | (56.2) | (54.5) | (33.6) | – | (11.9) | (53.7) | (336.7) |
| Administration expenses – ongoing | – | (0.1) | (0.4) | (1.8) | (2.0) | (1.2) | (2.2) | (7.7) |
| Finance costs | – | (2.7) | (4.9) | (12.8) | (9.6) | (7.7) | (6.0) | (43.7) |
| Other finance charges – exceptional | – | – | – | (1.6) | – | – | – | (1.6) |
| Change in fair value of financial instruments | – | (0.5) | – | (3.4) | (0.4) | (0.3) | 0.3 | (4.3) |
| Taxation | – | – | – | (0.1) | (3.7) | (1.9) | – | (5.7) |
| (Loss)/profit | (103.5) | (49.1) | (45.4) | (33.5) | 6.6 | (10.3) | (50.1) | (285.3) |
| Attributable to non-controlling interests[3] | – | – | – | 1.1 | – | 0.1 | – | 1.2 |
| (Loss)/profit attributable to owners | (103.5) | (49.1) | (45.4) | (32.4) | 6.6 | (10.2) | (50.1) | (284.1) |
| Group's share of (loss)/profit | (51.8) | (53.5) | (22.7) | (16.2) | 3.3 | (5.1) | (12.9) | (158.9) |
| Summarised balance sheet | | | | | | | | |
| Investment and development property | 465.7 | 297.7 | 212.3 | – | 467.0 | – | 167.9 | 1,610.6 |
| Other non-current assets | 0.1 | 1.6 | 0.6 | – | 81.9 | – | 2.9 | 87.1 |
| Total non-current assets | 465.8 | 299.3 | 212.9 | – | 548.9 | – | 170.8 | 1,697.7 |
| Cash and cash equivalents | 8.4 | 11.3 | 7.9 | – | 12.9 | – | 7.6 | 48.1 |
| Other current assets | 16.5 | 4.1 | 1.1 | – | 1.6 | – | 15.6 | 38.9 |
| Total current assets | 24.9 | 15.4 | 9.0 | – | 14.5 | – | 23.2 | 87.0 |
| Current financial liabilities | (0.1) | (0.9) | (0.9) | – | (7.1) | – | (1.3) | (10.3) |
| Other current liabilities | (11.1) | (9.9) | (4.8) | – | (1.2) | – | (136.1) | (163.1) |
| Total current liabilities | (11.2) | (10.8) | (5.7) | – | (8.3) | – | (137.4) | (173.4) |
| Partners' loans | (113.3) | – | (148.0) | – | (110.0) | – | (23.6) | (394.9) |
| Non-current financial liabilities | – | (147.9) | – | – | (223.3) | – | – | (371.2) |
| Other non-current liabilities | (16.2) | – | – | – | (82.8) | – | – | (99.0) |
| Total non-current liabilities | (129.5) | (147.9) | (148.0) | – | (416.1) | – | (23.6) | (865.1) |
| Net assets | 350.0 | 156.0 | 68.2 | – | 139.0 | – | 33.0 | 746.2 |
| Group's share of net assets | 175.0 | 40.4 | 34.1 | – | 69.5 | – | 7.6 | 326.6 |

1 intu Derby is presented for the period from 9 July 2019, the date at which it ceased being a 100 per cent owned subsidiary of the Group.
2 intu Puerto Venecia and intu Asturias are presented for the period to 15 December 2019, the date at which they became classified as joint ventures held for sale.
3 Represents non-controlling interests directly within the joint venture.
4 Other primarily includes the Group's interest in intu Uxbridge and developments in Spain.
5 Represents the Group's economic interest at 31 December 2019 after considering our joint venture partners' structured equity interest.

## 9 Investment in and loans to joint ventures (continued)

| £m | St David's, Cardiff | intu Chapelfield[1] | intu Puerto Venecia | intu Xanadú | intu Asturias | Other[3] | Total |
|---|---|---|---|---|---|---|---|
| | | | | | | | 2018 |
| Summary information | | | | | | | |
| Group's interest | 50% | 50% | 50% | 50% | 50% | | |
| Principal place of business | Wales | England | Spain | Spain | Spain | | |
| Summarised income statement | | | | | | | |
| Revenue | 41.0 | 22.2 | 26.6 | 32.6 | 18.0 | 17.9 | 158.3 |
| Net rental income | 26.6 | 15.1 | 20.3 | 23.0 | 13.5 | 11.4 | 109.9 |
| Revaluation of investment and development property | (99.6) | (40.7) | 11.4 | 4.3 | 1.7 | (50.0) | (172.9) |
| Administration expenses – ongoing | (0.1) | (0.1) | (2.0) | (2.0) | (1.3) | (2.6) | (8.1) |
| Administration expenses – exceptional | – | – | – | (0.1) | – | – | (0.1) |
| Finance costs | – | (4.4) | (14.2) | (9.7) | (5.7) | (5.9) | (39.9) |
| Other finance income – exceptional | – | – | 9.4 | – | – | – | 9.4 |
| Change in fair value of financial instruments | – | – | (0.5) | (1.2) | (0.8) | 1.3 | (1.2) |
| Taxation | – | – | – | (5.7) | 0.1 | – | (5.6) |
| (Loss)/profit | (73.1) | (30.1) | 24.4 | 8.6 | 7.5 | (45.8) | (108.5) |
| Attributable to non-controlling interests[2] | – | – | (0.8) | – | (0.2) | – | (1.0) |
| (Loss)/profit attributable to owners | (73.1) | (30.1) | 23.6 | 8.6 | 7.3 | (45.8) | (109.5) |
| Group's share of (loss)/profit | (36.6) | (15.0) | 11.8 | 4.3 | 3.7 | (10.3) | (42.1) |
| Summarised balance sheet | | | | | | | |
| Investment and development property | 592.1 | 266.6 | 480.7 | 485.5 | 288.3 | 221.4 | 2,334.6 |
| Other non-current assets | 0.2 | 0.4 | 1.1 | 82.0 | 5.1 | 2.5 | 91.3 |
| Total non-current assets | 592.3 | 267.0 | 481.8 | 567.5 | 293.4 | 223.9 | 2,425.9 |
| Cash and cash equivalents | 9.7 | 7.0 | 13.4 | 19.8 | 16.7 | 5.9 | 72.5 |
| Other current assets | 19.4 | 2.6 | 2.1 | 1.1 | 0.9 | 13.6 | 39.7 |
| Total current assets | 29.1 | 9.6 | 15.5 | 20.9 | 17.6 | 19.5 | 112.2 |
| Current financial liabilities | (0.1) | (0.9) | (10.4) | (9.5) | (4.7) | (1.8) | (27.4) |
| Other current liabilities | (12.4) | (6.4) | (5.4) | (7.0) | (1.7) | (7.7) | (40.6) |
| Total current liabilities | (12.5) | (7.3) | (15.8) | (16.5) | (6.4) | (9.5) | (68.0) |
| Partners' loans | (139.1) | (148.0) | (196.6) | (116.9) | (52.2) | (19.4) | (672.2) |
| Non-current financial liabilities | – | – | (186.1) | (236.1) | (107.5) | (130.5) | (660.2) |
| Other non-current liabilities | (16.2) | – | – | (85.3) | (11.4) | – | (112.9) |
| Total non-current liabilities | (155.3) | (148.0) | (382.7) | (438.3) | (171.1) | (149.9) | (1,445.3) |
| Net assets | 453.6 | 121.3 | 98.8 | 133.6 | 133.5 | 84.0 | 1,024.8 |
| Non-controlling interests[2] | – | – | (4.1) | – | (3.2) | – | (7.3) |
| Net assets attributable to owners | 453.6 | 121.3 | 94.7 | 133.6 | 130.3 | 84.0 | 1,017.5 |
| Group's share of net assets | 226.8 | 60.7 | 47.4 | 66.8 | 65.2 | 21.0 | 487.9 |

1 intu Chapelfield is presented for the period from 1 February 2018, the date at which it ceased being a 100 per cent owned subsidiary of the Group.
2 Represents non-controlling interests directly within the joint venture.
3 Other primarily includes the Group's interest in intu Uxbridge and developments in Spain.

## 10 Investment in associates

| £m | 2019 | 2018 |
|---|---|---|
| At 1 January | 65.6 | 64.8 |
| Share of post-tax (loss)/profit of associates | (0.3) | 2.3 |
| Impairment | (7.4) | – |
| Foreign exchange movements | (4.2) | (1.5) |
| At 31 December | 53.7 | 65.6 |

Investment in associates comprises a 32.4 per cent holding in the ordinary shares of Prozone Intu Properties Limited (Prozone), a listed Indian shopping centre developer, and a 26.8 per cent direct holding in the ordinary shares of Empire Mall Private Limited (Empire) – Empire also forms part of the Prozone group giving the Group an effective ownership of 38.0 per cent. Both companies are incorporated in India.

The equity method of accounting is applied to the Group's investments in Prozone and Empire in line with the requirements of IAS 28 Investments in Associates and Joint Ventures. The results for the year to 30 September have been used as 31 December information is not available in time for these financial statements. Those results are adjusted to be in line with the Group's accounting policies and include the most recent property valuations, determined at 30 September 2019, by independent professionally qualified external valuers in line with the valuation methodology described in note 8.

The market price per share of Prozone at 31 December 2019 was INR19 (31 December 2018: INR29), valuing the Group's interest at £9.9 million (31 December 2018: £16.4 million) compared with the Prozone carrying value pre-impairment of £41.5 million (31 December 2018: £45.1 million). As the share price of Prozone is lower than its carrying value, a review of the carrying value of Prozone and the Group's direct interest in Empire (as it also forms part of the Prozone group) has been undertaken. Underpinning the impairment assessment (where the fair value less costs to sell was considered) were the independent third-party valuations received for the investment and development properties, representing the underlying value of the associate's net assets. Assumptions were also made for tax and other costs that would be reasonably expected if these assets were to be disposed of. Following this review, an impairment of £7.4 million was recognised.

## 11 Trade and other receivables

| £m | 2019 | Re-presented[1] 2018 |
|---|---|---|
| Trade receivables | 39.9 | 35.8 |
| Amounts owed by joint ventures | 5.1 | 8.5 |
| Other receivables | 17.0 | 16.3 |
| Net investment in finance leases | 0.4 | 0.4 |
| Prepayments | 37.2 | 46.6 |
| Accrued income | 30.4 | 30.4 |
| Trade and other receivables | 130.0 | 138.0 |

1 See note 1 for details of re-presented amounts.

## 12 Cash and cash equivalents

| £m | 2019 | 2018 |
|---|---|---|
| Unrestricted cash | 185.6 | 238.4 |
| Restricted cash | 17.9 | 1.1 |
| Cash and cash equivalents | 203.5 | 239.5 |

A number of the Group's borrowing arrangements place certain restrictions on the rent received each quarter. These do not prevent access to or use of this funding within the borrowing entities, however they do place certain restrictions on moving those funds around the wider group, typically requiring debt servicing costs to be paid before restrictions are lifted. Excluding these amounts, at 31 December 2019 immediately available cash and facilities is £241.5 million (31 December 2018: £246.8 million).

## 13 Trade and other payables

| £m | 2019 | 2018 |
|---|---|---|
| Rents received in advance | 84.8 | 103.4 |
| Trade payables | 8.4 | 3.2 |
| Amounts owed to joint ventures | 0.2 | 0.4 |
| Accruals | 117.9 | 141.2 |
| Other payables | 6.8 | 2.5 |
| Other taxes and social security | 25.2 | 27.7 |
| Trade and other payables | 243.3 | 278.4 |

## 14 Borrowings

| | | | 2019 | | 2018 | |
|---|---|---|---|---|---|---|
| £m | Secured / unsecured | Fixed rate / floating rate | Carrying value | Fair value | Carrying value | Fair value |
| Current | | | | | | |
| Commercial mortgage backed securities (CMBS) notes | Secured | Fixed | 28.8 | 33.9 | 46.7 | 51.1 |
| Bank loans | Secured | Floating | 37.0 | 37.0 | – | – |
| Current borrowings, excluding finance leases | | | 65.8 | 70.9 | 46.7 | 51.1 |
| Lease liabilities | Secured | Fixed | 5.3 | 5.3 | 4.4 | 4.4 |
| | | | 71.1 | 76.2 | 51.1 | 55.5 |
| Non-current | | | | | | |
| Revolving credit facility 2021[1] | Secured | Floating | 420.6 | 420.6 | 393.9 | 393.9 |
| CMBS notes 2022 | Secured | Fixed | 22.9 | 25.0 | 33.4 | 37.1 |
| CMBS notes 2024 | Secured | Fixed | 88.7 | 92.5 | 88.3 | 96.8 |
| CMBS notes 2029 | Secured | Fixed | 61.5 | 70.9 | 67.5 | 77.0 |
| CMBS notes 2033 | Secured | Fixed | 280.5 | 354.6 | 296.3 | 364.7 |
| CMBS notes 2035 | Secured | Floating | 197.3 | 217.4 | 195.1 | 201.9 |
| Bank loan 2020 | Secured | Floating | – | – | 25.0 | 25.0 |
| Bank loans 2021 | Secured | Floating | 461.5 | 461.5 | 668.7 | 668.7 |
| Bank loan 2022 | Secured | Fixed | 248.2 | 277.9 | 247.5 | 282.8 |
| Bank loan 2022 | Secured | Floating | 8.6 | 8.6 | – | – |
| Bank loan 2023 | Secured | Floating | 68.3 | 68.3 | 73.1 | 73.1 |
| Bank loan 2024 | Secured | Floating | 432.4 | 432.4 | 473.8 | 473.8 |
| 3.875% bonds 2023 | Secured | Fixed | 445.8 | 406.7 | 444.6 | 454.7 |
| 4.125% bonds 2023 | Secured | Fixed | 480.5 | 448.7 | 479.5 | 496.9 |
| 4.625% bonds 2028 | Secured | Fixed | 343.4 | 302.3 | 342.9 | 363.0 |
| 4.250% bonds 2030 | Secured | Fixed | 345.7 | 301.8 | 345.3 | 349.7 |
| Debenture 2027 | Secured | Fixed | 229.4 | 183.5 | 229.1 | 247.2 |
| 2.875% convertible bonds 2022 (note 15) | Unsecured | Fixed | 254.9 | 254.9 | 314.9 | 314.9 |
| Non-current borrowings, excluding finance leases and Metrocentre compound financial instrument | | | 4,390.2 | 4,327.6 | 4,718.9 | 4,921.2 |
| Metrocentre compound financial instrument[2] | Unsecured | Fixed | 195.4 | 195.4 | 189.5 | 189.5 |
| Lease liabilities | Secured | Fixed | 77.6 | 77.6 | 75.8 | 75.8 |
| | | | 4,663.2 | 4,600.6 | 4,984.2 | 5,186.5 |
| Total borrowings | | | 4,734.3 | 4,676.8 | 5,035.3 | 5,242.0 |
| Cash and cash equivalents (note 12) | | | (203.5) | n/a | (239.5) | n/a |
| Net debt | | | 4,530.8 | n/a | 4,795.8 | n/a |

1 Facility includes £84.6 million (2018: £89.9 million) drawn in euros.

2 Represents funding from the Group's partner to The Metrocentre Partnership equal to their 40 per cent ownership interest (intu's portion of funding to The Metrocentre Partnership equal to the Group's residual 60 per cent ownership interest has been eliminated on consolidation). The funding has been classified as a compound financial instrument due to the equity-like features of the instrument.

## 14 Borrowings (continued)

At 31 December 2019 the total carrying value of secured borrowings is £4,284.0 million (2018: £4,530.9 million) and the total carrying value of unsecured borrowings is £450.3 million (2018: £504.4 million). The total carrying value of fixed rate borrowings is £3,108.6 million (2018: £3,205.7 million) and the total carrying value of floating rate borrowings is £1,625.7 million (2018: £1,829.6 million).

Analysis of the Group's net external debt is provided in the other financial information including share of joint ventures section.

The Group substantially eliminates its interest rate exposure to floating rate debt through interest rate swaps as described in note 27 of the Group's annual report and financial statements.

The market value of investment property secured, either directly or indirectly, as collateral against borrowings at 31 December 2019 is £6,428.7 million including £681.6 million of investment property held within joint ventures (2018: £8,774.6 million including £1,096.8 million held within joint ventures). In most circumstances the Group can dispose of up to 50 per cent of its interest in an asset without restriction providing the Group continues to manage the asset. Disposing of an interest in excess of this may trigger a change of control and mandatory repayment of the facility.

The fair values of fixed rate borrowings and CMBS are assessed based on quoted market prices, and as such are categorised as Level 1 in the fair value hierarchy (see note 27 of the Group's annual report and financial statements for definition). The fair values of unlisted floating rate borrowings are equal to their carrying values and are categorised as Level 2 in the fair value hierarchy.

The maturity profile of debt (excluding lease liabilities) is as follows:

| £m | 2019 | 2018 |
|---|---|---|
| Repayable within one year | 65.8 | 46.7 |
| Repayable in more than one year but not more than two years | 901.8 | 30.5 |
| Repayable in more than two years but not more than five years | 2,114.2 | 2,722.0 |
| Repayable in more than five years | 1,569.6 | 2,155.9 |
| | 4,651.4 | 4,955.1 |

Certain borrowing agreements contain financial and other conditions that, if contravened, could alter the repayment profile (further information is provided in the financial covenants section).

At 31 December 2019 the Group had committed undrawn borrowing facilities of £238.5 million (2018: £274.2 million), maturing in 2021 and 2022. This includes £42.1 million of undrawn facilities in respect of development finance.

## 15 Convertible bonds

In 2016 the Group issued £375.0 million 2.875 per cent Guaranteed Convertible Bonds (2.875 per cent bonds) due 2022 at par, all of which remain outstanding at 31 December 2019. Under the terms of the 2.875 per cent bonds, the exchange price is adjusted upon certain events including the payment of dividends by the Company over a certain threshold. At 31 December 2019 the exchange price was £3.7506 (31 December 2018: £3.7506) per ordinary share.

The 2.875 per cent bonds are designated as at fair value through profit or loss and so are presented on the balance sheet at fair value. Gains and losses in respect of own credit risk (driven by market movement in our debt rating) are recognised in other comprehensive income (2019: gain of £75.0 million; 2018: gain of £43.4 million) and all other gains and losses are recognised in the income statement through change in fair value of financial instruments line (2019: loss of £15.0 million; 2018: gain of £19.8 million).

At 31 December 2019, the fair value of the 2.875 per cent bonds was £254.9 million (2018: £314.9 million). During the year interest of £10.8 million (2018: £10.8 million) in respect of these bonds has been recognised within finance costs. 2018 finance costs also included £3.0 million of interest related to the 2.5 per cent convertible bonds, which matured in October 2018.

## 16 Share capital and share premium

| £m | Share capital | Share premium |
|---|---|---|
| Authorised, issued and fully paid: | | |
| At 31 December 2019 and 31 December 2018: 1,355,040,243 ordinary shares of 50 pence each | 677.5 | 1,327.4 |

## 17 Employee Share Ownership Plan (ESOP)

The cost of shares in intu properties plc held by the Trustee of the ESOP operated by the Company is accounted for as a deduction from equity.

The purpose of the ESOP is to acquire and hold shares which will be transferred to employees in the future under the Group's employee incentive arrangements as described in note 7 of the Group's annual report and financial statements including joint ownership of shares in its role as Trustee of the Joint Share Ownership Plan. During 2019, no dividends in respect of these shares have been waived by agreement (2018: £1.6 million).

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Shares million | £m | Shares million | £m |
| At 1 January | 11.2 | 37.0 | 11.6 | 39.1 |
| Acquisitions | 0.2 | 0.1 | 0.6 | 0.9 |
| Disposals | (1.1) | (3.5) | (1.0) | (3.0) |
| At 31 December | 10.3 | 33.6 | 11.2 | 37.0 |

## 18 Cash generated from operations

| £m | Notes | 2019 | 2018 |
|---|---|---|---|
| Loss before tax, joint ventures and associates | | (1,856.8) | (1,139.6) |
| Adjusted for: | | | |
| Revaluation of investment and development property | 8 | 1,796.8 | 1,332.8 |
| Loss on disposal of subsidiaries | | 6.3 | 8.5 |
| Gain on sale of investment and development property | | (3.9) | (1.4) |
| Write-down on recognition of joint ventures and other assets classified as held for sale | 20 | 38.0 | – |
| Impairment of goodwill | | 4.0 | – |
| Impairment of investment in associates | 10 | 7.4 | – |
| Impairment of loan to associate | | 5.5 | – |
| Depreciation | | 5.5 | 4.3 |
| Share-based payments | | 1.8 | 2.8 |
| Lease incentives and letting costs | | (3.6) | (9.3) |
| Net finance costs | 4 | 314.1 | 147.5 |
| Changes in working capital: | | | |
| Change in trade and other receivables | | (0.5) | (5.3) |
| Change in trade and other payables | | 6.8 | (20.6) |
| Cash generated from operations | | 321.4 | 319.7 |

## 19 Disposal of intu Derby

On 8 July 2019 the Group completed the part disposal of a structured equity interest in intu Derby, a wholly owned subsidiary, to Cale Street Investments LP (Cale Street) for final cash consideration of £113.3 million before expenses of £6.5 million. Following this transaction intu Derby ceased to be accounted for as a subsidiary and is now a joint venture. Therefore the assets and liabilities of intu Derby are no longer recorded at 100 per cent in the Group's balance sheet but the remaining interest is included in investment in joint ventures at an initial value of £93.9 million. As a result of this transaction the Group has recorded a loss on disposal of £6.5 million in the income statement. The cash flow statement records a net inflow of £96.7 million (included within disposal of subsidiaries net of cash sold) comprising the cash consideration received of £113.3 million less cash in the business of £10.1 million reclassified to investment in joint ventures and expenses of £6.5 million.

The accounting for the part disposal of intu Derby in the year is a critical judgement as referenced in note 1 of the Group's annual report and financial statements. Due to the complexity caused by Cale Street's structured equity interest, the Group has assessed the key terms set out in the shareholders agreement, including joint venture board discretion over any payment of distributions. As a result, the part disposal has been accounted for as an equity arrangement as opposed to a financing arrangement following completion.

The assets and liabilities of the subsidiaries disposed of, at 100 per cent, are set out below:

| | £m |
|---|---|
| Assets | |
| Investment and development property | 350.1 |
| Cash and cash equivalents | 10.1 |
| Trade and other receivables | 8.0 |
| Total assets | 368.2 |
| Liabilities | |
| Trade and other payables | (13.3) |
| Borrowings | (147.7) |
| Total liabilities | (161.0) |
| Net assets | 207.2 |
| Net assets (at share disposed) | 113.3 |
| Fair value of consideration received | 106.8 |
| Loss on disposal of subsidiaries | 6.5 |

## 20 Joint ventures and other assets classified as held for sale

### intu Puerto Venecia

In December 2019 the Group announced the disposal of its joint venture interest in intu Puerto Venecia to Generali Shopping Centre Fund S.C.S. SICAV-SIF and Union Investment Real Estate GMBH for consideration of €475.3 million (intu share €237.7 million) and will deliver net proceeds to intu of around €115.0 million after repaying asset-level debt, working capital adjustments and taxation.

The transaction is expected to complete in the first half of 2020 following the successful conclusion of certain regulatory approvals. As a result, from 15 December 2019, being the date the Board approved the transaction, the Group classified its joint venture interest in intu Puerto Venecia (which is part of the Spain operating segment) as held for sale.

The joint venture interest has been recognised at its expected net proceeds of £95.4 million, as opposed to its carrying amount of £123.0 million (see note 9).

### intu Asturias

In January 2020 the Group announced and subsequently completed the disposal of its joint venture interest in intu Asturias to the ECE European Prime Shopping Centre Fund II for €290.0 million (intu share €145.0 million) and has delivered initial net proceeds to intu of £68.3 million after repaying asset-level debt, working capital adjustments, fees and taxation.

As a result, at 15 December 2019, being the date the Board approved the transaction, the Group classified its joint venture interest in intu Asturias (which is part of the Spain operating segment) as held for sale.

The joint venture interest has been recognised at its expected net proceeds of £67.3 million, as opposed to its carrying amount of £77.7 million (note 9) alongside land and other assets totalling £1.0 million within a wholly owned subsidiary also being sold as part of the transaction.

## 21 Related party transactions

### Key management[1] compensation

| £m | 2019 | 2018 |
|---|---|---|
| Salaries and short-term employee benefits | 4.7 | 4.9 |
| Pensions and other post-employment benefits | 0.3 | 0.8 |
| Share-based payments | 1.5 | 1.7 |
| | 6.5 | 7.4 |

1 Key management comprises the directors of intu properties plc and the Executive Committee who have been designated as persons discharging managerial responsibility (PDMR).

During 2017 the Group's joint ventures in intu Puerto Venecia and intu Asturias sold shares in subsidiaries, previously wholly owned by the respective joint ventures, listed on the Spanish MaB to PDMRs of the Group. The total value of the shares at 31 December 2019 is €1.0 million for each joint venture, representing 1 per cent of the respective outstanding share capital. The sale of shares in these entities was required to comply with Spanish MaB free float listing requirements. The Group provided an interest-free loan to PDMRs to enable them to purchase the shares. The loans are treated as a taxable benefit which accordingly is included in the above table. In line with the terms of the relevant loan agreements entered into, the loans are repayable in full upon cessation of employment or the sale of the underlying assets. Further to the exchange of contracts in respect of the sale of intu Puerto Venecia in December 2019 and of intu Asturias in January 2020, the relevant PDMRs sold these shareholdings in January 2020 and February 2020 respectively. All outstanding loans in respect of the above arrangements have been repaid to the Company in full or in part. For those loans which have been partially repaid, the outstanding balance has been written off by the Company.

### Transactions with Peel Group (Peel)

As John Whittaker, deputy chairman and non-executive director of intu properties plc, is the Chairman of the Peel Group (Peel), members of Peel are considered to be related parties. Total transactions between the Group and members of Peel are shown below:

| £m | 2019 | 2018 |
|---|---|---|
| Income | 0.9 | 1.3 |
| Expenditure | (0.6) | (0.7) |

Income predominantly relates to leases of office space and contracts to provide advertising services. Expenditure predominantly relates to costs incurred under a management services agreement and the supply of utilities. All contracts are on an arm's length basis at commercial rates.

Balances outstanding between the Group and members of Peel at 31 December 2019 and 31 December 2018 are shown below:

| £m | 2019 | 2018 |
|---|---|---|
| Net investment in finance lease | 0.8 | 1.2 |
| Amounts owed by members of Peel | 0.3 | 0.3 |
| Amounts owed to members of Peel | (0.1) | (0.1) |

Under the terms of the Group's acquisition of intu Trafford Centre from Peel in 2011, Peel has provided a guarantee in respect of Section 106 planning obligation liabilities at Barton Square which at 31 December 2019 totalled £13.0 million (2018: £12.4 million).

The net investment in finance leases above relate to three advertising services agreements related to digital screens with Peel Advertising Limited (a member of Peel) under which Peel will procure advertising on behalf of the Group. The minimum fixed payments in these agreements have been classified as a finance lease.

During the year intu shareholders approved, at a General Meeting held on 31 May 2019, the sale to the Peel Group of a 30.96 acre site near intu Braehead known as King George V docks (West) and additional plots of adjacent ancillary land for cash consideration of £6.1 million.

### Other transactions

During the year, the Group sold a wholly owned subsidiary, which holds a plot of sundry land near intu Xanadú, to the intu Xanadú joint venture for consideration of £8.6 million. Consideration includes cash consideration of £4.3 million and a retained interest in the entity through the intu Xanadú joint venture. The cash flow statement records a net inflow of £4.0 million comprising the cash consideration less cash in the business of £0.3 million.

## 23 General information

The Company is a public limited company incorporated in England and Wales and domiciled in the UK. The address of its registered office is 40 Broadway, London SW1H 0BT.

The Company has its primary listing on the London Stock Exchange. The Company has a secondary listing on the Johannesburg Stock Exchange, South Africa.

# Presentation of information (unaudited)

## Overview

The Group presents alternative performance measures (APMs) (see glossary) within these results. In presenting APMs, management have applied the 'European Securities and Markets Authority Guidelines on Alternative Performance Measures'.

The most significant APMs used to measure the Group's performance including the rationale for their use are summarised before the presentation of each APM on the following pages. EPRA performance measures, which are industry standard APMs, are detailed in the EPRA measures section.

During the year the Group has reviewed its use of APMs and will no longer present NAV (diluted, adjusted) as management no longer believe this is the most relevant metric in assessing the Group's performance. The Group will continue to present EPRA NAV and EPRA NNNAV, which are industry standard APMs, in order to standardise the Group's disclosures with other entities in the sector.

## APM – proportionately consolidated amounts

The Group accounts for its interests in joint ventures using the equity method as required by IFRS 11 Joint Arrangements. This means that the income statement and the balance sheet as prepared in accordance with IFRS include single lines for the Group's total share of post-tax profit/loss and the net investment in joint ventures respectively.

Management reviews and monitors performance as well as determines the strategy of the business primarily on a proportionately consolidated basis. This includes the Group's share of joint ventures on an individual line-by-line basis rather than a post-tax profit/loss or net investment basis. The figures and commentary presented in the annual report and financial statements are consistent with this management approach as management believes this provides a more relevant and reliable analysis of the Group's performance to users. A reconciliation of the income statement and balance sheet between the two bases is provided below:

### Proportionately consolidated income statement

| | 2019 | | | Re-presented[1] 2018 | | |
|---|---|---|---|---|---|---|
| £m | Group income statement | Share of joint ventures | Group including share of joint ventures | Group income statement | Share of joint ventures | Group including share of joint ventures |
| Revenue | 542.3 | 76.8 | 619.1 | 581.1 | 71.9 | 653.0 |
| Net rental income | 348.1 | 53.5 | 401.6 | 398.5 | 52.0 | 450.5 |
| Net other income | 6.2 | (2.6) | 3.6 | 5.3 | (2.4) | 2.9 |
| Revaluation of investment and development property | (1,796.8) | (182.9) | (1,979.7) | (1,332.8) | (72.2) | (1,405.0) |
| Loss on disposal of subsidiaries | (6.3) | – | (6.3) | (8.5) | – | (8.5) |
| Gain on sale of investment and development property | 3.9 | – | 3.9 | 1.4 | – | 1.4 |
| Write-down on recognition of joint ventures and other assets classified as held for sale | (38.0) | – | (38.0) | – | – | – |
| Impairment of goodwill | (4.0) | – | (4.0) | – | – | – |
| Impairment of investment in associates | (7.4) | – | (7.4) | – | – | – |
| Impairment of loan to associate | (5.5) | – | (5.5) | – | – | – |
| Administration expenses – ongoing | (39.5) | (1.0) | (40.5) | (42.9) | (1.1) | (44.0) |
| Administration expenses – exceptional | (3.4) | – | (3.4) | (13.1) | (0.1) | (13.2) |
| Operating loss | (1,542.7) | (133.0) | (1,675.7) | (992.1) | (23.8) | (1,015.9) |
| Finance costs | (220.9) | (6.6) | (227.5) | (216.7) | (6.3) | (223.0) |
| Finance income | 16.6 | (13.7) | 2.9 | 14.8 | (12.2) | 2.6 |
| Other finance charges – exceptional | (36.9) | (0.8) | (37.7) | (32.9) | 4.5 | (28.4) |
| Change in fair value of financial instruments | (72.9) | (2.4) | (75.3) | 87.3 | (1.0) | 86.3 |
| Net finance costs | (314.1) | (23.5) | (337.6) | (147.5) | (15.0) | (162.5) |
| Loss before tax, joint ventures and associates | (1,856.8) | (156.5) | (2,013.3) | (1,139.6) | (38.8) | (1,178.4) |
| Share of post-tax (loss)/profit of joint ventures | (158.9) | 158.9 | – | (42.1) | 42.1 | – |
| Share of post-tax (loss)/profit of associates | (0.3) | – | (0.3) | 2.3 | – | 2.3 |
| Loss before tax | (2,016.0) | 2.4 | (2,013.6) | (1,179.4) | 3.3 | (1,176.1) |
| Current tax – ongoing | (16.0) | (1.6) | (17.6) | (0.1) | (0.6) | (0.7) |
| Current tax – exceptional | (6.4) | – | (6.4) | – | – | – |
| Deferred tax | 16.6 | (1.3) | 15.3 | 5.8 | (2.2) | 3.6 |
| Taxation | (5.8) | (2.9) | (8.7) | 5.7 | (2.8) | 2.9 |
| (Loss)/profit for the year | (2,021.8) | (0.5) | (2,022.3) | (1,173.7) | 0.5 | (1,173.2) |
| Non-controlling interests | 70.9 | 0.5 | 71.4 | 41.5 | (0.5) | 41.0 |
| Loss for the year attributable to owners of intu properties plc | (1,950.9) | – | (1,950.9) | (1,132.2) | – | (1,132.2) |

1 See note 1 for details on re-presented amounts.

Interest cover on a proportionately consolidated basis is presented in the other financial information including share of joint ventures section.

# Presentation of information (unaudited) continued

## Proportionately consolidated balance sheet

| £m | 2019 Group balance sheet | 2019 Share of joint ventures | 2019 Group including share of joint ventures | Re-presented[1] 2018 Group balance sheet | Re-presented[1] 2018 Share of joint ventures | Re-presented[1] 2018 Group including share of joint ventures |
|---|---|---|---|---|---|---|
| Non-current assets | | | | | | |
| Investment and development property | 6,026.7 | 694.9 | 6,721.6 | 8,138.3 | 1,117.4 | 9,255.7 |
| Property, plant and equipment | 14.3 | 0.1 | 14.4 | 11.8 | 0.1 | 11.9 |
| Investment in joint ventures | 326.6 | (326.6) | – | 487.9 | (487.9) | – |
| Loans to joint ventures | 197.5 | (197.5) | – | 336.0 | (336.0) | – |
| Investment in associates | 53.7 | – | 53.7 | 65.6 | – | 65.6 |
| Derivative financial instruments | – | 0.3 | 0.3 | 4.3 | – | 4.3 |
| Other non-current assets | 1.1 | 40.8 | 41.9 | 20.7 | 42.9 | 63.6 |
| | 6,619.9 | 212.0 | 6,831.9 | 9,064.6 | 336.5 | 9,401.1 |
| Current assets | | | | | | |
| Joint ventures and other assets classified as held for sale | 163.7 | – | 163.7 | – | – | – |
| Derivative financial instruments | – | – | – | 0.4 | – | 0.4 |
| Trade and other receivables | 130.0 | 10.6 | 140.6 | 138.0 | 7.8 | 145.8 |
| Cash and cash equivalents | 203.5 | 19.5 | 223.0 | 239.5 | 34.8 | 274.3 |
| | 497.2 | 30.1 | 527.3 | 377.9 | 42.6 | 420.5 |
| Total assets | 7,117.1 | 242.1 | 7,359.2 | 9,442.5 | 379.1 | 9,821.6 |
| Current liabilities | | | | | | |
| Trade and other payables | (243.3) | (16.5) | (259.8) | (278.4) | (27.7) | (306.1) |
| Current tax liabilities | (5.9) | – | (5.9) | – | (0.1) | (0.1) |
| Borrowings | (71.1) | (25.9) | (97.0) | (51.1) | – | (51.1) |
| Derivative financial instruments | (48.4) | (0.3) | (48.7) | (39.0) | (0.2) | (39.2) |
| | (368.7) | (42.7) | (411.4) | (368.5) | (28.0) | (396.5) |
| Non-current liabilities | | | | | | |
| Borrowings | (4,663.2) | (156.6) | (4,819.8) | (4,984.2) | (295.7) | (5,279.9) |
| Derivative financial instruments | (237.1) | (1.4) | (238.5) | (246.2) | (3.3) | (249.5) |
| Deferred tax liabilities | (0.9) | (41.4) | (42.3) | (18.0) | (48.4) | (66.4) |
| Other payables | (1.2) | – | (1.2) | (1.2) | – | (1.2) |
| | (4,902.4) | (199.4) | (5,101.8) | (5,249.6) | (347.4) | (5,597.0) |
| Total liabilities | (5,271.1) | (242.1) | (5,513.2) | (5,618.1) | (375.4) | (5,993.5) |
| Net assets | 1,846.0 | – | 1,846.0 | 3,824.4 | 3.7 | 3,828.1 |
| Non-controlling interests | 58.2 | – | 58.2 | (12.7) | (3.7) | (16.4) |
| Net assets attributable to owners of intu properties plc | 1,904.2 | – | 1,904.2 | 3,811.7 | – | 3,811.7 |

1 See note 1 for details on re-presented amounts.

A reconciliation to market value of investment and development property is given in the table below:

| £m | 2019 | 2018 |
|---|---|---|
| Balance sheet carrying value of investment and development property | 6,721.6 | 9,255.7 |
| Head leases on investment property | (88.3) | (88.3) |
| Market value of investment and development property | 6,633.3 | 9,167.4 |

Net external debt and debt to assets ratio on a proportionately consolidated basis are presented in the other financial information including share of joint ventures section.

## APM – like-for-like amounts

Like-for-like amounts are presented as they measure operating performance as distinct from the impact of acquisitions or disposals. In respect of net rental income, the like-for-like measure relates to property that has been owned throughout both years without significant capital expenditure in either year, so that income can be compared on a like-for-like basis. For the purposes of comparison of capital values, this will also include assets owned at the previous reporting year end but not throughout the prior year. A reconciliation of the like-for-like measure for net rental income as well as investment and development property including the Group's share of joint ventures is provided below:

| | Year ended 31 December | | Movement | |
|---|---|---|---|---|
| | 2019 £m | 2018 £m | £m | % |
| Like-for-like property | 395.2 | 434.8 | (39.6) | (9.1) |
| Part disposal: intu Derby (8 July 2019) | – | 7.5 | (7.5) | n/a |
| Part disposal: intu Chapelfield (31 January 2018) | – | 0.6 | (0.6) | n/a |
| Held for sale: intu Puerto Venecia and intu Asturias (15 December 2019) | – | 0.7 | (0.7) | n/a |
| Other disposals | 4.0 | 5.7 | (1.7) | n/a |
| Developments | 2.4 | 1.2 | 1.2 | n/a |
| Net rental income | 401.6 | 450.5 | (48.9) | (10.9) |

| | Market value | | Revaluation deficit | |
|---|---|---|---|---|
| | 2019 £m | 2018 £m | 2019 £m | 2019 % |
| Like-for-like property | 6,290.8 | 7,970.6 | (1,795.7) | (22.3) |
| Part disposal: intu Derby (8 July 2019) | – | 276.2 | (25.9) | (20.8) |
| Held for sale: intu Puerto Venecia and intu Asturias (15 December 2019) | – | 397.0 | (32.7) | (11.1) |
| Other investment property disposals | – | 81.3 | (4.7) | (5.8) |
| Spain developments | 177.3 | 217.0 | (45.7) | (20.5) |
| UK other including developments[1] | 165.2 | 225.3 | (75.0) | (32.6) |
| Investment and development property | 6,633.3 | 9,167.4 | (1,979.7) | (23.1) |

1 UK other including developments represents valuation movements on investment and development property valued below £200 million each.

## APM – underlying earnings

Underlying earnings (used to calculate underlying EPS) as presented is based on EPRA earnings (used to calculate EPRA EPS), an industry standard APM considered a key measure of recurring performance, but adjusted for certain items (listed below) which management believes are necessary in order to better present the Group's recurring performance and therefore provide an indication of the extent to which dividend payments are supported by underlying operations (see underlying profit statement section). Underlying earnings excludes property and derivative movements, exceptional items and related tax. The key differences to EPRA earnings relate to the following adjustments:

— with the exception of termination costs on allocated interest rate swaps and costs related to acquisitions, which are both excluded from EPRA earnings and underlying earnings, other finance charges – exceptional (as detailed in note 4), administration expenses – exceptional (as detailed in note 3) and current tax – exceptional (as detailed in note 5) are included in EPRA earnings but are excluded from the Group's measure of underlying earnings. In accordance with the Group's definition for exceptional items (see glossary), the Group considers these costs to be exceptional based on their nature and incidence, which create volatility in earnings

— fair value movements on interest rate swaps not currently used for economic hedges of debt (referred to as unallocated swaps) are included in EPRA earnings but are excluded from the Group's measure of underlying earnings. The Group does not hold unallocated swaps for speculative purposes. Management currently intends to hold these unallocated swaps for the foreseeable future, therefore the period on period volatility created by their fair value movements is unlikely to crystallise until such hedges are settled at maturity

A reconciliation from the IFRS profit/loss for the year attributable to owners of intu properties plc to EPRA earnings is provided in the EPRA measures section, which also provides additional details on EPRA and related measures. A reconciliation from the consolidated income statement including the Group's share of joint ventures to underlying earnings is provided below:

| | | | 2019 | | | 2018 |
|---|---|---|---|---|---|---|
| £m | Group including share of joint ventures | Underlying earnings | Non-underlying (loss)/ earnings | Group including share of joint ventures | Underlying earnings | Non-underlying (loss)/ earnings |
| Net rental income | 401.6 | 401.6 | – | 450.5 | 450.5 | – |
| Net other income | 3.6 | 3.6 | – | 2.9 | 2.9 | – |
| Revaluation of investment and development property | (1,979.7) | – | (1,979.7) | (1,405.0) | – | (1,405.0) |
| Loss on disposal of subsidiaries | (6.3) | – | (6.3) | (8.5) | – | (8.5) |
| Gain on sale of investment and development property | 3.9 | – | 3.9 | 1.4 | – | 1.4 |
| Write-down on recognition of joint ventures and other assets classified as held for sale | (38.0) | – | (38.0) | – | – | – |
| Impairment of goodwill | (4.0) | – | (4.0) | – | – | – |
| Impairment of investment in associates | (7.4) | – | (7.4) | – | – | – |
| Impairment of loan to associate | (5.5) | – | (5.5) | – | – | – |
| Administration expenses – ongoing | (40.5) | (40.5) | – | (44.0) | (44.0) | – |
| Administration expenses – exceptional | (3.4) | – | (3.4) | (13.2) | – | (13.2) |
| Operating (loss)/profit | (1,675.7) | 364.7 | (2,040.4) | (1,015.9) | 409.4 | (1,425.3) |
| Finance costs | (227.5) | (227.5) | – | (223.0) | (223.0) | – |
| Finance income | 2.9 | 2.9 | – | 2.6 | 2.6 | – |
| Other finance charges – exceptional | (37.7) | – | (37.7) | (28.4) | – | (28.4) |
| Change in fair value of financial instruments | (75.3) | – | (75.3) | 86.3 | – | 86.3 |
| Net finance costs | (337.6) | (224.6) | (113.0) | (162.5) | (220.4) | 57.9 |
| (Loss)/profit before tax and associates | (2,013.3) | 140.1 | (2,153.4) | (1,178.4) | 189.0 | (1,367.4) |
| Share of post-tax (loss)/profit of associates | (0.3) | 1.0 | (1.3) | 2.3 | 1.2 | 1.1 |
| (Loss)/profit before tax | (2,013.6) | 141.1 | (2,154.7) | (1,176.1) | 190.2 | (1,366.3) |
| Current tax – ongoing | (17.6) | (17.6) | – | (0.7) | (0.7) | – |
| Current tax – exceptional | (6.4) | – | (6.4) | – | – | – |
| Deferred tax | 15.3 | – | 15.3 | 3.6 | – | 3.6 |
| Taxation | (8.7) | (17.6) | 8.9 | 2.9 | (0.7) | 3.6 |
| (Loss)/profit for the year | (2,022.3) | 123.5 | (2,145.8) | (1,173.2) | 189.5 | (1,362.7) |
| Non-controlling interests | 71.4 | 3.7 | 67.7 | 41.0 | 3.6 | 37.4 |
| (Loss)/profit for the year attributable to owners of intu properties plc | (1,950.9) | 127.2 | (2,078.1) | (1,132.2) | 193.1 | (1,325.3) |
| Underlying earnings per share (pence)[1] | n/a | 9.5p | n/a | n/a | 14.4p | n/a |

1 Calculated using basic shares. See note 7(a) for details on the weighted average number of shares.

# Investment and development property (unaudited)

| At 31 December 2019 | Market value £m | Revaluation deficit | Net initial yield (EPRA) | 'Topped-up' NIY (EPRA) | Nominal equivalent yield | Occupancy (EPRA) | Ownership | Form of Ownership[H] | Gross area million sq ft[I] | Number of stores | Annual property income | Headline rent ITZA | ABC1 customers |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Subsidiaries and joint operations | | | | | | | | | | | | | |
| intu Trafford Centre | 1,669.5 | –22% | 5.2% | 5.3% | 5.3% | 92% | 100% | FH | 2.0 | 229 | £93.4 | £400 | 66% |
| intu Lakeside | 1,000.0 | –22% | 4.8% | 5.2% | 5.5% | 96% | 100% | FH | 1.6 | 257 | £54.8 | £300 | 69% |
| intu Metrocentre | 676.8 | –20% | 5.5% | 6.0% | 6.6% | 92% | 90%[E] | LH | 2.1 | 304 | £43.7 | £280 | 54% |
| intu Merry Hill | 587.6 | –24% | 5.5% | 5.7% | 6.2% | 95% | 100% | FH | 1.7 | 268 | £39.2 | £200 | 48% |
| intu Braehead | 288.9 | –33% | 8.5% | 8.5% | 7.8% | 98% | 100% | FH | 1.1 | 125 | £27.6 | £150 | 66% |
| intu Watford | 324.9 | –20% | 4.0% | 4.5% | 6.1% | 97% | 93% | LH | 1.1 | 173 | £18.5 | £170 | 84% |
| Manchester Arndale | 309.0 | –24% | 5.5% | 6.0% | 6.2% | 95% | 48%[F] | LH | 1.8 | 258 | £20.1 | £285 | 57% |
| intu Eldon Square | 214.1 | –24% | 5.4% | 5.7% | 6.2% | 97% | 60% | FH/LH | 1.3 | 145 | £13.1 | £285 | 55% |
| intu Milton Keynes | 212.5 | –18% | 5.6% | 5.7% | 5.8% | 97% | 100% | FH | 0.4 | 57 | £12.7 | £200 | 68% |
| intu Victoria Centre | 201.0 | –24% | 6.7% | 7.0% | 7.4% | 98% | 100% | FH | 1.0 | 118 | £17.8 | £200 | 60% |
| Cribbs Causeway | 159.3 | –27% | 6.5% | 6.6% | 6.2% | 98% | 33%[G] | FH/LH | 1.1 | 154 | £11.9 | £250 | 74% |
| Other[B] | 302.9 | | | | | | | | | | | | |
| Total IFRS | 5,946.5 | | | | | | | | | | | | |
| Joint ventures | | | | | | | | | | | | | |
| St David's, Cardiff | 230.0 | –21% | 5.6% | 6.1% | 6.0% | 95% | 50% | FH/LH | 1.4 | 203 | £15.3 | £212 | 71% |
| intu Xanadú | 233.8 | –1%[A] | 4.8% | 5.0% | 5.8% | 96% | 50% | FH | 1.3[J] | 207 | €14.4 | n/a | n/a |
| intu Chapelfield | 106.5 | –20% | 5.9% | 6.1% | 6.0% | 98% | 50% | FH | 0.5 | 92 | £7.6 | £175 | 64% |
| intu Derby | 77.3 | –21% | 7.5% | 7.7% | 7.7% | 95% | 26% | FH/LH | 1.3 | 208 | £7.2 | £75 | 45% |
| Other[C] | 39.2 | | | | | | | | | | | | |
| Total including Group's share of joint ventures | 6,633.3 | | 5.66%[D] | 5.93%[D] | 6.16%[D] | 95% | | | | | | | |
| Total at 31 December 2018 including Group's share of joint ventures | 9,167.4 | | 4.75%[D] | 4.98%[D] | 5.44%[D] | 97% | | | | | | | |

A Calculated in local currency.

B Includes the Group's interests in intu Potteries, intu Broadmarsh, Soar at intu Braehead and development land in Spain.

C Includes the Group's interest in intu Uxbridge.

D Weighted average yields exclude developments.

E Interest shown is that of The Metrocentre Partnership in intu Metrocentre (90 per cent) and the Metro Retail Park (100 per cent). The Group has a 60 per cent interest in The Metrocentre Partnership which is consolidated as a subsidiary of the Group.

F The Group's interest is through a joint operation ownership of a 95 per cent interest in Manchester Arndale, and a 90 per cent interest in New Cathedral Street, Manchester.

G The Group's interest is through a joint operation ownership of a 66 per cent interest in The Mall at Cribbs Causeway and a 100 per cent interest in The Retail Park, Cribbs Causeway.

H Form of ownership is shown as either freehold (FH), leasehold (LH) or freehold and leasehold (FH/LH).

I Area shown is not adjusted for the proportion of ownership.

J Excludes owner occupied space.

# Investment and development property (unaudited) continued

## Other property information

| £m | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Passing rent | 389.2 | 428.9 |
| Annual property income | 411.9 | 474.1 |
| ERV | 449.6 | 566.3 |
| Weighted average unexpired lease term | 6.3 years | 7.2 years |

Amounts presented include the Group's share of joint ventures.

## Top 20 customers

| Rank | Customer | Number of leases 2019 | Rent roll % 2019 |
|---|---|---|---|
| 1 | Next | 19 | 4% |
| 2 | Boots | 21 | 3% |
| 3 | Arcadia | 26 | 3% |
| 4 | Debenhams | 10 | 3% |
| 5 | H&M | 20 | 3% |
| 6 | Primark | 11 | 2% |
| 7 | Dixons Carphone | 29 | 2% |
| 8 | New Look | 15 | 2% |
| 9 | JD Sports | 20 | 2% |
| 10 | River Island | 16 | 2% |
| 11 | A S Watson | 42 | 2% |
| 12 | Marks & Spencer | 16 | 2% |
| 13 | Signet Group | 33 | 2% |
| 14 | Superdry | 17 | 1% |
| 15 | Sainsbury's/Argos | 13 | 1% |
| 16 | Watches of Switzerland | 23 | 1% |
| 17 | Inditex | 11 | 1% |
| 18 | Clarks | 14 | 1% |
| 19 | Apple | 12 | 1% |
| 20 | Frasers Group | 13 | 1% |

# Financial covenants (unaudited)

The actual LTV and interest cover covenants are based on the latest certified figures, calculated in accordance with the loan agreements. The calculations are loan specific. Since the year end, we have utilised around £50 million from available resources to reduce the leverage levels in a small number of our facilities, including to manage the relevant LTV covenants.

For LTV covenants, the timing and manner of testing varies and for interest cover covenants the calculations include a variety of historical, forecast and in certain instances a combination of historical and forecast basis.

## Intu (SGS) Finance plc and Intu (SGS) Finco Limited (Secured Group Structure)

| | Loan £m | Maturity | LTV covenant | LTV actual | Interest cover covenant | Interest cover actual |
|---|---|---|---|---|---|---|
| Term loan | 141.8 | 2021 | | | | |
| 3.875 per cent bonds | 450.0 | 2023 | | | | |
| 4.625 per cent bonds | 350.0 | 2028 | | | | |
| 4.250 per cent bonds | 350.0 | 2030 | | | | |
| | 1,291.8 | | 80.0% | 70.1% | 125.0% | 184.5% |

Covenants are tested on the Security Group, the principal assets of which are intu Lakeside, intu Braehead, intu Watford and intu Victoria Centre. During the year, intu Derby was withdrawn and the extension of intu Watford was added to the Secured Group Structure. Following this exchange, on 1 July 2019 £210.0 million of the SGS term loan was repaid.

The structure has a tiered operating covenant regime giving the Group a significant degree of flexibility when the covenants are below certain levels. In higher tiers the level of flexibility is reduced. The Group retains operating control at loan to value below 72.5 per cent and interest cover above 1.4x. No financial covenant default occurs unless the loan to value exceeds 80 per cent or the interest cover falls below 1.25x.

## The Trafford Centre Finance Limited

There are no financial covenants on the intu Trafford Centre debt (CMBS) of £697.8 million at 31 December 2019. However, as this debt is amortising and the amortisation payments are included in the definition of finance costs, the affordability of the amortisation payments in relation to the cash generated by the asset is assessed quarterly. The Group has the ability to contribute cash into the structure in order to meet ongoing finance cost obligations. No additional contribution of cash has been required in 2019.

## Intu Metrocentre Finance plc

| | Loan £m | Maturity | LTV covenant | LTV actual | Interest cover covenant | Interest cover actual |
|---|---|---|---|---|---|---|
| 4.125 per cent bonds | 485.0 | 2023 | 100.0% | 71.4% | 125.0% | 193.8% |

The structure's covenant regime gives the Group a significant degree of flexibility when the covenants are below certain levels. The Group retains operating control at loan to value below 70 per cent and interest cover above 1.4x. No financial covenant default occurs unless loan to value exceeds 100 per cent or the interest cover falls below 1.25x.

As the loan to value is above 70 per cent, a cash trap is now in effect which restricts payments outside of the security group.

## Intu Debenture plc

| | Loan £m | Maturity | Capital cover covenant | Capital cover actual | Interest cover covenant | Interest cover actual |
|---|---|---|---|---|---|---|
| | 231.4 | 2027 | 150.0% | 150.0% | 100.0% | 102.5% |

The debenture is currently secured on a number of the Group's properties including intu Eldon Square, intu Potteries and Soar at intu Braehead.

Should the capital cover or interest cover test be breached, Intu Debenture plc (the 'Issuer') has three months from the date of delivery of the valuation or the latest certificate to the Trustees to make good any deficiencies. Subsequent to year end, the Group has placed £15.0 million of additional security in a charged account.

The Issuer may withdraw property secured on the debenture by paying a sum of money or through the substitution of alternative property provided that the capital cover and interest cover tests are satisfied immediately following the substitution.

## Financial covenants on corporate facilities

| | Net worth covenant | Net worth actual | Interest cover covenant | Interest cover actual | Borrowings/net worth covenant | Borrowings/net worth actual |
|---|---|---|---|---|---|---|
| £600m facility, maturing in 2021[1] | £1,200.0m | £1,235.2m | 120.0% | 165.8% | 125.0% | 118.7% |
| £375m 2.875 per cent convertible bonds, due in 2022 (note 15)[2] | n/a | n/a | n/a | n/a | 175.0% | 33.3% |

1 Tested on the Borrower Group which excludes, at the Group's election, certain subsidiaries with asset-specific finance. The facility is secured on the Group's investments in Manchester Arndale and Cribbs Causeway.

2 Tested on the Group excluding, at the Group's election, the borrowings on certain subsidiaries with asset-specific finance.

## Other asset-specific debt

| Term facilities | Loan £m | Maturity | LTV covenant | LTV actual | Interest cover covenant | Interest cover actual |
|---|---|---|---|---|---|---|
| intu Uxbridge[1] | 20.0[5] | 2020 | 70.0% | 64.1% | 125.0% | 314.0% |
| St David's, Cardiff | 145.2 | 2021 | 65.0% | 63.1% | 150.0% | 208.0% |
| intu Milton Keynes | 137.5 | 2021 | 65.0% | 64.7% | 150.0% | 213.9% |
| intu Trafford Centre, Barton Square[2] | 25.0 | 2021 | 65.0% | 28.6% | 150.0% | 401.1% |
| intu Trafford Centre | 250.0 | 2022 | 65.0% | 60.6% | 103.0%[3] | 104.9% |
| intu Chapelfield | 69.0[6] | 2023 | 65.0% | 64.8% | 150.0% | 186.4% |
| intu Merry Hill | 435.9[4] | 2024 | 75.0% | 74.3% | 150.0% | 254.0% |
| intu Derby[1] | 38.8 | 2024 | 58.5% | 50.2%[7] | 250.0% | 416.1% |
| intu Xanadú[1 (€)] | 131.5 | 2022 | 65.0% | 48.6% | 150.0% | 452.8% |
| Held for sale | | | | | | |
| intu Asturias[1 (€)] | 60.5 | 2021 | 65.0% | 39.3% | 150.0% | 649.6% |
| intu Puerto Venecia[1 (€)] | 112.5 | 2025 | 65.0% | 45.0% | 150.0% | 486.5% |

| Development facilities | Loan £m | Maturity | Loan to development cost covenant | Loan to development cost | Loan to gross development value covenant | Loan to gross development actual |
|---|---|---|---|---|---|---|
| intu Trafford Centre, Barton Square[2] | 19.9 | 2021 | 34.0% | 26.5% | 65.0% | 35.9% |
| intu Broadmarsh | 9.4 | 2022 | 60.0% | 10.5% | 55.0% | 50.0% |

1 Debt shown is consistent with the Group's economic interest. For intu Derby, this is the Group's economic interest at 31 December 2019 after considering our joint venture partner's structured equity interest.

2 In addition to the £25.0 million term facility, we have a committed development funding facility of £25.0 million of which £19.9 million was drawn at 31 December 2019.

3 Covenant is a debt service cover ratio (includes interest and scheduled debt repayments).

4 Loan is stated after a partial repayment of £25.0 million on 20 January 2020.

5 Loan is stated after a partial repayment of £6.0 million on 31 January 2020.

6 Loan is stated after a partial repayment of £5.0 million on 14 February 2020.

7 Figure presented based on 31 December 2019 valuation. LTV covenant tested against initial valuation.

## Interest rate swaps

It is Group policy, and often a requirement of the Group's lenders, to eliminate substantially all exposure to interest rate fluctuations by using floating to fixed interest rate swaps in order to establish certainty over cash flows. These swaps have the economic effect of converting borrowings from floating to fixed rates.

The table below sets out the nominal amount and average rate of hedging, excluding lenders' margins, in place under current and forward-starting swap contracts including the Group's share of joint ventures adjusted for swap repayments up to the date of these results:

| | Nominal amount £m | Average rate % |
|---|---|---|
| In effect on or after: | | |
| 1 year | 1,896.4 | 2.66% |
| 2 years | 1,720.2 | 2.81% |
| 5 years | 592.6 | 5.03% |
| 10 years | 582.3 | 5.01% |
| 15 years | 400.2 | 4.76% |

# Other financial information including share of joint ventures (unaudited)
for the year ended 31 December 2019

## 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.

| £m | 2019 | 2018 |
|---|---|---|
| Total borrowings | 4,916.8 | 5,331.0 |
| Cash and cash equivalents | (223.0) | (274.3) |
| Net debt | 4,693.8 | 5,056.7 |
| Less Metrocentre compound financial instrument | (195.4) | (189.5) |
| Net external debt | 4,498.4 | 4,867.2 |
| Analysed as: | | |
| Debt including Group's share of joint ventures | 4,721.4 | 5,141.5 |
| Cash including Group's share of joint ventures | (223.0) | (274.3) |
| Net external debt | 4,498.4 | 4,867.2 |

## Debt to assets ratio

| £m | 2019 | 2018 |
|---|---|---|
| Market value of investment and development property | 6,633.3 | 9,167.4 |
| Net external debt | (4,498.4) | (4,867.2) |
| Debt to assets ratio | 67.8% | 53.1% |

Taking into account the net proceeds from the sale of intu Asturias and intu Puerto Venecia of £163.7 million (see note 20), the debt to assets ratio would be 65.3 per cent.

## Interest cover

| £m | 2019 | 2018 |
|---|---|---|
| Finance costs | (227.5) | (223.0) |
| Less amortisation of Metrocentre compound financial instrument | 5.9 | 5.9 |
| Finance income | 2.9 | 2.6 |
| | (218.7) | (214.5) |
| Underlying operating profit | 364.7 | 409.4 |
| Interest cover | 1.67x | 1.91x |

## 1 Summary

The EPRA Best Practice Recommendations identify six key performance measures, including the EPRA cost ratios. The measures are deemed to be of importance for investors in European property companies and aim to encourage more consistent and widespread disclosure. The Group is supportive of this initiative but continues to disclose additional APMs throughout this report which it believes are more appropriate to the Group's current circumstances. These EPRA measures are calculated in accordance with the EPRA Best Practices Recommendations Guidelines.

In 2019, the Group retained its EPRA Gold Award for exceptional compliance with the EPRA Best Practice Recommendations.

The EPRA measures are summarised below and detailed in the tables following and notes referenced:

| | Section | 2019 | 2018 |
|---|---|---|---|
| EPRA cost ratio (including direct vacancy costs) | 2 | 22.6% | 20.1% |
| EPRA cost ratio (excluding direct vacancy costs) | 2 | 16.1% | 15.3% |
| EPRA earnings | 3 | £33.1m | £210.5m |
| — per share | 3 | 2.5p | 15.7p |
| EPRA NAV | 4 | £1,977.3m | £3,947.1m |
| — per share | 4 | 147p | 293p |
| EPRA NNNAV | 4 | £2,005.2m | £3,640.7m |
| — per share | 4 | 149p | 271p |
| EPRA NIY | 5 | 5.7% | 4.8% |
| EPRA 'topped-up' NIY | 5 | 5.9% | 5.0% |
| EPRA vacancy rate | 6 | 5.1% | 3.3% |

Details of the Group's performance against the EPRA Best Practice Recommendations on Sustainability Reporting can be found in full in the 2019 sustainability report. In 2019, the Group retained its Gold EPRA Sustainability Best Practice Recommendations award.

## 2 EPRA cost ratios

| £m | 2019 | 2018 |
|---|---|---|
| Administration expenses – ongoing | 39.5 | 42.9 |
| Net service charge costs | 16.2 | 17.0 |
| Other non-recoverable costs | 44.5 | 38.3 |
| Share of joint ventures' adjusted items | 10.1 | 8.4 |
| Remove: | | |
| Service charge costs recovered through rents | (4.6) | (4.3) |
| EPRA costs – including direct vacancy costs | 105.7 | 102.3 |
| Direct vacancy costs | (27.1) | (21.4) |
| Share of joint ventures' adjusted items | (3.3) | (2.9) |
| EPRA costs – excluding direct vacancy costs | 75.3 | 78.0 |
| | | |
| Rent receivable | 424.0 | 467.3 |
| Rent payable | (15.2) | (13.5) |
| Share of joint ventures' adjusted items | 62.5 | 59.3 |
| Gross rental income less ground rent payable | 471.3 | 513.1 |
| Remove: | | |
| Service charge costs recovered through rents | (4.6) | (4.3) |
| Gross rental income | 466.7 | 508.8 |
| | | |
| EPRA cost ratio (including direct vacancy costs) | 22.6% | 20.1% |
| EPRA cost ratio (excluding direct vacancy costs) | 16.1% | 15.3% |

## 3 EPRA earnings per share

| £m | 2019 | 2018 |
|---|---|---|
| Loss attributable to owners of intu properties plc | (1,950.9) | (1,132.2) |
| Adjusted for: | | |
| Revaluation of investment and development property (note 8) | 1,796.8 | 1,332.8 |
| Loss on disposal of subsidiaries | 6.3 | 8.5 |
| Gain on sale of investment and development property | (3.9) | (1.4) |
| Write-down on recognition of joint ventures and other assets classified as held for sale (note 20) | 38.0 | – |
| Impairment of goodwill | 4.0 | – |
| Administration expenses – exceptional (EPRA defined)[1] | – | 8.0 |
| Other finance charges – exceptional (EPRA defined)[1] | 1.3 | – |
| Change in fair value of financial instruments (EPRA defined)[2] | 38.0 | (36.6) |
| Tax on the above items[3] | (16.6) | (5.8) |
| Share of joint ventures' adjusted items | 186.1 | 77.1 |
| Share of associates' adjusted items | 1.2 | (2.2) |
| Non-controlling interests in respect of the above | (67.2) | (37.7) |
| EPRA earnings – basic | 33.1 | 210.5 |
| Dilutive convertible bonds, share options and share awards | – | – |
| EPRA earnings – diluted | 33.1 | 210.5 |
| | | |
| Per share – basic[4] (pence) | 2.5p | 15.7p |
| Per share – diluted[4] (pence) | 2.5p | 15.7p |

A reconciliation from EPRA earnings to the Group's APM of underlying earnings is provided below:

| £m | 2019 | 2018 |
|---|---|---|
| EPRA earnings – basic | 33.1 | 210.5 |
| Adjusted for: | | |
| Impairment of investment in associates | 7.4 | – |
| Impairment of loan to associate | 5.5 | – |
| Administration expenses – exceptional (non-EPRA defined) | 3.4 | 5.1 |
| Other finance charges – exceptional (non-EPRA defined) | 35.6 | 32.9 |
| Change in fair value of financial instruments (unallocated swaps) | 34.9 | (50.7) |
| Other exceptional tax | 6.4 | – |
| Share of joint ventures' adjusted items | 0.8 | (5.8) |
| Share of associates' adjusted items | 0.1 | 1.1 |
| Underlying earnings – basic | 127.2 | 193.1 |
| Per share – basic[4] (pence) | 9.5p | 14.4p |

1 With the exception of termination costs on allocated interest rate swaps and costs related to acquisitions, which are both excluded from EPRA earnings, exceptional finance costs (as detailed in note 4) and exceptional administration expenses (as detailed in note 3) are included in EPRA earnings.

2 Fair value movements on interest rate swaps not currently used for economic hedges of debt (referred to as unallocated swaps) are included in EPRA earnings.

3 The tax expense in respect of the prior year minimum PID shortfall has been included within EPRA earnings.

4 See note 7(a) for the weighted average number of shares.

## 4 EPRA NAV per share and EPRA NNNAV per share

| £m | 2019 EPRA NAV | 2019 EPRA NNNAV | 2018 EPRA NAV | 2018 EPRA NNNAV |
|---|---|---|---|---|
| Net assets attributable to owners of intu properties plc | 1,904.2 | 1,904.2 | 3,811.7 | 3,811.7 |
| Adjusted for: | | | | |
| Fair value of derivative financial instruments (net of tax) (EPRA defined)[1] | 118.8 | – | 96.8 | – |
| Fair value of convertible bonds | (120.1) | – | (60.1) | – |
| Difference in fair value of debt over book value | – | 57.5 | – | (206.7) |
| Deferred tax on investment and development property | 0.9 | – | 18.0 | – |
| Share of joint ventures' adjusted items | 2.2 | (40.5) | 9.4 | (42.6) |
| Non-controlling interest included in the above amounts | – | 12.7 | – | 7.0 |
| Non-controlling interest recoverable balance not recognised | 71.3 | 71.3 | 71.3 | 71.3 |
| Net assets | 1,977.3 | 2,005.2 | 3,947.1 | 3,640.7 |
| Per share – diluted[2] (pence) | 147p | 149p | 293p | 271p |

1 Fair value movements on interest rate swaps not currently used for economic hedges of debt (referred to as unallocated swaps) are included in EPRA NAV.

2 The diluted number of shares used of 1,346.1 million (2018: 1,345.6 million) has been adjusted to remove shares held in the ESOP and includes the impact of any dilutive convertible bonds, share options and share awards.

## 5 EPRA NIY and 'topped-up' NIY

| £m | 2019 | 2018 |
|---|---|---|
| Investment and development property | 6,633 | 9,167 |
| Less developments | (287) | (342) |
| Completed property portfolio | 6,346 | 8,825 |
| Allowance for estimated purchasers' costs | 392 | 609 |
| Gross up completed property portfolio valuation | 6,738 | 9,434 |
| | | |
| Annualised cash passing rental income | 412 | 474 |
| Property outgoings | (31) | (25) |
| Annualised net rents | 381 | 449 |
| Notional rent on expiration of rent-free periods or other lease incentives | 19 | 25 |
| Topped-up net annualised rent | 400 | 474 |
| | | |
| EPRA NIY | 5.7% | 4.8% |
| EPRA 'topped-up' NIY | 5.9% | 5.0% |

EPRA NIY and 'topped-up' NIY by property is given in the investment and development property section.

## 6 EPRA vacancy rate

| % | 2019 | 2018 |
|---|---|---|
| intu Trafford Centre | 7.6 | 2.1 |
| intu Lakeside | 4.3 | 2.9 |
| intu Metrocentre | 8.2 | 5.1 |
| intu Merry Hill | 5.4 | 6.6 |
| intu Braehead | 2.1 | 1.3 |
| intu Watford | 3.5 | 3.9 |
| Manchester Arndale | 4.9 | 1.7 |
| intu Eldon Square | 2.7 | 1.4 |
| intu Milton Keynes | 3.0 | 1.7 |
| intu Victoria Centre | 1.6 | 1.8 |
| Cribbs Causeway | 2.4 | 2.6 |
| St David's, Cardiff | 4.5 | 7.8 |
| intu Xanadú | 3.9 | 2.3 |
| intu Chapelfield | 2.3 | 0.7 |
| intu Derby | 5.1 | 4.8 |
| intu Puerto Venecia[1] | n/a | 0.5 |
| intu Asturias[1] | n/a | 1.1 |
| | 5.1 | 3.3 |

1 Classified as held for sale at 31 December 2019 (see note 20).

# Underlying profit statement (unaudited)

The underlying profit information in the table below shows the Group including share of joint ventures on a line-by-line basis:

| £m | Year ended 31 December 2019 | Re-presented[1] Year ended 31 December 2018 | Six months ended 31 December 2019 | Re-presented[1] Six months ended 31 December 2018 | Six months ended 30 June 2019 | Re-presented[1] Six months ended 30 June 2018 |
|---|---|---|---|---|---|---|
| Net rental income | 401.6 | 450.5 | 196.4 | 227.4 | 205.2 | 223.1 |
| Net other income | 3.6 | 2.9 | 2.2 | 0.9 | 1.4 | 2.0 |
| Administration expenses | (40.5) | (44.0) | (19.7) | (22.3) | (20.8) | (21.7) |
| Underlying operating profit | 364.7 | 409.4 | 178.9 | 206.0 | 185.8 | 203.4 |
| Finance costs | (227.5) | (223.0) | (112.5) | (114.4) | (115.0) | (108.6) |
| Finance income | 2.9 | 2.6 | 1.4 | 1.3 | 1.5 | 1.3 |
| Underlying net finance costs | (224.6) | (220.4) | (111.1) | (113.1) | (113.5) | (107.3) |
| Underlying profit before tax and associates | 140.1 | 189.0 | 67.8 | 92.9 | 72.3 | 96.1 |
| Tax on underlying profit | (17.6) | (0.7) | (8.9) | (0.3) | (8.7) | (0.4) |
| Share of underlying profit of associates | 1.0 | 1.2 | 0.4 | 0.6 | 0.6 | 0.6 |
| Remove underlying amounts attributable to non-controlling interests | 3.7 | 3.6 | 1.5 | 1.4 | 2.2 | 2.2 |
| Underlying earnings | 127.2 | 193.1 | 60.8 | 94.6 | 66.4 | 98.5 |
| Underlying EPS (pence) | 9.5p | 14.4p | 4.5p | 7.0p | 4.9p | 7.3p |
| Weighted average number of shares (million) | 1,344.5 | 1,343.7 | 1,344.7 | 1,343.8 | 1,344.3 | 1,343.6 |

1 See note 1 for details of re-presented amounts.

# Glossary

**ABC1 visitors** Proportion of visitors within UK social groups A, B and C1, defined as members of households whose chief earner's occupation is professional, higher or intermediate management, or supervisory.

**APM (alternative performance measure)** Financial measure of historical or future financial performance, position or cash flows of the Group that are not defined or specified in IFRS. See presentation of information section for further details.

**Annual property income** The Group's share of passing rent plus the independent external valuers' estimate of annual excess turnover rent and sundry income such as from car parks and mall commercialisation.

**CACI** Provides market research on intu's visitors and UK-wide location analysis.

**Debt to assets ratio** Net external debt divided by the market value of investment and development property. Calculated including the Group's share of joint ventures.

**Diluted figures** Reported amounts adjusted to include the effects of dilutive potential shares issuable under convertible bonds and employee incentive arrangements.

**EPS (earnings per share)** Profit/loss for the year attributable to owners of intu properties plc divided by the weighted average number of shares in issue during the year.

**EPRA** European Public Real Estate Association, the publisher of Best Practice Recommendations intended to make financial statements of public real estate companies in Europe clearer, more transparent and comparable.

**EPRA cost ratios** The ratio of administration and operating costs (including and excluding direct vacancy costs) divided by gross rental income, as calculated in accordance with EPRA Best Practice Recommendations. See EPRA measures section for further details.

**EPRA earnings** IFRS profit/loss adjusted to exclude valuation movements, certain exceptional items and related tax, as calculated in accordance with EPRA Best Practice Recommendations. Per share measure calculated on basic and diluted shares. See EPRA measures section for further details.

**EPRA NAV** IFRS NAV adjusted to remove the fair value of derivatives (net of tax), goodwill resulting from the recognition of deferred tax liabilities and deferred tax on investment and development property as calculated in accordance with EPRA Best Practice Recommendations. Per share measure calculated on diluted shares. See EPRA measures section for further details.

**EPRA net initial yield (NIY)** Annualised net rent on investment property (after deduction of revenue costs such as head rent, running void, service charge after shortfalls, empty rates and merchant association contribution) expressed as a percentage of the gross market value before deduction of theoretical acquisition costs, as calculated in accordance with EPRA Best Practice Recommendations and as provided by the Group's independent external valuers.

**EPRA NNNAV** EPRA NAV adjusted to reflect the fair value of borrowings, derivative financial instruments and deferred tax on revaluation of investment and development property, as calculated in accordance with EPRA Best Practice Recommendations. See EPRA measures section for further details.

**EPRA 'topped-up' NIY** EPRA NIY adjusted for the expiration of rent-free periods and other unexpired lease incentives.

**EPRA vacancy rate** The ERV of vacant space divided by total ERV.

**ERV (estimated rental value)** The independent external valuers' estimate of the Group's share of the current annual market rent of all lettable space after expiry of concessionary periods.

**Exceptional items** Items that in the directors' view are required to be separately disclosed by virtue of their size, nature or incidence. These include administration expenses – exceptional (as disclosed in note 3), other finance charges – exceptional (as disclosed in note 4) and current tax – exceptional (as disclosed in note 5). Underlying earnings is considered to be a key measure in understanding the Group's financial performance and excludes exceptional items.

**Headline rent ITZA** Annual contracted rent per square foot after expiry of concessionary periods in terms of Zone A.

**Interest cover** Underlying operating profit/loss divided by the net finance costs excluding the change in fair value of financial instruments, other finance charges – exceptional and amortisation of the Metrocentre compound financial instrument. Calculated including the Group's share of joint ventures.

**Interest rate protection** The proportion of debt where interest obligations are fixed (including debt where interest rate swaps are used to fix interest obligations) expressed as a percentage of total debt excluding finance leases and the Metrocentre compound financial instrument.

**Interest rate swap** A derivative financial instrument enabling parties to exchange interest rate obligations for a predetermined period. These are used by the Group to convert floating rate debt to fixed rates.

**Like-for-like amounts** Investment property which has been owned throughout both periods without significant capital expenditure in either period, so that income can be compared on a like-for-like basis. For the purposes of comparison of capital values, this will also include assets owned at the previous reporting period end but not throughout the prior period. See presentation of information section for further details.

**Long-term lease** A lease with a term certain of at least five years.

**LTV (loan to value)** The ratio of attributable debt to the market value of an investment property.

**MSCI** Producer of an independent benchmark of property returns.

**NAV (diluted, adjusted)** IFRS NAV adjusted to remove the fair value of derivatives (net of tax), goodwill resulting from the recognition of deferred tax liabilities, and deferred tax on investment and development property and other investments. Per share measure calculated on a diluted basis.

**NAV (net asset value) per share** Net assets attributable to owners of intu properties plc divided by the number of ordinary shares in issue at the period end.

**Net external debt** Total borrowings less cash and cash equivalents and the Metrocentre compound financial instrument calculated including the Group's share of joint ventures.

**Net rental income (NRI)** The Group's share of net rents receivable as shown in the income statement, having taken due account of non-recoverable costs, bad debt provisions and adjustments to comply with IFRS including those regarding tenant incentives.

**Nominal equivalent yield** Effective annual yield to a purchaser from an asset at market value before taking account of notional acquisition costs assuming rent is receivable annually in arrears, reflecting ERV but disregarding potential changes in market rents, as determined by the Group's independent external valuers.

**Occupancy** The ERV of let and under-offer units divided by total ERV, excluding development and recently completed properties. Units let to tenants in administration and still trading are treated as let and those no longer trading are treated as un-let.

**Occupancy cost ratio (OCR)** The ratio of a unit's occupancy costs (rent, rates and service charge) against the sales generated.

**Passing rent** The Group's share of contracted annual rents receivable at the balance sheet date. This takes no account of accounting adjustments made in respect of rent-free periods or tenant incentives, the reclassification of certain lease payments as finance charges or any irrecoverable costs and expenses, and does not include excess turnover rent, additional rent in respect of unsettled rent reviews or sundry income such as from car parks. Contracted annual rents in respect of tenants in administration are excluded.

**PMA** Property Market Analysis LLP, a producer of property market research and forecasting.

**PID (Property Income Distribution)** A dividend, generally subject to UK withholding tax at the basic rate of income tax, that a UK REIT pays to its shareholders from its qualifying rental profits. Certain classes of shareholder may qualify to receive a PID gross; shareholders should refer to intugroup.co.uk for further information. The Group can also pay non-PID dividends that are not subject to UK withholding tax.

**REIT (Real Estate Investment Trust)** REITs are internationally recognised property investment vehicles which have now been introduced in many countries around the world. Each country has its own rules, but the broad intention of REITs is to encourage investment in domestic property by removing tax distortions for investors.

In order for profits of UK property rental businesses to be exempt from corporation tax, a REIT must meet certain ongoing rules and regulations, including the requirement to distribute at least 90 per cent of qualifying rental profits to shareholders. Withholding tax of 20 per cent is deducted from these PIDs. Profits from a REIT's non-property business remain subject to normal corporation tax. The Group elected for REIT status in the UK with effect from 1 January 2007.

**Scrip Dividend Scheme** The Group may offer shareholders the opportunity to participate in the Scrip Dividend Scheme. This enables participating shareholders to receive shares instead of cash when a Scrip Alternative is offered for a particular dividend.

**Short-term lease** A lease with a term certain of less than five years.

**Tenant (or lease) incentives** Any incentives offered to occupiers to enter into a lease. Typically, incentives are in the form of an initial rent-free period and/or a cash contribution to fit out the premises. Under IFRS the value of incentives granted to tenants is amortised through the income statement on a straight-line basis over the lease term.

**'Topped-up' NIY** Equivalent to EPRA 'topped-up' NIY (see definition).

**Total property return (TPR)** The change in capital value, less any capital expenditure incurred, plus net income in the year expressed as a percentage of the capital employed (opening capital value plus capital expenditure incurred) in the year as calculated by MSCI.

**Underlying earnings** IFRS profit/loss adjusted to exclude valuation movements, exceptional items and related tax. Per share measure calculated on basic shares. See presentation of information section for further details.

**Underlying operating profit/loss** Consists of net rental income, net other income and administration expenses – ongoing. Calculated including the Group's share of joint ventures.