Accounts

Independent auditors' report to the members of intu properties plc

Report on the financial statements

Our opinion

In our opinion:

- intu properties plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2015 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

The financial statements, included in the Annual Report, comprise:

- the Group and Company balance sheets as at 31 December 2015;
- the Group consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the Group and Company statements of changes in equity for the year then ended;
- the Group and Company statements of cash flows for the year then ended; and
- the notes to the accounts, which include a summary of significant accounting policies and other explanatory information.

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

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

Our audit approach

Context

During the year to 31 December 2015, there have been no significant changes to business operations, investment property market yields, or to accounting standards relevant to the Group. The most significant transactional activity was in relation to the acquisition and subsequent part disposal of Puerto Venecia, Zaragoza, in Spain. As a result our audit approach is largely consistent with the prior year, with the same recurring areas of focus.

Overview

Materiality	— Overall Group materiality: £101 million (2014: £96 million) which represents 1 per cent of total assets — Specific materiality: £9 million (2014: £8 million) which represents 5 per cent of underlying profit before tax and associates
Audit scope	— The Group and Company financial statements are produced by the Group's central finance department using a single, consolidated general ledger, and the whole business was subject to the same audit scope
Areas of focus	— Valuation of investment properties — Acquisition of Puerto Venecia, Zaragoza, and subsequent part disposal, resulting in the Group's interest being accounted for as a joint venture

The scope of our audit and our areas of focus

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

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

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

Area of focus	How our audit addressed the area of focus
Valuation of investment properties The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material change, warrants specific audit focus in this area. The Group's investment properties are all shopping centres and comprise the majority of the assets in the Group balance sheet, their carrying value amounting to £8.4 billion. Refer to note 19. Additionally the carrying value of the Group's share of investment properties held within joint ventures is £1.1 billion. Refer to note 22. The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental revenues for that particular property. The valuations were carried out by third party valuers, CBRE, Knight Frank, Jones Lang LaSalle and Cushman & Wakefield (the "Valuers"). The Valuers were engaged by the Directors, and performed their work in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation – Professional Standards. The Valuers used by the Group are well-known firms, with considerable experience of the market in which the Group operates. In determining a property's valuation the Valuers take into account property specific information such as the current tenancy agreements and rental income attached to the asset. They then apply assumptions as regards yield and Estimated Rental Value, which are influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation. Due to the unique nature of each shopping centre, the assumptions to be applied are determined having regard to the individual property characteristics at a granular, unit-by-unit level, as well as considering the qualities of the shopping centre as a whole.	Given the inherent subjectivity involved in the valuation of investment properties, the need for deep market knowledge when determining the most appropriate assumptions, and the technicalities of valuation methodology, we engage our internal valuation specialists (qualified chartered surveyors) to assist us in our audit of this significant risk area. We read the valuation reports for all properties and attended meetings with each of the Valuers. We confirmed that the valuation approach for each was in accordance with RICS and suitable for use in determining the carrying value in the Group balance sheet. We assessed the Valuers' qualifications and expertise and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We also considered other engagements which might exist between the Group and the Valuers. We found no evidence to suggest that the objectivity of any Valuer in their performance of the valuations was compromised. We carried out procedures, on a sample basis, to test whether property-specific standing data supplied to the Valuers by management reflected the underlying property records held by the Group and which had been tested during our audit. We found them to be consistent. Our work focused on the largest properties in the portfolio and those properties where the assumptions used and / or year-on-year capital value movement suggested a possible outlier versus market data for the shopping centre sector. We compared the investment yields used by the Valuers to an estimated range of expected yields, determined via reference to published benchmarks, and to recent transactions. We also considered the reasonableness of other assumptions that are not so readily comparable to published benchmarks, such as Estimated Rental Value, void rates and rent free periods. Finally, we evaluated year-on-year movements in capital value with reference to published benchmarks. Where assumptions were outside the expected range or otherwise deemed unusual, and/or valuations appeared to experience unexpected movements, we undertook further investigations and, when necessary, held further discussions with the Valuers in order to challenge the assumptions. It was evident from our interaction with management and the Valuers and from reading the valuation reports that close attention had been paid to each property's individual characteristics at a granular, unit-by-unit level, as well as considering the overall quality, geographic location and desirability of the asset as a whole. The evaluation of what were the right assumptions to apply to any given property included determining the level of impact that recent significant market transactions should have on each individual property's valuation, given its unique characteristics. We observed discussions between management and the Valuers which evidenced that alternative assumptions were considered and evaluated before the final valuation was determined. We found that the assumptions used in the valuations were supportable in light of available and comparable market evidence.

Independent auditors' report to the members of intu properties plc continued

Area of focus	How our audit addressed the area of focus
Acquisition of Puerto Venecia, Zaragoza and subsequent part disposal On 19 January 2015 intu acquired the Puerto Venecia shopping centre in Zaragoza, Spain, with consideration of €273.5 million paid in return for investment property valued at €450.8 million, together with other assets and liabilities (including €181.0 million of external debt which was repaid and refinanced on acquisition). The acquisition was treated as a business combination. Refer to note 40. Subsequently, on 30 September 2015, the Group entered into a joint venture agreement with CPPIB (intu properties' partner in the Parque Principado shopping centre), selling 50 per cent of its interest in Puerto Venecia for consideration of €122.3 million. This part disposal has resulted in Puerto Venecia, previously accounted for as a subsidiary, being accounted for as a joint venture from the date of part disposal. Refer to note 41.	With respect to the acquisition of Puerto Venecia we inspected the purchase agreements and assessed management's determination of the fair value of assets and liabilities acquired, including the valuation methodology applied and the assumptions underlying the acquisition date valuation. We assessed whether the classification as a business combination and treatment of the various aspects of the transaction were in accordance with IFRS 3 Business Combinations which defines a business as "an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants". Key factors we considered were that the acquisition involved the purchase of relevant inputs (the property and leases) and processes (including staff and management contracts to run the centre) that would enable the purchased business to operate independently of the rest of the Group in order to generate a return. With respect to the part disposal, we read the sale and purchase agreement and other documents related to the sale to check whether it was appropriate to account for Puerto Venecia as a joint venture. No issues arose from these procedures: the shareholders' agreement grants each party an equal number of board members all with equal voting rights and, because all decisions about the relevant activities of the business require the consent of both parties, Puerto Venecia was deemed to be subject to joint control. We also considered the disclosures in the financial statements in respect of the initial acquisition and the subsequent part disposal and found that they were in accordance with applicable accounting standards (IFRS 3 Business Combinations and IFRS 12 Disclosure of Interests in Other Entities).

How we tailored the audit scope

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

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

Although the Group has some interests in shopping centre operations outside the UK and the Group is structured as two operating segments, it operates a single reporting process with a centralised accounting function, therefore the whole business was subject to the same audit scope. The Group and Company financial statements are produced using numbers which are maintained on a single, consolidated trial balance, by the Group's finance department. The majority of the underlying accounting records are maintained on the Group's single general ledger.

For Manchester Arndale, Cribbs Causeway, Centaurus Retail Park and St David's, Cardiff rental income and property expense numbers are submitted quarterly by external property managers to the Group's finance department, who then review and enter the numbers onto the Group's general ledger. We perform tests of controls over the review of the quarterly submissions and entry onto the Group's general ledger, and tests of details over the numbers within those submissions.

Quarterly submissions are also submitted to the Group's finance department for intu Asturias and Puerto Venecia, from the intu Spain finance team. We carry out controls testing over these submissions in the same manner as for the UK submissions. The UK audit team instructs the audit team in PwC Spain to perform specified substantive procedures on the submission packs for the Spanish centres. Puerto Venecia was in scope for the first time this year, following acquisition in 2015. The UK audit team determined the level of audit work required over the Spain submission packs by the audit team in Spain, and held regular discussions throughout the planning and execution phases of the audit. We assessed the findings of the work performed by the audit team in Spain in order to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

Materiality

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

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

Overall Group materiality	£101 million (2014: £96 million)
How we determined it	1 per cent of total assets
Rationale for benchmark applied	in arriving at this judgement we had regard to the carrying value of the Group's assets, acknowledging that the primary measurement attribute of the Group is the carrying value of investment property. This represents a consistent year-on-year basis for determining materiality
Specific Group materiality	£9 million (2014: £8 million). Applied to net rental income and expenses
How we determined it	5 per cent of underlying profit before tax and associates
Rationale for benchmark applied	in arriving at this judgement we have had regard to underlying operating profit acknowledging that this is a secondary measurement attribute of the Group

We agreed with the Audit Committee that, for areas based on overall Group materiality, we would report to them misstatements identified during our audit above £10 million (2014: £8 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 109, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and Company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Company's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinions

In our opinion:

— the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
— the information given in the Corporate Governance Statement set out on pages 58 to 93 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Independent auditors' report to the members of intu properties plc continued

ISAs (UK & Ireland) reporting

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

— Information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Company acquired in the course of performing our audit; or – is otherwise misleading.	We have no exceptions to report.
— the statement given by the Directors on page 94, in accordance with provision C.1.1 of the UK Corporate Governance Code ("the Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company acquired in the course of performing our audit.	We have no exceptions to report.
— the section of the Annual Report on pages 72 to 75, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

— the Directors' confirmation on page 37 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
— the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
— the Directors' explanation on page 71 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the group and the Directors' statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

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

Other Companies Act 2006 reporting

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

Corporate governance statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the Company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the corporate governance statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the statement of Directors' responsibilities set out on page 94, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

— whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
— the reasonableness of significant accounting estimates made by the Directors; and
— the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Ranjan Sriskandan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 February 2016

Notes

— The maintenance and integrity of the intu properties plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
— Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement
for the year ended 31 December 2015

	Notes	2015 £m	2014 £m
Revenue	3	**571.6**	536.4
Net rental income	3	**381.8**	362.6
Net other income	4	**6.9**	4.8
Revaluation of investment and development property	19	**264.9**	567.8
(Loss)/gain on acquisition of businesses	5	**(0.8)**	1.6
Gain on disposal of subsidiaries	41	**2.2**	0.6
Gain on sale of other investments		**0.9**	–
Administration expenses – ongoing		**(37.3)**	(30.8)
Administration expenses – exceptional	6	**(1.0)**	(13.8)
Operating profit		**617.6**	892.8
Finance costs	10	**(206.6)**	(197.1)
Finance income	11	**18.7**	11.9
Other finance costs	12	**(37.3)**	(56.8)
Change in fair value of financial instruments	13	**6.0**	(157.6)
Net finance costs		**(219.2)**	(399.6)
Profit before tax, joint ventures and associates		**398.4**	493.2
Share of post-tax profit of joint ventures	22	**108.6**	99.7
Share of post-tax profit of associates	24	**6.0**	0.8
Profit before tax		**513.0**	593.7
Current tax	14	**(0.4)**	(0.5)
Deferred tax	14	**5.0**	6.6
Taxation	14	**4.6**	6.1
Profit for the year		**517.6**	599.8
Attributable to:			
Owners of intu properties plc		**518.4**	586.2
Non-controlling interests		**(0.8)**	13.6
		517.6	599.8
Basic earnings per share	17	**39.3p**	48.0p
Diluted earnings per share	17	**37.5p**	46.3p

Details of underlying earnings are presented in the underlying profit statement on page 167. Underlying earnings per share are shown in note 17(c).

Consolidated statement of comprehensive income
for the year ended 31 December 2015

	Notes	2015 £m	2014 £m
Profit for the year		**517.6**	599.8
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Revaluation of other investments	25	**12.8**	21.1
Exchange differences		**7.6**	7.0
Tax relating to components of other comprehensive income	14	**(5.0)**	(6.6)
Total items that may be reclassified subsequently to profit or loss		**15.4**	21.5
Reclassified to income statement on sale of other investments		**(0.6)**	–
Other comprehensive income for the year		**14.8**	21.5
Total comprehensive income for the year		**532.4**	621.3
Attributable to:			
Owners of intu properties plc		**533.2**	608.1
Non-controlling interests		**(0.8)**	13.2
		532.4	621.3

Balance sheets
as at 31 December 2015

	Notes	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Non-current assets					
Investment and development property	19	**8,403.9**	8,019.6	**–**	–
Plant and equipment	20	**5.0**	5.1	**4.2**	3.9
Investment in group companies	21	**–**	–	**2,866.6**	2,704.7
Investment in joint ventures	22	**991.9**	851.5	**–**	–
Investment in associates	24	**54.7**	38.0	**–**	–
Other investments	25	**210.3**	189.7	**–**	–
Goodwill	26	**4.0**	4.0	**–**	–
Deferred tax	36	**–**	–	**1.1**	0.4
Derivative financial instruments	29	**–**	9.0	**–**	–
Trade and other receivables	27	**89.3**	99.7	**–**	–
		9,759.1	9,216.6	**2,871.9**	2,709.0
Current assets					
Trade and other receivables	27	**108.8**	114.7	**1,266.9**	1,286.8
Derivative financial instruments	29	**3.2**	0.7	**–**	–
Cash and cash equivalents	28	**275.8**	230.0	**0.3**	1.0
		387.8	345.4	**1,267.2**	1,287.8
Total assets		**10,146.9**	9,562.0	**4,139.1**	3,996.8
Current liabilities					
Trade and other payables	30	**(275.5)**	(251.5)	**(346.3)**	(394.1)
Current tax liabilities		**(0.4)**	(0.6)	**(0.4)**	(0.4)
Borrowings	31	**(139.3)**	(21.3)	**–**	–
Derivative financial instruments	29	**(12.0)**	(80.7)	**–**	–
		(427.2)	(354.1)	**(346.7)**	(394.5)
Non-current liabilities					
Borrowings	31	**(4,332.3)**	(4,332.7)	**(353.7)**	(230.0)
Derivative financial instruments	29	**(329.7)**	(275.8)	**(26.4)**	(25.6)
Other payables		**(2.8)**	(2.6)	**–**	–
		(4,664.8)	(4,611.1)	**(380.1)**	(255.6)
Total liabilities		**(5,092.0)**	(4,965.2)	**(726.8)**	(650.1)
Net assets		**5,054.9**	4,596.8	**3,412.3**	3,346.7
Equity					
Share capital	37	**672.3**	658.4	**672.3**	658.4
Share premium	37	**1,303.1**	1,222.0	**1,303.1**	1,222.0
Treasury shares	38	**(43.3)**	(45.1)	**(43.3)**	(45.1)
Other reserves	39	**372.8**	358.0	**61.4**	61.4
Retained earnings		**2,671.5**	2,330.7	**1,418.8**	1,450.0
Attributable to owners of intu properties plc		**4,976.4**	4,524.0	**3,412.3**	3,346.7
Non-controlling interests		**78.5**	72.8	**–**	–
Total equity		**5,054.9**	4,596.8	**3,412.3**	3,346.7

These consolidated financial statements have been approved for issue by the Board of Directors on 26 February 2016.

David Fischel
Chief Executive

Matthew Roberts
Chief Financial Officer

The notes on pages 109 to 159 form part of these consolidated financial statements.

Statements of changes in equity

for the year ended 31 December 2015

Group	Share capital £m	Share premium £m	Treasury shares £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
	Attributable to owners of intu properties plc							
At 1 January 2015	658.4	1,222.0	(45.1)	358.0	2,330.7	4,524.0	72.8	4,596.8
Profit/(loss) for the year	–	–	–	–	518.4	518.4	(0.8)	517.6
Other comprehensive income:								
Revaluation of other investments (note 25)	–	–	–	12.8	–	12.8	–	12.8
Exchange differences	–	–	–	7.6	–	7.6	–	7.6
Tax relating to components of other comprehensive income (note 14)	–	–	–	(5.0)	–	(5.0)	–	(5.0)
Reclassified to income statement on sale of other investments	–	–	–	(0.6)	–	(0.6)	–	(0.6)
Total comprehensive income for the year	**–**	**–**	**–**	**14.8**	**518.4**	**533.2**	**(0.8)**	**532.4**
Ordinary shares issued (note 37)	13.9	81.1	–	–	–	95.0	–	95.0
Dividends (note 16)	–	–	–	–	(179.4)	(179.4)	–	(179.4)
Share-based payments (note 47)	–	–	–	–	4.8	4.8	–	4.8
Acquisition of treasury shares	–	–	(1.6)	–	–	(1.6)	–	(1.6)
Disposal of treasury shares	–	–	3.4	–	(3.0)	0.4	–	0.4
Non-controlling interest additions	–	–	–	–	–	–	6.5	6.5
	13.9	81.1	1.8	–	(177.6)	(80.8)	6.5	(74.3)
At 31 December 2015	**672.3**	**1,303.1**	**(43.3)**	**372.8**	**2,671.5**	**4,976.4**	**78.5**	**5,054.9**

Statements of changes in equity continued

for the year ended 31 December 2014

Group	Share capital £m	Share premium £m	Treasury shares £m	Convertible bonds £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
	Attributable to owners of intu properties plc								
At 1 January 2014	486.9	695.6	(48.2)	143.7	500.5	1,740.3	3,518.8	102.3	3,621.1
Profit for the year	–	–	–	–	–	586.2	586.2	13.6	599.8
Other comprehensive income:									
Revaluation of other investments (note 25)	–	–	–	–	21.1	–	21.1	–	21.1
Exchange differences	–	–	–	–	7.4	–	7.4	(0.4)	7.0
Tax relating to components of other comprehensive income (note 14)	–	–	–	–	(6.6)	–	(6.6)	–	(6.6)
Total comprehensive income for the year	–	–	–	–	21.9	586.2	608.1	13.2	621.3
Conversion of bond (note 33)	21.2	122.5	–	(143.7)	–	–	–	–	–
Other ordinary shares issued (note 37)	150.3	403.9	–	–	–	–	554.2	–	554.2
Dividends (note 16)	–	–	–	–	–	(155.9)	(155.9)	–	(155.9)
Interest on convertible bonds (note 33)	–	–	–	–	–	(2.9)	(2.9)	–	(2.9)
Share-based payments (note 47)	–	–	–	–	–	2.5	2.5	–	2.5
Acquisition of treasury shares	–	–	(1.0)	–	–	–	(1.0)	–	(1.0)
Disposal of treasury shares	–	–	4.1	–	–	(3.9)	0.2	–	0.2
Non-controlling interest additions	–	–	–	–	–	–	–	27.2	27.2
Distribution to non-controlling interest	–	–	–	–	–	–	–	(1.2)	(1.2)
Disposal of subsidiaries (note 41)	–	–	–	–	–	–	–	(68.7)	(68.7)
Realisation of merger reserve (note 39)	–	–	–	–	(164.4)	164.4	–	–	–
	171.5	526.4	3.1	(143.7)	(164.4)	4.2	397.1	(42.7)	354.4
At 31 December 2014	658.4	1,222.0	(45.1)	–	358.0	2,330.7	4,524.0	72.8	4,596.8

Company					**Attributable to owners of intu properties plc**	
	Share capital £m	**Share premium £m**	**Treasury shares £m**	**Other reserves £m**	**Retained earnings £m**	**Total £m**
At 1 January 2015	658.4	1,222.0	(45.1)	61.4	1,450.0	3,346.7
Profit for the year (note 15)	–	–	–	–	146.4	146.4
Total comprehensive income for the year	–	–	–	–	146.4	146.4
Ordinary shares issued (note 37)	13.9	81.1	–	–	–	95.0
Dividends (note 16)	–	–	–	–	(179.4)	(179.4)
Share-based payments (note 47)	–	–	–	–	4.8	4.8
Acquisition of treasury shares	–	–	(1.6)	–	–	(1.6)
Disposal of treasury shares	–	–	3.4	–	(3.0)	0.4
	13.9	81.1	1.8	–	(177.6)	(80.8)
At 31 December 2015	**672.3**	**1,303.1**	**(43.3)**	**61.4**	**1,418.8**	**3,412.3**

Company						Attributable to owners of intu properties plc	
	Share capital £m	Share premium £m	Treasury shares £m	Convertible bonds £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2014	486.9	695.6	(48.2)	143.7	225.8	1,287.4	2,791.2
Profit for the year (note 15)	–	–	–	–	–	158.4	158.4
Total comprehensive income for the year	–	–	–	–	–	158.4	158.4
Conversion of bond (note 33)	21.2	122.5	–	(143.7)	–	–	–
Other ordinary shares issued (note 37)	150.3	403.9	–	–	–	–	554.2
Dividends (note 16)	–	–	–	–	–	(155.9)	(155.9)
Interest on convertible bonds (note 33)	–	–	–	–	–	(2.9)	(2.9)
Share-based payments (note 47)	–	–	–	–	–	2.5	2.5
Acquisition of treasury shares	–	–	(1.0)	–	–	–	(1.0)
Disposal of treasury shares	–	–	4.1	–	–	(3.9)	0.2
Realisation of merger reserve (note 39)	–	–	–	–	(164.4)	164.4	–
	171.5	526.4	3.1	(143.7)	(164.4)	4.2	397.1
At 31 December 2014	658.4	1,222.0	(45.1)	–	61.4	1,450.0	3,346.7

Statements of cash flows

for the year ended 31 December 2015

	Notes	**Group 2015 £m**	Group 2014 £m	**Company 2015 £m**	Company 2014 £m
Cash generated from operations	44	**366.5**	292.7	**(23.3)**	(349.5)
Interest paid		**(222.5)**	(244.6)	**(17.3)**	(6.3)
Interest received		**16.6**	8.8	**2.6**	–
Taxation		**(0.4)**	(0.4)	**–**	–
Cash flows from operating activities		**160.2**	56.5	**(38.0)**	(355.8)
Cash flows from investing activities					
Purchase and development of property, plant and equipment		**(100.8)**	(69.7)	**(2.3)**	(1.4)
Sale of property		**1.8**	–	**–**	–
Acquisition of businesses net of cash acquired	40	**(203.1)**	(851.3)	**–**	–
Sale/(acquisition) of other investments		**4.7**	(3.8)	**–**	–
Additions to investment in associates	24	**(10.0)**	–	**–**	–
Investment in subsidiaries	21	**–**	–	**–**	(182.8)
Redemption of preference shares	21	**–**	–	**–**	197.2
Realisation of short-term investments		**–**	69.3	**–**	–
Disposal of subsidiaries net of cash sold with business	41	**81.0**	162.5	**–**	–
Investment in joint ventures	22	**–**	(0.4)	**–**	–
Repayment of capital by joint ventures	22	**25.6**	14.3	**–**	–
Loan advances to joint ventures	22	**(0.8)**	(97.6)	**–**	–
Loan repayments by joint ventures	22	**17.6**	52.7	**–**	–
Distributions from joint ventures	22	**9.0**	4.9	**–**	–
Cash flows from investing activities		**(175.0)**	(719.1)	**(2.3)**	13.0
Cash flows from financing activities					
Issue of ordinary shares		**22.0**	492.0	**22.0**	492.0
Acquisition of treasury shares		**(1.6)**	(1.0)	**(1.6)**	(1.0)
Sale of treasury shares		**0.4**	0.2	**0.4**	0.2
Non-controlling interest funding received		**6.5**	27.2	**–**	–
Cash transferred from/(to) restricted accounts		**14.9**	(15.9)	**–**	–
Borrowings drawn		**329.2**	989.4	**123.7**	–
Borrowings repaid		**(190.3)**	(675.1)	**–**	(55.0)
Interest on convertible bonds	33	**–**	(2.9)	**–**	(2.9)
Equity dividends paid		**(104.9)**	(89.8)	**(104.9)**	(89.8)
Cash flows from financing activities		**76.2**	724.1	**39.6**	343.5
Effects of exchange rate changes on cash and cash equivalents		**(0.3)**	(0.1)	**–**	–
Net increase/(decrease) in cash and cash equivalents		**61.1**	61.4	**(0.7)**	0.7
Cash and cash equivalents at 1 January	28	**212.5**	151.1	**1.0**	0.3
Cash and cash equivalents at 31 December	28	**273.6**	212.5	**0.3**	1.0

Notes to the accounts

1 Accounting convention and basis of preparation

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

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

These accounting policies are consistent with those applied in the last annual financial statements, as amended to reflect the adoption of new standards, amendments and interpretations which became effective in the year. During 2015 amendments arising from the Annual Improvements Cycle to IFRSs 2011-2013 became effective for the first time for the Group's 31 December 2015 financial statements. These amendments have not had an impact on the financial statements.

A number of standards have been issued but are not yet adopted by the EU and so are not available for early adoption. The most significant of these are IFRS 9 Financial Instruments along with related amendments to other IFRSs, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases. Based on the Group's current circumstances, with the exception of IFRS 16 Leases issued in January 2016 for which the impact is still being assessed, these standards are not expected to have a material impact on the financial statements.

Use of estimates and assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. In particular, significant judgement is required in the use of estimates and assumptions in the valuation and accounting for investment and development property and derivative financial instruments. Additional detail on these two areas is provided in the relevant accounting policy in note 2 and in notes 19 and 35.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 6 to 57. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial review on pages 46 to 51. In addition, note 35 includes the Group's risk management objectives, details of its financial instruments and hedging activities, its exposures to liquidity risk and details of its capital structure.

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

In preparing the most recent projections, factors taken into account include £301.4 million of cash (including the Group's share of cash in joint ventures of £25.6 million) and £287.0 million of undrawn facilities at 31 December 2015. The Group's weighted average debt maturity of 7.8 years and the relatively long-term and stable nature of the cash flows receivable under tenant leases were also factored into the forecasts.

After reviewing the most recent projections and the sensitivity analysis, the Directors consider it appropriate to continue to adopt the going concern basis of accounting in preparing the Group's financial statements.

2 Accounting policies – Group and Company

Basis of consolidation

The consolidated financial information includes the Company and its subsidiaries and their interests in joint arrangements and associates.

All intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

– subsidiaries

A subsidiary is an entity which the Company controls. That is when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The Company's investment in Group companies is carried at cost less accumulated impairment losses.

Notes to the accounts continued

2 Accounting policies – Group and Company (continued)

– joint arrangements

A joint arrangement is an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement where decisions about the relevant activities require the unanimous consent of the parties sharing joint control.

A joint operation is a joint arrangement where the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Group's interest in a joint operation is accounted for by consolidating the Group's share of the assets, liabilities, income and expenses on a line-by-line basis.

A joint venture is a joint arrangement where the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group's interest in a joint venture is accounted for using the equity method as described below.

– associates

An associate is an entity over which the Company, either directly or indirectly, is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policies of the entity but is not control or joint control of those policies. The Group's interest in an associate is accounted for using the equity method as described below.

– the equity method

Under the equity method of accounting, interests in joint ventures and associates are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. Loan balances relating to long-term funding from Group companies to joint ventures and associates are presented on the face of the balance sheet as part of the investment.

– non-controlling interest

A non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to the Company. Non-controlling interests are presented within equity, separately from the amounts attributable to owners of the Company. Profit or loss and each component of other comprehensive income is attributed to owners of the Company and to non-controlling interests in the appropriate proportions.

Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which it operates. The consolidated financial statements are presented in pounds sterling, which is the Group's presentational currency.

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

At entity level, transactions in currencies other than an entity's functional currency are recorded at the exchange rate prevailing at the transaction dates. Foreign exchange gains and losses resulting from settlement of these transactions and from retranslation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except where these relate to loans to foreign subsidiary entities considered to be part of the net investment in those entities in which case these amounts are recorded through other comprehensive income.

Revenue recognition

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

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

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

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

Facilities management income and management fees are recognised on an accruals basis in line with the services provided.

Interest income

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

Dividend income

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

Share-based payments

The cost of granting share options and other share-based remuneration is recognised through the income statement with reference to the fair value of the equity instrument, assessed at the date of grant. This cost is charged to the income statement over the vesting period of the awards. All awards are accounted for as equity settled with the credit entry being taken directly to equity. For awards with non-market related criteria, the charge is reversed if it is expected that the performance criteria will not be met.

2 Accounting policies – Group and Company (continued)

For share options an option pricing model is used applying assumptions around expected yields, forfeiture rates, exercise price and volatility. Where the share awards have non-market related performance criteria the Group has used the Black-Scholes option valuation model to establish the relevant fair values. Where the share awards have a TSR market related performance criteria the Group has used the Monte Carlo simulation valuation model to establish the relevant fair values.

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

Exceptional items

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

Taxation

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

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

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

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

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

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

Investment and development property

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

The Group has elected to use the fair value model. Properties are initially recognised at cost and subsequently revalued at the balance sheet date to fair value as determined by professionally qualified external valuers on the basis of market value with the exception of recently acquired development land where an assessment of fair value may be made internally. Valuations conform with the Royal Institution of Chartered Surveyors ('RICS'), Valuation – Professional Standards 2014.

The main estimates and judgements underlying the valuations are described in note 19.

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

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

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

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

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

Leases

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

– Group as lessee

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

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

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

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

Notes to the accounts continued

2 Accounting policies – Group and Company (continued)

– Group as lessor

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

Plant and equipment

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

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

Other investments

Available-for-sale investments, being investments intended to be held for an indefinite period, are initially and subsequently measured at fair value. For listed investments, fair value is the current bid market value at the reporting date. For unlisted investments where there is no active market, fair value is assessed using an appropriate methodology as described in note 25.

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

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

Goodwill

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

Impairment of assets

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

At each balance sheet date the Group reviews whether there is any indication that an impairment loss recognised in previous periods may have decreased. If such an indication exists the asset's recoverable amount is estimated. An impairment loss recognised in prior periods is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount. In this case the asset's carrying amount is increased to its recoverable amount but not exceeding the carrying amount that would have been determined had no impairment loss been recognised. The reversal of an impairment loss is recognised in the income statement. No impairment reversals are permitted to be recognised on goodwill.

Trade receivables

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

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

Cash and cash equivalents

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

Trade payables

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

Pensions

The costs of defined contribution schemes and contributions to personal plans are charged to the income statement in the year in which they are incurred. The Group has no defined benefit schemes.

Borrowings

Borrowings are recognised initially at their net proceeds on issue and subsequently carried at amortised cost with the exception of certain financial instruments such as convertible bonds as detailed in note 33. Any transaction costs and premiums or discounts are recognised over the contractual life using the effective interest method.

In the event of early repayment, all unamortised transaction costs are recognised immediately in the income statement.

Derivative financial instruments

The Group uses derivative financial instruments to manage exposure to interest rate and foreign exchange risk. They are initially recognised on the trade date at fair value and subsequently re-measured at fair value. In assessing fair value the Group uses its judgement to select suitable valuation techniques and make assumptions which are mainly based on market conditions existing at the balance sheet date. The fair value of interest rate swaps is calculated by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for similar instruments at the measurement date. These values are tested for reasonableness based upon broker or counterparty quotes.

Amounts paid under interest rate swaps, both on obligations as they fall due and on early settlement, are recognised in the income statement as finance costs. Fair value movements on revaluation of derivative financial instruments are shown in the income statement through changes in fair value of financial instruments.

The Group does not currently apply hedge accounting to its interest rate swaps.

2 Accounting policies – Group and Company (continued)

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to owners, this is the date of payment. In the case of final dividends, this is when declared by shareholders at the annual general meeting.

Convertible bonds

Convertible bonds are assessed on issue, as to whether they should be classified as a financial liability, as equity or as a compound financial instrument with both debt and equity components. This assessment is based on the terms of the bond and in accordance with IAS 32. Each bond is assessed separately and the detailed accounting treatment of each is given in note 33.

Treasury shares

Investments held in the Company's own shares are deducted from equity at cost. Where such shares are subsequently sold, any consideration received is recognised directly in equity.

Current/non-current classification

Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or consumption in, the course of the Group's operating cycle. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the Group's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non-current liabilities.

Business combinations

Business combinations are accounted for in accordance with IFRS 3 Business Combinations using the acquisition method of accounting. The consideration for the acquisition of a subsidiary is the total of the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Costs associated with the acquisition are expensed as incurred. Identifiable assets and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Goodwill arising on an acquisition is the excess of the consideration over the fair value of the identifiable assets and liabilities acquired. Where the fair value of the identifiable assets and liabilities acquired exceeds the consideration this difference is recognised in the income statement at the date of the acquisition.

Notes to the accounts continued

3 Segmental reporting

Operating segments are determined based on the internal reporting and operational management of the Group. The Group is primarily a shopping centre focused business and, following recent acquisition activity, has two reportable operating segments being UK and Spain.

The principal profit indicator used to measure performance is net rental income. An analysis of net rental income is given below:

2015	Group including share of joint ventures				
	UK £m	**Spain £m**	**Total £m**	**Less share of joint ventures £m**	**Group total £m**
Rent receivable	492.5	21.5	**514.0**	(53.0)	**461.0**
Service charge income	103.0	4.5	**107.5**	(10.6)	**96.9**
Facilities management income from joint ventures	7.9	–	**7.9**	5.8	**13.7**
Revenue	603.4	26.0	**629.4**	(57.8)	**571.6**
Rent payable	(22.4)	–	**(22.4)**	1.1	**(21.3)**
Service charge costs	(116.7)	(4.8)	**(121.5)**	11.7	**(109.8)**
Facilities management costs recharged to joint ventures	(7.9)	–	**(7.9)**	(5.8)	**(13.7)**
Other non-recoverable costs	(48.0)	(1.8)	**(49.8)**	4.8	**(45.0)**
Net rental income	**408.4**	**19.4**	**427.8**	**(46.0)**	**381.8**

2014	Group including share of joint ventures				
	UK £m	Spain £m	Total £m	Less share of joint ventures £m	Group total £m
Rent receivable	473.2	7.2	480.4	(39.3)	441.1
Service charge income	95.9	1.8	97.7	(9.5)	88.2
Facilities management income from joint ventures	4.1	–	4.1	3.0	7.1
Revenue	573.2	9.0	582.2	(45.8)	536.4
Rent payable	(23.4)	–	(23.4)	1.2	(22.2)
Service charge costs	(107.0)	(2.0)	(109.0)	10.3	(98.7)
Facilities management costs recharged to joint ventures	(4.1)	–	(4.1)	(3.0)	(7.1)
Other non-recoverable costs	(48.1)	(1.0)	(49.1)	3.3	(45.8)
Net rental income	390.6	6.0	396.6	(34.0)	362.6

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

An analysis of investment and development property, capital expenditure and revaluation surplus is presented below:

	Investment and development property		**Capital expenditure**		**Revaluation surplus**	
	2015 £m	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
United Kingdom	**9,222.3**	8,806.6	**75.6**	65.6	**342.2**	633.8
Spain	**301.4**	82.2	**47.9**	1.4	**8.5**	14.4
Group including share of joint ventures	**9,523.7**	8,888.8	**123.5**	67.0	**350.7**	648.2
Less share of joint ventures	**(1,119.8)**	(869.2)	**(2.5)**	(1.0)	**(85.8)**	(80.4)
Group	**8,403.9**	8,019.6	**121.0**	66.0	**264.9**	567.8

3 Segmental reporting (continued)

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

	2015 £m	2014 £m
United Kingdom	**9,447.2**	8,934.4
Spain	**46.9**	49.7
United States	**209.4**	184.7
India	**55.6**	38.8
	9,759.1	9,207.6

4 Net other income

	2015 £m	2014 £m
Dividends received from other investments	**6.7**	6.1
Management fees	**3.0**	1.6
intu Digital	**(2.8)**	(2.9)
Net other income	**6.9**	4.8

5 (Loss)/gain on acquisition of businesses

The net loss on acquisition of businesses in the year was £0.8 million. This consists of a gain on the acquisition of Puerto Venecia, Zaragoza of £0.8 million (see note 40) and an adjustment increasing the contingent consideration relating to the 2012 acquisition of StyleMeTV Limited (renamed IntuDigital Limited) resulting in the recognition of a loss of £1.6 million. The 2014 gain related to the acquisition of intu Derby and intu Merry Hill (see note 40).

6 Administration expenses – exceptional

Exceptional administration expenses (see note 2 for definition of exceptional items) in the year totalled £1.0 million (2014: £13.8 million). 2015 costs relate to corporate transactions, principally the acquisition of Puerto Venecia, Zaragoza. 2014 costs principally related to the acquisition of intu Merry Hill, intu Derby and Sprucefield.

7 Operating profit

	2015 £m	2014 £m
Operating profit is arrived at after charging:		
Staff costs (note 8)	**77.9**	72.3
Depreciation (note 20)	**2.6**	2.1
Remuneration paid to the Company's auditors (note 9)	**0.7**	1.6

Notes to the accounts continued

8 Employees' information

	Group 2015 £m	Group 2014 £m
Wages and salaries	**63.9**	61.3
Social security costs	**6.1**	5.8
Pension costs (note 48)	**3.1**	2.7
Share-based payments (note 47)	**4.8**	2.5
	77.9	72.3

At 31 December 2015 the number of persons employed by the Group was 2,544 (2014: 2,459). The Company had no employees during the year (2014: nil). The monthly average number of persons employed by the Group during the year was:

	2015 Number	2014 Number
40 Broadway, London	**323**	261
Shopping centres	**2,123**	1,916
	2,446	2,177

9 Auditors' remuneration

	2015 £000	2014 £000
Fees payable to the Company's auditors and their associates for:		
The audit of the Company's annual accounts	**237**	214
Other services to the Group – audit of the Company's subsidiaries	**391**	352
Fees related to the audit of the Company and its subsidiaries	**628**	566
Audit-related assurance services[1]	**71**	40
Total fees for audit and audit related services	**699**	606
Other assurance services[2]	**25**	1,034
Total non-audit related services	**25**	1,034
Total fees	**724**	1,640

Fees payable to PricewaterhouseCoopers LLP ('PwC') and its associates for non-audit services to the Company are not required to be disclosed separately as they are included on a consolidated basis. Fees payable by the Group's joint ventures in respect of 2015 were £93,000 (intu's share) all of which related to audit and audit related services. The Group also used accounting firms other than PwC for a number of assignments.

1 Relates to review of the interim report of the Group, and interim reviews of certain subsidiary undertakings.

2 2014 included £916,000 in respect of reporting accountant work associated with the rights issue and raising debt on intu Trafford Centre and within the Secured Group Structure (SGS).

The role of the reporting accountant requires detailed knowledge of the entities involved. If a firm other than the audit firm were to undertake this work then they would have to spend a significant amount of additional time becoming familiar with those entities. PwC was therefore chosen to undertake this work as it was considered to be sensible and more efficient both in terms of time and costs. For the same reasons, certain elements of the SGS work were undertaken by another firm that had performed the most recent audit for those entities.

2014 also included £118,000 in respect of financial due diligence related to the acquisition of intu Merry Hill, intu Derby and Sprucefield. PwC was chosen to undertake this work on efficiency grounds given the overall assignment, including reporting accountant work on the rights issue. Additionally, as for all non-audit work, consideration was given as to whether PwC's independence could be affected by undertaking this work. It was concluded that this would not be the case.

10 Finance costs

	2015 £m	2014 £m
On bank loans and overdrafts	**195.4**	186.0
On convertible bonds (note 33)	**7.5**	7.5
On obligations under finance leases	**3.7**	3.6
Finance costs	**206.6**	197.1

Finance costs of £2.1 million were capitalised in the year ended 31 December 2015 (2014: £nil).

11 Finance income

	2015 £m	2014 £m
Interest receivable on loans to joint ventures	**17.1**	10.7
Other finance income	**1.6**	1.2
Finance income	**18.7**	11.9

12 Other finance costs

	2015 £m	2014 £m
Amortisation of Metrocentre compound financial instrument	**5.9**	6.1
Cost of termination of derivative financial instruments and other costs[1]	**28.6**	48.4
Foreign currency movements[1]	**2.8**	2.3
Other finance costs	**37.3**	56.8

1 Amounts totalling £31.4 million in the year ended 31 December 2015 are treated as exceptional items, as defined in note 2 (2014: £50.7 million). These finance costs include termination of interest rate swaps on repayment of debt, payments on unallocated swaps and other fees.

13 Change in fair value of financial instruments

	2015 £m	2014 £m
Gain/(loss) on derivative financial instruments	**6.8**	(144.8)
Loss on convertible bonds designated as at fair value through profit or loss (note 33)	**(0.8)**	(12.8)
Change in fair value of financial instruments	**6.0**	(157.6)

Included within the change in fair value of derivative financial instruments are gains totalling £44.1 million (2014: £70.3 million) resulting from the payment of obligations under derivative financial instruments during the year. Of these £26.5 million related to unallocated swaps. In 2014 £27.0 million related to unallocated swaps and £17.1 million to the termination of swaps.

14 Taxation

Taxation for the year:

	2015 £m	2014 £m
Overseas taxation	**0.6**	0.5
UK taxation – adjustment in respect of prior years	**(0.2)**	–
Current tax	**0.4**	0.5
Deferred tax:		
On investment and development property	**(0.8)**	–
On other investments	**(0.2)**	(0.9)
On derivative financial instruments	**(2.8)**	(5.6)
On other temporary differences	**(1.2)**	(0.1)
Deferred tax	**(5.0)**	(6.6)
Total tax credit	**(4.6)**	(6.1)

Notes to the accounts continued

14 Taxation (continued)

The tax credits for 2015 and 2014 are lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2015 £m	2014 £m
Profit before tax, joint ventures and associates	**398.4**	493.2
Profit before tax multiplied by the standard rate in the UK of 20.25% (2014: 21.5%)	**80.7**	106.0
Exempt property rental profits and revaluations	**(90.3)**	(140.6)
	(9.6)	(34.6)
Additions and disposals of property and investments	**(0.2)**	(0.8)
Prior year corporation tax items	**(0.2)**	–
Non-deductable and other items	**(0.4)**	(0.1)
Overseas taxation	**0.6**	0.5
Unprovided deferred tax	**5.2**	28.9
Total tax credit	**(4.6)**	(6.1)

Tax relating to components of other comprehensive income of £5.0 million (2014: £6.6 million) relates entirely to deferred tax in respect of other investments.

15 Profit for the year attributable to owners of intu properties plc

Profits of £146.4 million are recorded in the accounts of the Company in respect of the year (2014: £158.4 million). No income statement or statement of comprehensive income is presented for the Company as permitted by Section 408 of the Companies Act 2006.

16 Dividends

	2015 £m	2014 £m
Ordinary shares		
Prior year final dividend paid of 9.1 pence per share (2014: 9.1[1] pence per share)	**118.3**	96.2
Interim dividend paid of 4.6 pence per share (2014: 4.6 pence per share)	**61.1**	59.7
Dividends declared	**179.4**	155.9
Proposed final dividend of 9.1 pence per share	**122.4**	

1 Adjusted for the 2014 rights issue bonus factor.

In 2015, the Company offered shareholders the option to receive ordinary shares instead of cash for the 2014 final and 2015 interim dividends of 9.1 pence and 4.6 pence respectively under the Scrip Dividend Scheme. As a result of elections made by shareholders 16,071,625 new ordinary shares of 50 pence each were issued on 28 May 2015 and 5,420,299 new ordinary shares of 50 pence each were issued on 24 November 2015 in lieu of dividends otherwise payable. This resulted in £73.0 million of cash being retained in the business.

In 2014, the Scrip Dividend Scheme resulted in £62.2 million of cash being retained in the business.

Details of the shares in issue and dividends waived are given in notes 37 and 38.

17 Earnings per share

(a) Earnings per share

Basic and diluted earnings per share as calculated in accordance with IAS 33 Earnings per Share:

	2015			2014		
	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Profit for the year attributable to owners of intu properties plc	**518.4**			586.2		
Interest on convertible bonds recognised directly in equity (note 33)	–			(2.9)		
Basic earnings per share[1]	**518.4**	**1,318.1**	**39.3p**	583.3	1,214.6	48.0p
Dilutive convertible bonds, share options and share awards	**8.4**	**87.3**		23.2	96.4	
Diluted earnings per share	**526.8**	**1,405.4**	**37.5p**	606.5	1,311.0	46.3p

1 The weighted average number of shares used for the calculation of basic earnings per share has been adjusted to remove shares held in the ESOP.

(b) Headline earnings per share

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

	2015		2014	
	Gross £m	Net[1] £m	Gross £m	Net[1] £m
Basic earnings		**518.4**		583.3
Remove:				
Revaluation of investment and development property (note 19)	**(264.9)**	**(261.9)**	(567.8)	(552.9)
Gain on acquisition of businesses	**(0.8)**	**(0.8)**	(1.6)	(1.6)
Gain on disposal of subsidiaries	**(2.2)**	**(2.2)**	(0.6)	(0.6)
Gain on sale of other investments	**(0.9)**	**(0.9)**	–	–
Share of joint ventures' items	**(85.8)**	**(85.1)**	(80.4)	(80.4)
Share of associates' items	**(0.3)**	**(0.3)**	(0.8)	(0.8)
Headline earnings/(loss)		**167.2**		(53.0)
Dilution[2]		**8.4**		23.2
Diluted headline earnings/(loss)		**175.6**		(29.8)
Weighted average number of shares		**1,318.1**		1,214.6
Dilution[2]		**87.3**		96.4
Diluted weighted average number of shares		**1,405.4**		1,311.0
Headline earnings/(loss) per share (pence)		**12.7p**		(4.4)p
Diluted headline earnings/(loss) per share (pence)		**12.5p**		(2.3)p

1 Net of tax and non-controlling interests.

2 The dilution impact is required to be included as calculated in note 17(a) even where this is not dilutive for headline earnings per share.

Notes to the accounts continued

17 Earnings per share (continued)
(c) Underlying earnings per share
Underlying earnings per share is a non-GAAP measure but has been included as it is considered to be a key measure of the Group's performance and an indication of the extent to which dividend payments are supported by underlying earnings (see underlying profit statement on page 167).

	2015			2014		
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share
Basic earnings per share (per note 17(a))	**518.4**	**1,318.1**	**39.3p**	583.3	1,214.6	48.0p
Remove:						
Revaluation of investment and development property (note 19)	**(264.9)**		**(20.1)p**	(567.8)		(46.7)p
Loss/(gain) on acquisition of businesses	**0.8**		**0.1p**	(1.6)		(0.1)p
Gain on disposal of subsidiaries	**(2.2)**		**(0.2)p**	(0.6)		–
Gain on sale of other investments	**(0.9)**		**(0.1)p**	–		–
Exceptional administration expenses (note 6)	**1.0**		**0.1p**	13.8		1.1p
Exceptional finance costs (note 12)	**31.4**		**2.4p**	50.7		4.2p
Change in fair value of financial instruments (note 13)	**(6.0)**		**(0.4)p**	157.6		13.0p
Tax on the above	**(5.1)**		**(0.4)p**	(6.7)		(0.6)p
Share of joint ventures' adjusting items	**(83.9)**		**(6.4)p**	(81.1)		(6.7)p
Share of associates' adjusting items	**(5.8)**		**(0.4)p**	(0.8)		(0.1)p
Non-controlling interests in respect of the above	**3.8**		**0.3p**	14.9		1.2p
Underlying earnings per share	**186.6**	**1,318.1**	**14.2p**	161.7	1,214.6	13.3p
Dilutive convertible bonds, share options and share awards	**7.5**	**87.3**		10.4	96.4	
Underlying, diluted earnings per share	**194.1**	**1,405.4**	**13.8p**	172.1	1,311.0	13.1p

18 Net asset value per share
(a) NAV per share (diluted, adjusted)
NAV per share (diluted, adjusted) is a non-GAAP measure but has been included as it is considered to be a key measure of the Group's performance.

	2015			2014		
	Net assets £m	**Shares million**	**NAV per share pence**	Net assets £m	Shares million	NAV per share pence
NAV per share attributable to owners of intu properties plc[1]	**4,976.4**	**1,331.9**	**374p**	4,524.0	1,303.7	347p
Dilutive convertible bonds, share options and awards	**16.2**	**6.4**		22.2	8.6	
Diluted NAV per share	**4,992.6**	**1,338.3**	**373p**	4,546.2	1,312.3	347p
Remove:						
Fair value of derivative financial instruments (net of tax)	**322.1**		**24p**	333.2		26p
Deferred tax on investment and development property and other investments	**18.9**		**1p**	14.1		1p
Share of joint ventures' adjusting items	**6.3**		**1p**	4.1		–
Add:						
Non-controlling interest recoverable balance not recognised	**71.3**		**5p**	71.3		5p
NAV per share (diluted, adjusted)	**5,411.2**	**1,338.3**	**404p**	4,968.9	1,312.3	379p

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

18 Net asset value per share (continued)

(b) NNNAV per share (diluted, adjusted)

NNNAV per share (diluted, adjusted) is a non-GAAP measure but has been included as it is considered to be an industry standard comparable measure.

	2015			2014		
	Net assets £m	**Shares million**	**NAV per share pence**	Net assets £m	Shares million	NAV per share pence
NAV per share (diluted, adjusted)	**5,411.2**	**1,338.3**	**404p**	4,968.9	1,312.3	379p
Fair value of derivative financial instruments (net of tax)	**(322.1)**		**(24)p**	(333.2)		(26)p
Excess of fair value of debt over book value	**(194.4)**		**(14)p**	(310.2)		(24)p
Deferred tax on investment and development property and other investments	**(18.9)**		**(1)p**	(14.1)		(1)p
Share of joint ventures' adjusting items	**(8.1)**		**(1)p**	(6.0)		–
Non-controlling interests in respect of the above	**11.0**		**1p**	17.0		1p
NNNAV per share (diluted, adjusted)	**4,878.7**	**1,338.3**	**365p**	4,322.4	1,312.3	329p

19 Investment and development property

	Freehold £m	**Leasehold £m**	**Total £m**
At 1 January 2014	5,038.1	2,240.6	7,278.7
Acquisition of intu Derby and Sprucefield (note 40)	458.4	–	458.4
Additions	48.5	17.5	66.0
Disposal of subsidiaries[1]	(350.4)	–	(350.4)
Surplus on revaluation	468.9	98.9	567.8
Foreign exchange movements	(0.9)	–	(0.9)
At 31 December 2014	5,662.6	2,357.0	8,019.6
Acquisition of Puerto Venecia, Zaragoza (note 40)	344.2	–	344.2
Additions	84.4	36.6	121.0
Disposals	(1.5)	(0.3)	(1.8)
Disposal of subsidiaries[2]	(331.7)	–	(331.7)
Surplus on revaluation	223.6	41.3	264.9
Foreign exchange movements	(12.3)	–	(12.3)
At 31 December 2015	**5,969.3**	**2,434.6**	**8,403.9**

1 Relates to intu Asturias (£142.2 million) and intu Uxbridge (£208.2 million). See note 41.

2 Relates to Puerto Venecia, Zaragoza. See note 41.

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

	2015 £m	2014 £m
Balance sheet carrying value of investment and development property	**8,403.9**	8,019.6
Tenant incentives included within trade and other receivables (note 27)	**101.0**	96.9
Head leases included within finance leases in borrowings (note 31)	**(34.2)**	(34.9)
Market value of investment and development property	**8,470.7**	8,081.6

All investment and development property is measured at fair value in the Group's balance sheet and categorised as Level 3 in the fair value hierarchy (see note 35 for definition) as one or more significant inputs to the valuation are partly based on unobservable market data.

Transfers into and transfers out of the fair value hierarchy levels are recognised on the date of the event or change in circumstances that caused the transfer. There were no transfers in or out of Level 3 for investment properties during the year.

The market value of investment and development property at 31 December 2015 includes £144.4 million (31 December 2014: £74.4 million) in respect of property considered to be developments. These are accounted for as investment property and are valued using the same methodology as other investment property with the exception of certain recently acquired development land as detailed on page 122.

Notes to the accounts continued

19 Investment and development property (continued)

The Group has only one class of investment and development property asset. All the Group's significant investment and development property relates to prime shopping centres which are of a similar nature and share characteristics and risks.

Valuation process

It is the Group's policy to engage independent external valuers to determine the market value of its investment and development property at both 30 June and 31 December. The Group provides information to the valuers, including current lease and tenant data along with asset specific business plans. The valuers use this and other inputs including market transactions for similar properties to produce valuations (see valuation methodology below). These valuations and the assumptions they have made are then discussed and reviewed with the Group's asset management team and Directors.

The Group engages independent valuation experts to undertake the Group's property valuations. A summary of the valuers and the value of property assets they have been engaged to value is given below:

	2015 £m	2014 £m
Cushman & Wakefield	**7,132.8**	6,823.5
CBRE	**1,275.0**	1,248.1
Assets not valued externally	**62.9**	10.0
	8,470.7	8,081.6

In addition to the above, investment properties in the Group's joint ventures were valued by Cushman & Wakefield, Knight Frank and Jones Lang LaSalle.

Assets not valued externally, relates to recently acquired development land, the main element being the site in Malága, Spain. These amounts have been reviewed internally and it has been concluded that the cost of these assets continues to be in line with market values and so no valuation adjustment is needed. As the developments advance these will be valued by independent external valuers.

Valuation fees are a fixed amount agreed between the Group and the valuers in advance of the valuation and are not linked to the valuation output.

Valuation methodology

The fair value of the Group's investment and development property as at 31 December 2015 was determined by independent external valuers at that date other than certain recently acquired development land as detailed above. The valuations are in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards 2014 and were arrived at by reference to market transactions for similar properties. Fair values for investment properties are calculated using the present value income approach. The main assumptions underlying the valuations are in relation to rent profile and yields as discussed below.

The key driver of the property valuations is the terms of the leases in place at the valuation date. These determine the majority of the cash flow profile of the property for a number of years and therefore form the base of the valuation. The valuation assumes adjustments from these rental values to current market rent at the time of the next rent review (where a typical lease allows only for upward adjustment) and as leases expire and are replaced by new leases. The current market level of rent is assessed based on evidence provided by the most recent relevant leasing transactions and negotiations. This is based on evidence available at the date of valuation and does not assume future increases in market rent.

The nominal equivalent yield is applied as a discount rate to the rental cash flows which, after taking into account other input assumptions such as vacancies and costs, generates the market value of the property. The nominal equivalent yield applied is assessed by reference to market transactions for similar properties and takes into account, amongst other things, any risks associated with the rent uplift assumptions.

Annual property income as disclosed in the table below reflects current annualised gross income.

The net initial yield is calculated as the current net income over the gross market value of the asset and is used as a sense check and to compare against market transactions for similar properties.

Full definitions of nominal equivalent yield, annual property income and net initial yield are provided in the glossary.

The valuation output, inputs and assumptions, are reviewed to ensure that they are in line with those of market participants.

A significant change in the nominal equivalent yield in isolation, would result in a significant change in the value of investment and development property. A decrease in nominal equivalent yield of 50 basis points would result in an increase in the total market value of £953 million (31 December 2014: £874 million), while a 50 basis point increase would result in a decrease in the total market value of £748 million (31 December 2014: £718 million).

19 Investment and development property (continued)

The tables below provide details of the assumptions used in the valuation and key unobservable inputs:

	2015			
	Market value £m	**Net initial yield (EPRA)**	**Nominal equivalent yield**	**Annual property income £m**
intu Trafford Centre	2,305.0	3.7%	4.3%	87.8
intu Lakeside	1,334.0	4.2%	4.7%	59.2
intu Metrocentre	952.3	4.7%	5.4%	48.2
intu Braehead	585.5	3.9%	6.0%	26.2
intu Derby	447.0	5.9%	6.0%	30.6
Manchester Arndale	445.0	4.6%	5.1%	21.9
intu Victoria Centre	356.0	4.3%	6.0%	18.2
intu Watford	336.0	4.7%	6.3%	17.8
intu Eldon Square	299.7	4.1%	5.9%	14.5
intu Milton Keynes	280.0	4.1%	4.8%	13.3
intu Chapelfield	272.5	5.3%	5.8%	16.2
Cribbs Causeway	245.1	4.4%	5.4%	11.7
intu Potteries	175.1	4.7%	7.5%	9.4
intu Bromley	174.1	5.5%	7.1%	10.7

	2014			
	Market value £m	Net initial yield (EPRA)	Nominal equivalent yield	Annual property income £m
intu Trafford Centre	2,200.0	3.9%	4.5%	86.9
intu Lakeside	1,255.0	4.2%	5.0%	59.7
intu Metrocentre	928.1	4.3%	5.4%	46.8
intu Braehead	599.3	3.7%	5.9%	25.5
Manchester Arndale	430.2	4.6%	5.2%	21.7
intu Derby	420.0	6.3%	6.2%	28.4
intu Watford	335.0	4.5%	6.3%	17.3
intu Victoria Centre	314.0	4.0%	6.2%	16.9
intu Milton Keynes	277.5	4.5%	4.9%	13.8
intu Eldon Square	272.6	4.1%	6.1%	14.0
intu Chapelfield	261.0	5.0%	6.0%	15.1
Cribbs Causeway	242.9	4.1%	5.5%	12.6
intu Bromley	170.7	5.3%	7.1%	10.5
intu Potteries	164.5	5.3%	7.5%	10.5

Notes to the accounts continued

20 Plant and equipment

Group	2015 Cost £m	2015 Accumulated depreciation £m	2015 Net £m	2014 Cost £m	2014 Accumulated depreciation £m	2014 Net £m
At 1 January	**15.2**	**(10.1)**	**5.1**	13.5	(8.0)	5.5
Additions	**2.5**	**–**	**2.5**	1.7	–	1.7
Disposals	**(0.5)**	**0.5**	**–**	–	–	–
Charge for the year	**–**	**(2.6)**	**(2.6)**	–	(2.1)	(2.1)
At 31 December	**17.2**	**(12.2)**	**5.0**	15.2	(10.1)	5.1

Company	2015 Cost £m	2015 Accumulated depreciation £m	2015 Net £m	2014 Cost £m	2014 Accumulated depreciation £m	2014 Net £m
At 1 January	**10.4**	**(6.5)**	**3.9**	9.0	(4.8)	4.2
Additions	**2.3**	**–**	**2.3**	1.4	–	1.4
Charge for the year	**–**	**(2.0)**	**(2.0)**	–	(1.7)	(1.7)
At 31 December	**12.7**	**(8.5)**	**4.2**	10.4	(6.5)	3.9

Plant and equipment consists of vehicles, fixtures, fittings and other office equipment.

21 Investment in group companies

Company	2015 Cost £m	2015 Accumulated impairment £m	2015 Net £m	2014 Cost £m	2014 Accumulated impairment £m	2014 Net £m
At 1 January	**3,313.7**	**(609.0)**	**2,704.7**	3,328.1	(817.1)	2,511.0
Additions	**–**	**–**	**–**	182.8	–	182.8
Redemption of preference shares	**–**	**–**	**–**	(197.2)	–	(197.2)
Impairment reversed in the year	**–**	**161.9**	**161.9**	–	208.1	208.1
At 31 December	**3,313.7**	**(447.1)**	**2,866.6**	3,313.7	(609.0)	2,704.7

The impairment charge reversed in the year was principally the result of property valuation increases seen in the relevant subsidiaries. Details of related undertakings are provided in note 45.

22 Joint ventures

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

						2015
	intu Merry Hill £m	**St David's, Cardiff £m**	**Puerto Venecia £m**	**intu Asturias £m**	**Other £m**	**Total £m**
At 1 January 2015	433.0	310.9	–	47.3	60.3	851.5
Puerto Venecia, Zaragoza (note 41)	–	–	86.1	–	–	86.1
Share of underlying profit	7.5	13.8	0.6	0.6	2.2	24.7
Share of other net profit/(loss)	12.2	61.4	(0.8)	8.4	2.7	83.9
Share of profit/(loss)	19.7	75.2	(0.2)	9.0	4.9	108.6
Distributions	(5.7)	–	–	–	(3.3)	(9.0)
Repayment of capital	–	–	–	–	(25.6)	(25.6)
Loan advances	–	–	–	–	0.8	0.8
Loan repayments	–	(17.6)	–	–	–	(17.6)
Foreign exchange movements	–	–	–	(2.9)	–	(2.9)
At 31 December 2015	**447.0**	**368.5**	**85.9**	**53.4**	**37.1**	**991.9**
Represented by:						
Loans to joint venture	386.2	111.0	82.3	29.3	2.3	611.1
Group's share of net assets	60.8	257.5	3.6	24.1	34.8	380.8

					2014
	intu Merry Hill £m	St David's, Cardiff £m	intu Asturias £m	Other £m	Total £m
At 1 January 2014	–	194.6	–	14.9	209.5
Acquisition of intu Merry Hill (note 40)	403.8	–	–	–	403.8
intu Uxbridge (note 41)	–	–	–	43.0	43.0
intu Asturias (note 41)	–	–	71.3	–	71.3
Other additions	–	–	–	0.4	0.4
Share of underlying profit	5.1	11.3	0.4	1.8	18.6
Share of other net profit	26.8	38.8	13.9	1.6	81.1
Share of profit	31.9	50.1	14.3	3.4	99.7
Distributions	(2.7)	–	–	(2.2)	(4.9)
Repayment of capital	–	–	(14.3)	–	(14.3)
Loan advances	–	79.7	17.1	0.8	97.6
Loan repayments	–	(13.5)	(39.2)	–	(52.7)
Foreign exchange movements	–	–	(1.9)	–	(1.9)
At 31 December 2014	433.0	310.9	47.3	60.3	851.5
Represented by:					
Loans to joint venture	386.2	128.6	31.6	1.9	548.3
Group's share of net assets	46.8	182.3	15.7	58.4	303.2

At 31 December 2015, the boards of joint ventures had approved £5.3 million (2014: £0.5 million) of future expenditure for the purchase, construction, development and enhancement of investment property. Of this, £2.0 million (2014: £0.1 million) is contractually committed. These amounts represent the Group's share.

It is intended that the exemption, conferred by regulation 7 of The Partnerships (Accounts) Regulations 2008, from needing to prepare and file accounts will be taken in respect of the following limited partnerships which are dealt with on a consolidated basis in these financial statements: MH (No. 1) Limited Partnership, MH (No. 2) Limited Partnership, MH (No. 3) Limited Partnership, MH (No. 4) Limited Partnership, MH (No. 5) Limited Partnership, MH (No. 6) Limited Partnership, MH (No. 7) Limited Partnership and MH (No. 8) Limited Partnership.

Notes to the accounts continued

22 Joint ventures (continued)

Set out below is the summarised information of the Group's joint ventures with financial information presented at 100 per cent. The summarised income statement of Puerto Venecia, Zaragoza is presented for the period from 30 September 2015 when it became a joint venture.

						2015
	intu Merry Hill £m	St David's, Cardiff £m	Puerto Venecia £m	intu Asturias £m	Other £m	Total £m
Summary information						
Group's interest	50%	50%	50%	50%		
Principal place of business	England	Wales	Spain	Spain		
Summarised income statement						
Revenue	58.8	41.0	5.4	13.2	19.6	138.0
Net rental income	43.3	27.6	4.5	9.9	13.4	98.7
Net other income	–	0.1	–	–	–	0.1
Revaluation of investment and development property	24.4	122.7	(0.9)	20.0	13.9	180.1
Administration expenses – underlying	(1.2)	–	(0.3)	(0.7)	(2.1)	(4.3)
Administration expenses – exceptional	–	–	(0.2)	(0.7)	–	(0.9)
Finance costs	(27.2)	–	(3.0)	(8.0)	(0.5)	(38.7)
Finance income	0.1	–	–	–	–	0.1
Change in fair value of derivative financial instruments	–	–	(0.5)	(0.9)	–	(1.4)
Taxation – underlying	–	–	–	(0.1)	–	(0.1)
Taxation – exceptional	–	–	–	(1.5)	–	(1.5)
Profit/(loss)	**39.4**	**150.4**	**(0.4)**	**18.0**	**24.7**	**232.1**
Group's share of profit/(loss)	**19.7**	**75.2**	**(0.2)**	**9.0**	**4.9**	**108.6**
Summarised balance sheet						
Investment and development property	895.8	718.1	331.5	177.8	252.2	2,375.4
Other non-current assets	1.1	2.8	0.4	4.0	4.4	12.7
Total non-current assets	896.9	720.9	331.9	181.8	256.6	2,388.1
Cash and cash equivalents	18.6	7.7	13.0	8.5	7.3	55.1
Other current assets	4.9	23.7	2.3	2.6	6.1	39.6
Total current assets	23.5	31.4	15.3	11.1	13.4	94.7
Current financial liabilities	(5.3)	(1.2)	(3.9)	(3.6)	(2.4)	(16.4)
Other current liabilities	(21.1)	(14.1)	(7.4)	(0.3)	(3.7)	(46.6)
Total current liabilities	(26.4)	(15.3)	(11.3)	(3.9)	(6.1)	(63.0)
Partners' loans	(772.4)	(222.0)	(164.6)	(58.6)	(131.1)	(1,348.7)
Non-current financial liabilities	–	–	(164.1)	(70.0)	–	(234.1)
Other non-current liabilities	–	–	–	(12.2)	–	(12.2)
Total non-current liabilities	(772.4)	(222.0)	(328.7)	(140.8)	(131.1)	(1,595.0)
Net assets	**121.6**	**515.0**	**7.2**	**48.2**	**132.8**	**824.8**
Group's share of net assets	**60.8**	**257.5**	**3.6**	**24.1**	**34.8**	**380.8**

22 Joint ventures (continued)

					2014
	intu Merry Hill £m	St David's, Cardiff £m	intu Asturias £m	Other £m	Total £m
Summary information					
Group's interest	50%	50%	50%		
Principal place of business	England	Wales	Spain		
Summarised income statement					
Revenue	43.0	38.8	10.5	12.0	104.3
Net rental income	29.6	27.2	6.8	8.7	72.3
Net other income	–	1.2	–	–	1.2
Revaluation of investment and development property	53.7	75.5	28.8	1.5	159.5
Administration expenses	(0.7)	(0.1)	(0.7)	(0.8)	(2.3)
Finance costs	(18.8)	(5.6)	(5.4)	–	(29.8)
Finance income	0.1	–	0.1	–	0.2
Change in fair value of derivative financial instruments	–	2.0	(0.9)	–	1.1
Profit	63.9	100.2	28.7	9.4	202.2
Group's share of profit	31.9	50.1	14.3	3.4	99.7
Summarised balance sheet					
Investment and development property	868.9	594.1	164.4	245.1	1,872.5
Other non-current assets	0.5	20.6	4.4	2.3	27.8
Total non-current assets	869.4	614.7	168.8	247.4	1,900.3
Cash and cash equivalents	30.0	13.1	12.1	9.0	64.2
Other current assets	5.9	7.5	1.6	1.9	16.9
Total current assets	35.9	20.6	13.7	10.9	81.1
Current financial liabilities	(17.8)	(0.3)	(3.8)	(1.6)	(23.5)
Other current liabilities	(21.4)	(13.3)	(0.9)	(5.3)	(40.9)
Total current liabilities	(39.2)	(13.6)	(4.7)	(6.9)	(64.4)
Partners' loans	(772.5)	(257.2)	(63.2)	(1.4)	(1,094.3)
Non-current financial liabilities	–	–	(72.0)	–	(72.0)
Other non-current liabilities	–	–	(11.2)	–	(11.2)
Total non-current liabilities	(772.5)	(257.2)	(146.4)	(1.4)	(1,177.5)
Net assets	93.6	364.5	31.4	250.0	739.5
Group's share of net assets	46.8	182.3	15.7	58.4	303.2

Notes to the accounts continued

23 Joint operations

The Group's interests in Cribbs Causeway and Manchester Arndale are accounted for as joint operations. The Group holds 50 per cent beneficial interests in the relevant freehold or leasehold of these properties. Each joint arrangement is governed by a Trust Deed giving each party rights to income and obligations for expenses in respect of their beneficial interest in the property. The management of the property is established under the Trust Deed as being undertaken by an entity jointly controlled by the beneficial owners of the property. This entity does not have the right to a share of the income or expenditure from the property, other than the receipt of a management fee. Therefore these interests are accounted for as joint operations. The principal place of business of both joint operations is England.

24 Investment in associates

	Group 2015 £m	Group 2014 £m
At 1 January	**38.0**	35.8
Additions	**10.0**	–
Share of profit of associates	**6.0**	0.8
Foreign exchange movements	**0.7**	1.4
At 31 December	**54.7**	38.0

Investment in associates comprises a 32.4 per cent holding in the ordinary shares of Prozone Intu Properties Limited ('Prozone') and a 26.8 per cent holding in the ordinary shares of Empire Mall Private Limited ('Empire'). Both companies are incorporated in India.

During 2015 Empire, a subsidiary of Prozone, initiated a rights issue to raise INR1.6 billion. Prozone did not take up its rights and hence its investment in Empire reduced from 61.5 per cent to 34.7 per cent. The Group took up these unclaimed rights resulting in a £10 million (INR1.0 billion), 26.8 per cent direct holding in Empire.

The rights issue was priced at a discount to the net asset value of Empire resulting in a gain of £8.1 million on acquisition which is recorded through the share of profit of associates. Conversely the carrying value of the investment in Prozone reduced by £2.6 million reflecting that Company's failure to take up its rights and this is also reflected through the share of profit of associates.

As required by IAS 28 Investments in Associates and Joint Ventures, the equity method of accounting is applied in accounting for the Group's investments in Prozone and Empire. The results for the year to 30 September have been used as 31 December information is not available in time for these financial statements. Those results are adjusted to be in line with the Group's accounting policies and include the most recent property valuations, determined as at 30 September 2015, by independent professionally qualified external valuers in line with the valuation methodology described in note 19.

The market price per share of Prozone at 31 December 2015 was INR32 (31 December 2014: INR26), valuing the Group's interest at £16.1 million (31 December 2014: £13.0 million) compared to the carrying value of £36.4 million (31 December 2014: £38.0 million). As the share price of Prozone is lower than its carrying value, a review of the carrying value has been undertaken. The net assets of Prozone principally comprise investment property which is held at fair value in intu's financial statements. As with other Group investment property, it is subject to independent valuation to fair value and that valuation reflects the future cash flows expected to be generated from those assets. As such the net asset carrying value recorded in the Group's accounts is deemed to be a reasonable approximation of the value in use of the business and so no adjustment to that carrying value is considered necessary.

24 Investment in associates (continued)

Set out below is the summarised information of the Group's investments in associates with financial information presented at 100 per cent. The summarised income statement of Empire is presented for the period from 26 September 2015 when it became an associate.

	Prozone 2015 £m	Empire 2015 £m	Total 2015 £m	Prozone 2014 £m
Summary information				
Group's interest	**32.4%**	**26.8%**		32.4%
Summarised income statement				
Revenue	**8.8**	**1.6**	**10.4**	4.6
Revaluation of investment and development property	**1.2**	**(0.2)**	**1.0**	2.3
Other income statement items	**0.8**	**(0.2)**	**0.6**	0.1
Loss on Empire rights issue	**(8.1)**	**–**	**(8.1)**	–
(Loss)/profit reported by associate	**(6.1)**	**(0.4)**	**(6.5)**	2.4
Group's share of (loss)/profit reported by associate	**(2.0)**	**(0.1)**	**(2.1)**	0.8
Group's gain on Empire rights issue	**–**	**8.1**	**8.1**	–
Group's share of (loss)/profit	**(2.0)**	**8.0**	**6.0**	0.8
Summarised balance sheet				
Investment and development property	**197.9**	**69.6**	**267.5**	185.5
Other non-current assets	**11.4**	**0.2**	**11.6**	3.3
Current assets	**23.4**	**8.6**	**32.0**	20.3
Current liabilities	**(5.4)**	**(2.8)**	**(8.2)**	(8.7)
Non-current liabilities	**(25.0)**	**(7.5)**	**(32.5)**	(20.9)
Net assets	**202.3**	**68.1**	**270.4**	179.9
Non-controlling interests	**(89.9)**	**–**	**(89.9)**	(62.2)
Net assets attributable to owners	**112.4**	**68.1**	**180.5**	117.3
Group's share of net assets attributable to owners	**36.4**	**18.3**	**54.7**	38.0

Notes to the accounts continued

25 Other investments

	Group 2015 £m	Group 2014 £m
At 1 January	**189.7**	154.9
Additions	**–**	3.8
Disposals	**(4.5)**	–
Revaluation	**12.8**	21.1
Foreign exchange movements	**12.3**	9.9
At 31 December	**210.3**	189.7

These investments are available-for-sale investments and are analysed by type as follows:

	Group 2015 £m	Group 2014 £m
Listed securities – equity	**0.9**	5.0
Unlisted securities – equity	**209.4**	184.7
	210.3	189.7

Listed investments are accounted for at fair value using the bid market value at the reporting date. The Group's unlisted securities all relate to the 11.4 million units in a US venture controlled by Equity One, convertible into Equity One shares and therefore the fair value of the investment is measured by reference to the Equity One share price. On 19 January 2016, the Group disposed of this interest in Equity One receiving £201.9 million.

26 Goodwill

	Group 2015 £m	Group 2014 £m
At 1 January	**4.0**	8.2
Disposal of subsidiaries (note 41)	**–**	(4.2)
At 31 December	**4.0**	4.0

27 Trade and other receivables

	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Current				
Trade receivables	**23.5**	24.6	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**1,262.0**	1,284.4
Amounts owed by joint ventures	**8.5**	20.5	**–**	–
Other receivables	**17.5**	16.8	**2.3**	0.9
Prepayments and accrued income	**59.3**	52.8	**2.6**	1.5
Trade and other receivables – current	**108.8**	114.7	**1,266.9**	1,286.8
Non-current				
Other receivables	**0.1**	11.4	**–**	–
Prepayments and accrued income	**89.2**	88.3	**–**	–
Trade and other receivables – non-current	**89.3**	99.7	**–**	–

Included within prepayments and accrued income for the Group of £148.5 million (2014: £141.1 million) are tenant lease incentives of £101.0 million (2014: £96.9 million).

Amounts owed by subsidiary undertakings are unsecured and repayable on demand.

28 Cash and cash equivalents

	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Unrestricted cash	**273.6**	212.5	**0.3**	1.0
Restricted cash	**2.2**	17.5	**–**	–
Cash and cash equivalents	**275.8**	230.0	**0.3**	1.0

In 2015, restricted cash primarily relates to cash deposits to fund compulsory purchase orders related to the intu Watford extension.

In 2014, restricted cash represented the deposit paid in relation to the acquisition of Puerto Venecia, Zaragoza.

A number of the Group's borrowing arrangements place certain restrictions on the rent received each quarter. These do not prevent access to or use of this funding within the borrowing entities, however they do place certain restrictions on moving those funds around the wider group, typically requiring debt servicing costs to be paid before restrictions are lifted.

29 Derivative financial instruments

All derivative financial instruments held by the Group relate to interest rate swaps which are classified as held for trading (see note 35).

The derivative financial instrument held by the Company relates to the bondholder option (see note 33) and is classified as held for trading.

30 Trade and other payables

	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Current				
Rents received in advance	**99.3**	97.2	**–**	–
Trade payables	**4.6**	2.7	**–**	–
Amounts owed to joint ventures	**0.4**	2.7	**–**	–
Amounts owed to subsidiary undertakings	**–**	–	**326.8**	376.8
Accruals and deferred income	**132.0**	110.7	**11.2**	10.6
Other payables	**12.1**	11.6	**0.1**	0.4
Other taxes and social security	**27.1**	26.6	**8.2**	6.3
Trade and other payables	**275.5**	251.5	**346.3**	394.1

Amounts owed to subsidiary undertakings are unsecured and repayable on demand.

Notes to the accounts continued

31 Borrowings

Group	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m
						2015
Current						
Bank loans and overdrafts	122.8	122.8	–	–	122.8	122.8
Commercial mortgage backed securities ('CMBS') notes	14.1	14.1	–	14.1	–	16.4
Current borrowings, excluding finance leases	136.9	136.9	–	14.1	122.8	139.2
Finance lease obligations	2.4	2.4	–	2.4	–	2.4
	139.3	**139.3**	**–**	**16.5**	**122.8**	**141.6**
Non-current						
Revolving credit facility 2020	353.7	353.7	–	–	353.7	353.7
CMBS notes 2019	19.6	19.6	–	19.6	–	20.2
CMBS notes 2022	50.9	50.9	–	50.9	–	60.6
CMBS notes 2024	87.5	87.5	–	87.5	–	91.4
CMBS notes 2029	83.7	83.7	–	83.7	–	94.1
CMBS notes 2033	339.0	339.0	–	339.0	–	400.1
CMBS notes 2035	188.4	188.4	–	–	188.4	194.7
Bank loans 2017	346.9	346.9	–	–	346.9	346.9
Bank loans 2020	380.0	380.0	–	–	380.0	380.0
Bank loan 2021	120.6	120.6	–	–	120.6	120.6
3.875% bonds 2023	441.3	441.3	–	441.3	–	461.3
4.125% bonds 2023	476.6	476.6	–	476.6	–	504.0
4.625% bonds 2028	341.2	341.2	–	341.2	–	380.8
4.250% bonds 2030	344.5	344.5	–	344.5	–	358.1
Debenture 2027	228.2	228.2	–	228.2	–	227.7
2.5% convertible bonds 2018 (note 33)	326.4	–	326.4	326.4	–	326.4
Non-current borrowings, excluding finance leases and Metrocentre compound financial instrument	4,128.5	3,802.1	326.4	2,738.9	1,389.6	4,320.6
Metrocentre compound financial instrument	172.0	–	172.0	172.0	–	172.0
Finance lease obligations	31.8	31.8	–	31.8	–	31.8
	4,332.3	**3,833.9**	**498.4**	**2,942.7**	**1,389.6**	**4,524.4**
Total borrowings	**4,471.6**	**3,973.2**	**498.4**	**2,959.2**	**1,512.4**	**4,666.0**
Cash and cash equivalents	(275.8)					
Net debt	**4,195.8**					

Analysis of the Group's net external debt is provided in the other information section.

The Group substantially eliminates its interest rate exposure to floating rate debt through interest rate swaps as described in note 35.

The market value of investment property secured, either directly or indirectly, as collateral against borrowings at 31 December 2015 is £9,473.7 million including £1,118.7 million of investment property held within joint ventures (2014: £8,844.0 million including £824.9 million held within joint ventures). In most circumstances the Group can realise up to 50 per cent without restriction providing the Group continues to manage the asset. Realising an amount in excess of this would trigger a change of control and mandatory repayment of the facility.

The Company had non-current borrowings of £353.7 million at 31 December 2015 consisting of a revolving credit facility expiring in 2020 (2014: £230.0 million). This debt is floating rate, secured and its fair value is equal to book value.

The fair value of fixed rate borrowings and CMBS is assessed based on quoted market prices, and as such are categorised as Level 1 in the fair value hierarchy (see note 35 for definition). The fair values of unlisted floating rate borrowings are equal to their carrying value.

31 Borrowings (continued)

Group	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m
						2014
Current						
Bank loans and overdrafts	1.7	1.7	–	–	1.7	1.7
Commercial mortgage backed securities ('CMBS') notes	16.5	16.5	–	13.3	3.2	19.1
Current borrowings, excluding finance leases	18.2	18.2	–	13.3	4.9	20.8
Finance lease obligations	3.1	3.1	–	3.1	–	3.1
	21.3	21.3	–	16.4	4.9	23.9
Non-current						
Revolving credit facility 2019	230.0	230.0	–	–	230.0	230.0
CMBS notes 2019	19.5	19.5	–	19.5	–	20.3
CMBS notes 2022	51.2	51.2	–	51.2	–	62.8
CMBS notes 2024	87.4	87.4	–	87.4	–	95.4
CMBS notes 2029	88.6	88.6	–	88.6	–	101.9
CMBS notes 2033	351.8	351.8	–	351.8	–	429.5
CMBS notes 2035	186.2	186.2	–	–	186.2	208.4
Bank loans 2016	330.8	330.8	–	–	330.8	330.8
Bank loan 2017	166.5	166.5	–	–	166.5	166.5
Bank loan 2018	347.9	347.9	–	–	347.9	347.9
Bank loan 2021	120.3	120.3	–	–	120.3	120.3
3.875% bonds 2023	440.2	440.2	–	440.2	–	474.1
4.125% bonds 2023	475.8	475.8	–	475.8	–	518.4
4.625% bonds 2028	340.6	340.6	–	340.6	–	392.7
4.250% bonds 2030	344.5	344.5	–	344.5	–	376.8
Debenture 2027	227.9	227.9	–	227.9	–	241.0
2.5% convertible bonds 2018 (note 33)	325.6	–	325.6	325.6	–	325.6
Non-current borrowings, excluding finance leases and Metrocentre compound financial instrument	4,134.8	3,809.2	325.6	2,753.1	1,381.7	4,442.4
Metrocentre compound financial instrument	166.1	–	166.1	166.1	–	166.1
Finance lease obligations	31.8	31.8	–	31.8	–	31.8
	4,332.7	3,841.0	491.7	2,951.0	1,381.7	4,640.3
Total borrowings	4,354.0	3,862.3	491.7	2,967.4	1,386.6	4,664.2
Cash and cash equivalents	(230.0)					
Net debt	4,124.0					

The maturity profile of debt (excluding finance leases) is as follows:

	Group 2015 £m	Group 2014 £m
Repayable within one year	**136.9**	18.2
Repayable in more than one year but not more than two years	**346.6**	328.4
Repayable in more than two years but not more than five years	**1,150.5**	1,148.1
Repayable in more than five years	**2,803.4**	2,824.4
	4,437.4	4,319.1

Certain borrowing agreements contain financial and other conditions that, if contravened, could alter the repayment profile. During the year there were no breaches of these conditions (see financial covenants section on pages 162 and 163).

Notes to the accounts continued

31 Borrowings (continued)

As at 31 December 2015 the Group had committed borrowing facilities of £640.7 million, £600.0 million expiring in 2020 and £40.7 million expiring in 2021. At 31 December 2015, £287.0 million was undrawn (2014: facilities £640.7 million, undrawn £410.7 million).

Finance lease disclosures:

	Group 2015 £m	Group 2014 £m
Minimum lease payments under finance leases fall due:		
Not later than one year	**4.2**	4.2
Later than one year and not later than five years	**17.0**	17.0
Later than five years	**62.5**	64.3
	83.7	85.5
Future finance charges on finance leases	**(49.5)**	(50.6)
Present value of finance lease liabilities	**34.2**	34.9
Present value of finance lease liabilities:		
Not later than one year	**2.4**	3.1
Later than one year and not later than five years	**13.9**	13.5
Later than five years	**17.9**	18.3
	34.2	34.9

Finance lease liabilities are in respect of head leases on investment property. A number of these leases provide for payment of contingent rent, usually a proportion of net rental income, in addition to the rents above.

32 Movement in net debt

				2015
Group	**Cash and cash equivalents £m**	**Current borrowings £m**	**Non-current borrowings £m**	**Net debt £m**
Balance at 1 January 2015	**230.0**	**(21.3)**	**(4,332.7)**	**(4,124.0)**
Acquisition of businesses	**(200.7)**	**–**	**(138.2)**	**(338.9)**
Disposal of subsidiaries	**78.6**	**–**	**161.8**	**240.4**
Borrowings drawn	**329.2**	**–**	**(329.2)**	**–**
Borrowings repaid	**(190.3)**	**20.3**	**170.0**	**–**
Issue of ordinary shares	**22.0**	**–**	**–**	**22.0**
Cash flows with joint ventures	**51.4**	**–**	**–**	**51.4**
Other net cash movements	**(44.4)**	**–**	**–**	**(44.4)**
Other non-cash movements	**–**	**(138.3)**	**136.0**	**(2.3)**
Balance at 31 December 2015	**275.8**	**(139.3)**	**(4,332.3)**	**(4,195.8)**

32 Movement in net debt (continued)

Group	Cash and cash equivalents £m	Current borrowings £m	Non-current borrowings £m	Net debt £m
				2014
Balance at 1 January 2014	156.7	(70.9)	(3,944.0)	(3,858.2)
Acquisition of businesses	(851.3)	–	–	(851.3)
Disposal of subsidiaries	162.5	–	–	162.5
Borrowings drawn	989.4	–	(989.4)	–
Borrowings repaid	(675.1)	1.4	672.7	(1.0)
Issue of ordinary shares	492.0	–	–	492.0
Cash flows with joint ventures	(26.1)	–	–	(26.1)
Other net cash movements	(18.1)	–	–	(18.1)
Other non-cash movements	–	48.2	(72.0)	(23.8)
Balance at 31 December 2014	230.0	(21.3)	(4,332.7)	(4,124.0)

33 Convertible bonds

2.5 per cent convertible bonds ('the 2.5 per cent bonds')

On 4 October 2012 Intu (Jersey) Limited (the 'Issuer') issued £300.0 million 2.5 per cent Guaranteed Convertible Bonds due 2018 at par all of which remain outstanding at 31 December 2015. At 31 December 2015 the exchange price was £3.4398 per ordinary share. intu properties plc has unconditionally and irrevocably guaranteed the due and punctual performance by the Issuer of all of its obligations (including payments) in respect of the 2.5 per cent bonds and the obligations of the Company, as guarantor, constitute direct, unsubordinated and unsecured obligations of the Company.

Subject to certain conditions, the 2.5 per cent bonds are convertible into preference shares of the Issuer which are automatically transferred to the Company in exchange for ordinary shares in the Company or (at the Company's election) any combination of ordinary shares and cash. The 2.5 per cent bonds can be converted at any time from 14 November 2012 up to the 20th dealing day before the maturity date.

The initial exchange price was £4.3752 per ordinary share, a conversion rate of approximately 22,856 ordinary shares for every £100,000 nominal of the 2.5 per cent bonds. Under the terms of the 2.5 per cent bonds, the exchange price is adjusted upon certain events including the rights issue on 22 April 2014 and the payment of dividends by the Company.

The 2.5 per cent bonds may be redeemed at par at the Company's option subject to the Company's ordinary share price having traded at 30 per cent above the conversion price for a specified period, or at any time once 85 per cent by nominal value of the 2.5 per cent bonds originally issued have been converted or cancelled. If not previously converted, redeemed or purchased and cancelled, the 2.5 per cent bonds will be redeemed at par on 4 October 2018.

The 2.5 per cent bonds are designated as at fair value through profit or loss and so are presented on the balance sheet at fair value with all gains and losses taken to the income statement through the changes in fair value of financial instruments line. At 31 December 2015, the fair value of the 2.5 per cent bonds was £326.4 million (2014: £325.6 million), with the change in fair value reflected in note 13. The 2.5 per cent bonds are listed on the Professional Securities Market of the London Stock Exchange.

During the year interest of £7.5 million (2014: £7.5 million) in respect of these bonds has been recognised within finance costs.

In the Company's balance sheet the bondholder option is held at its fair value of £26.4 million as a derivative financial instrument (2014: £25.6 million).

3.75 per cent convertible bonds ('the 3.75 per cent bonds')

In 2011 intu properties plc issued £154.3 million, 3.75 per cent perpetual subordinated convertible bonds, with a conversion price of £4.00 per ordinary share, in connection with the acquisition of intu Trafford Centre. These were accounted for as equity at their fair value on issue which totalled £143.7 million. Following the rights issue on 22 April 2014, the conversion price was adjusted to £3.64 per ordinary share. On 2 July 2014 a conversion notice was issued for all the bonds resulting in 42,394,779 new ordinary shares being issued.

During 2014 interest of £2.9 million was recognised directly in equity. This is deducted in arriving at earnings per share (see note 17).

Notes to the accounts continued

34 Operating leases

The Group earns rental income by leasing its investment properties to tenants under operating leases.

In the UK the standard shopping centre lease is for a term of 10 to 15 years. Standard lease provisions include service charge payments, recovery of other direct costs and review every five years to market rent. Standard turnover based leases have a turnover percentage agreed with each lessee which is applied to a retail unit's annual sales and any excess between the resulting turnover rent and the minimum rent is receivable by the Group.

The future minimum lease amounts receivable under non-cancellable operating leases for continuing operations are as follows:

	2015 £m	2014 £m
Not later than one year	**408.3**	416.9
Later than one year and not later than five years	**1,210.0**	1,263.3
Later than five years	**1,287.7**	1,423.2
	2,906.0	3,103.4

The income statement includes £1.1 million (2014: £3.6 million) recognised in respect of expected increased rent resulting from outstanding reviews where the actual rent will only be determined on settlement of the rent review.

The income statement includes £11.7 million (2014: £12.0 million) recognised in respect of contingent rents calculated by reference to tenants' turnover.

35 Financial risk management

The Group is exposed to a variety of financial risks arising from the Group's operations being principally market risk (including interest rate risk and foreign exchange risk), liquidity risk and credit risk.

The majority of the Group's financial risk management is carried out by the Group's treasury department. The policies for managing each of these risks and their impact on the results for the year are summarised below.

Market risk

a) Interest rate risk

Interest rate risk comprises both cash flow and fair value risks. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in market interest rates.

The Group's interest rate risk arises from borrowings issued at variable rates that expose the Group to cash flow interest rate risk, whereas borrowings issued at fixed interest rates expose the Group to fair value interest rate risk. Bank debt is typically issued at floating rates linked to LIBOR. Bond debt and other capital market debt is generally issued at fixed rates.

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

As a consequence, the Group is exposed to market price risk in respect of the fair value of its fixed rate interest rate swaps, as discussed in the financial review on pages 46 to 51.

The table below shows the effects of interest rate swaps on the borrowings profile of the Group:

	Fixed 2015 £m	**Floating 2015 £m**	Fixed 2014 £m	Floating 2014 £m
Borrowings[1]	**2,725.1**	**1,570.4**	2,738.4	1,448.6
Derivative impact (nominal value of interest rate swaps)	**978.0**	**(978.0)**	943.9	(943.9)
Net borrowings profile	**3,703.1**	**592.4**	3,682.3	504.7
Interest rate protection		**86.2%**		87.9%

1 Borrowings are stated at nominal value and exclude the Metrocentre compound financial instrument and finance leases. At 31 December 2015 they include the £353.7 million (2014: £230.0 million) drawn under the revolving credit facility which incurs interest at a variable rate. Excluding the revolving credit facility, interest rate protection is 94.0 per cent (2014: 93.1 per cent).

Group policy is to target interest rate protection within the range of 75 per cent to 100 per cent.

The weighted average rate for interest rate swaps currently effective is 2.12 per cent (2014: 2.24 per cent).

35 Financial risk management (continued)

Unallocated swaps (including certain forward starting swaps) are excluded from the above calculation. The nominal value of these swaps is £746.7 million (2014: £746.7 million) of which £125.0 million (2014: £125.0 million) are forward starting. Their fair value of £239.1 million (2014: £242.5 million) is included as a liability in the balance sheet.

The approximate impact of a 50 basis point shift upwards in the level of interest rates would be a positive movement of £74.1 million (2014: £83.6 million) in the fair value of derivatives. The approximate impact of a 50 basis point shift downwards in the level of interest rates would be a negative movement of £79.8 million (2014: £90.2 million) in the fair value of derivatives. In practice, a parallel shift in the yield curve is highly unlikely. However, the above sensitivity analysis is a reasonable illustration of the possible effect from the changes in slope and shifts in the yield curve that may actually occur. Where the fixed rate derivative financial instruments are matched by floating rate debt, the overall effect on Group cash flow of such a movement would be very small.

b) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a functional currency other than sterling. The Group's policy is to ensure the Group's net exposure to foreign currency is less than 10 per cent of the Group's equity attributable to owners of the Company. At 31 December 2015 the Group's exposure amounted to 7.9 per cent of equity attributable to owners of the Company (31 December 2014: 6.4 per cent).

The table summarises the Group's exposure to foreign currency risk:

	2015 €m	2014 €m	**2015 INRm**	2014 INRm	**2015 US$m**	2014 US$m
Net exposure	**170.4**	87.0	**5,421.4**	3,819.3	**311.1**	288.0

The following foreign exchange rates apply to the Group's foreign exchange risk:

	2015 €m	2014 €m	**2015 INRm**	2014 INRm	**2015 US$m**	2014 US$m
Foreign exchange rate	**1.3568**	1.2886	**97.5080**	98.4238	**1.4739**	1.5593

The approximate impact of a 10 per cent appreciation in foreign exchange rates would be positive movement of £43.6 million (2014: £32.3 million) to equity attributable to owners of the Company. The approximate impact of a 10 per cent depreciation in foreign exchange rates would be a negative movement of £35.7 million (2014: £26.5 million) to equity attributable to owners of the Company.

Liquidity risk

Liquidity risk is managed to ensure that the Group is able to meet future payment obligations when financial liabilities fall due. Liquidity analysis is conducted to ensure that sufficient headroom is available to meet the Group's operational requirements and committed investments. The Group treasury policy aims to meet this objective through maintaining adequate cash, marketable securities and committed facilities to meet these requirements. Undrawn borrowing facilities are detailed in note 31. The Group's policy is to seek to optimise its exposure to liquidity risk by balancing its exposure to interest rate risk and to refinancing risk. In effect the Group seeks to borrow for as long as possible at the lowest acceptable cost.

Group policy is to maintain a weighted average debt maturity of over five years. As at 31 December 2015, the maturity profile of Group debt showed an average maturity of eight years (2014: eight years). The Group regularly reviews the maturity profile of its borrowings and seeks to avoid bunching of maturities through the regular replacement of facilities and by arranging a selection of maturity dates. Refinancing risk may be reduced by doing so prior to the contracted maturity date, effectively switching liquidity risk for market risk.

Notes to the accounts continued

35 Financial risk management (continued)

The tables below set out the maturity analysis of the Group's financial liabilities based on the undiscounted contractual obligations to make payments of interest and to repay principal. Where interest payment obligations are based on a floating rate the rates used are those implied by the par yield curve for the relevant currency. Where payment obligations are in foreign currencies, the spot exchange rate at the balance sheet date is used.

Group					**2015**
	Within 1 year £m	**1–2 years £m**	**2–5 years £m**	**Over 5 years £m**	**Total £m**
Borrowings (including interest)	**(285.9)**	**(561.9)**	**(1,611.6)**	**(3,456.9)**	**(5,916.3)**
Finance lease obligations	**(4.3)**	**(4.3)**	**(12.8)**	**(63.2)**	**(84.6)**
Other financial liabilities	**(17.3)**	**(2.8)**	**–**	**–**	**(20.1)**
Derivative payments	**(54.4)**	**(50.0)**	**(132.6)**	**(448.3)**	**(685.3)**
Derivative receipts	**14.1**	**15.4**	**49.9**	**217.5**	**296.9**
	(347.8)	**(603.6)**	**(1,707.1)**	**(3,750.9)**	**(6,409.4)**

Group					2014
	Within 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m	Total £m
Borrowings (including interest)	(180.2)	(514.6)	(1,574.9)	(3,607.3)	(5,877.0)
Finance lease obligations	(4.2)	(4.2)	(12.7)	(64.4)	(85.5)
Other financial liabilities	(17.0)	(2.5)	–	–	(19.5)
Derivative payments	(121.6)	(61.7)	(143.5)	(198.7)	(525.5)
Derivative receipts	17.0	15.7	34.0	90.1	156.8
	(306.0)	(567.3)	(1,697.1)	(3,780.3)	(6,350.7)

Company					**2015**
	Within 1 year £m	**1–2 years £m**	**2–5 years £m**	**Over 5 years £m**	**Total £m**
Borrowings (including interest)	**(0.9)**	**(24.4)**	**(396.1)**	**–**	**(421.4)**
Other financial liabilities	**(0.3)**	**–**	**–**	**–**	**(0.3)**
Amounts owed to subsidiary undertakings	**(326.8)**	**–**	**–**	**–**	**(326.8)**
	(328.0)	**(24.4)**	**(396.1)**	**–**	**(748.5)**

Company					2014
	Within 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m	Total £m
Borrowings (including interest)	(7.9)	(7.5)	(545.0)	–	(560.4)
Other financial liabilities	(0.2)	–	–	–	(0.2)
Amounts owed to subsidiary undertakings	(376.8)	–	–	–	(376.8)
	(384.9)	(7.5)	(545.0)	–	(937.4)

Credit risk

Credit risk is the risk of financial loss if a tenant or counterparty fails to meet an obligation under a contract. Credit risk arises primarily from trade receivables but also from the Group's holdings of assets with counterparties such as cash deposits and derivative instruments.

Credit risk associated with trade receivables is actively managed; tenants are managed individually by asset managers, who continuously monitor and work with tenants, aiming wherever possible to identify and address risks prior to default.

Prospective tenants are assessed via a review process, including obtaining credit ratings and reviewing financial information, which is conducted internally. As a result deposits or guarantees may be obtained. The amount of deposits held as collateral at 31 December 2015 is £3.7 million (2014: £3.4 million).

It is Group policy to calculate any impairment of receivables specifically on each contract.

35 Financial risk management (continued)

The ageing analysis of trade receivables is as follows:

	Group 2015 £m	Group 2014 £m
Up to three months	**20.9**	22.5
Three to six months	**2.6**	2.1
Trade receivables	**23.5**	24.6

At 31 December 2015 trade receivables are shown net of provisions totalling £3.8 million (2014: £7.1 million).

The credit risk relating to cash deposits and derivative financial instruments is actively managed by the Group's treasury department. Relationships are maintained with a number of tier one institutional counterparties, ensuring compliance with Group policy relating to limits on the credit ratings of counterparties (between BBB+ and AAA).

Excessive credit risk concentration is avoided through adhering to authorised limits for all counterparties.

Counterparty	Credit rating	Authorised limit £m	Group Exposure 31 December 2015 £m
Counterparty #1	AA–	125.0	86.8
Counterparty #2	AAA	150.0	68.7
Counterparty #3	A	100.0	49.6
Counterparty #4	BBB+	75.0	49.3
Counterparty #5	A–	100.0	11.5
Sum of five largest exposures			265.9
Sum of cash deposits and derivative financial instrument assets			279.0
Five largest exposures as a percentage of risk			95%

Classification of financial assets and liabilities

The tables below set out the Group's accounting classification of each class of financial assets and liabilities and their fair values at 31 December 2015 and 31 December 2014.

The fair values of derivative financial instruments are determined from observable market prices or estimated using appropriate yield curves at 31 December each year by discounting the future contractual cash flows to the net present values. The determination of the fair values of borrowings is defined in note 31.

				2015
	Carrying value £m	Fair value £m	Profit/(loss) to income statement £m	Profit to other comprehensive income £m
Derivative financial instrument assets	**3.2**	**3.2**	**(6.2)**	**–**
Total held for trading assets	**3.2**	**3.2**	**(6.2)**	**–**
Trade and other receivables	**49.6**	**49.6**	**–**	**–**
Cash and cash equivalents	**275.8**	**275.8**	**–**	**–**
Total cash and receivables	**325.4**	**325.4**	**–**	**–**
Other investments	**210.3**	**210.3**	**–**	**12.8**
Total available-for-sale investments	**210.3**	**210.3**	**–**	**12.8**
Derivative financial instrument liabilities	**(341.7)**	**(341.7)**	**13.0**	**–**
Total held for trading liabilities	**(341.7)**	**(341.7)**	**13.0**	**–**
Trade and other payables	**(20.1)**	**(20.1)**	**–**	**–**
Borrowings	**(4,471.6)**	**(4,666.0)**	**(0.8)**	**–**
Total loans and payables	**(4,491.7)**	**(4,686.1)**	**(0.8)**	**–**

Notes to the accounts continued

35 Financial risk management (continued)

	2014			
	Carrying value £m	Fair value £m	Profit/(loss) to income statement £m	Profit to other comprehensive income £m
Derivative financial instrument assets	9.7	9.7	(15.9)	–
Total held for trading assets	9.7	9.7	(15.9)	–
Trade and other receivables	70.9	70.9	–	–
Cash and cash equivalents	230.0	230.0	–	–
Total cash and receivables	300.9	300.9	–	–
Other investments	189.7	189.7	–	21.1
Total available-for-sale investments	189.7	189.7	–	21.1
Derivative financial instrument liabilities	(356.5)	(356.5)	(128.9)	–
Total held for trading liabilities	(356.5)	(356.5)	(128.9)	–
Trade and other payables	(19.5)	(19.5)	–	–
Borrowings	(4,354.0)	(4,664.2)	(12.8)	–
Total loans and payables	(4,373.5)	(4,683.7)	(12.8)	–

The table below presents the Group's financial assets and liabilities recognised at fair value.

	2015			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**
Assets				
Derivative financial instruments:				
— Fair value through profit or loss	**–**	**3.2**	**–**	**3.2**
Available-for-sale investments	**0.9**	**209.4**	**–**	**210.3**
Total assets	**0.9**	**212.6**	**–**	**213.5**
Liabilities				
Convertible bonds:				
— Designated as at fair value through profit or loss	**(326.4)**	**–**	**–**	**(326.4)**
Derivative financial instruments:				
— Fair value through profit or loss	**–**	**(341.7)**	**–**	**(341.7)**
Total liabilities	**(326.4)**	**(341.7)**	**–**	**(668.1)**

	2014			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Derivative financial instruments:				
— Fair value through profit or loss	–	9.7	–	9.7
Available-for-sale investments	5.0	184.7	–	189.7
Total assets	5.0	194.4	–	199.4
Liabilities				
Convertible bonds:				
— Designated as at fair value through profit or loss	(325.6)	–	–	(325.6)
Derivative financial instruments:				
— Fair value through profit or loss	–	(356.5)	–	(356.5)
Total liabilities	(325.6)	(356.5)	–	(682.1)

35 Financial risk management (continued)

Fair value hierarchy

Level 1: Valuation based on quoted market prices traded in active markets.

Level 2: Valuation techniques are used, maximising the use of observable market data, either directly from market prices or derived from market prices.

Level 3: Where one or more significant inputs to valuation are unobservable. Valuations at this level are more subjective and therefore more closely managed, including sensitivity analysis of inputs to valuation models. Such testing has not indicated that any material difference would arise due to a change in input variables.

Transfers into and transfers out of the fair value hierarchy levels are recognised on the date of the event or change in circumstances that caused the transfer. There were no transfers in or out for the above financial assets and liabilities during the year.

Valuation techniques for level 2 hierarchy financial assets and liabilities are presented in the accounting policies.

Capital structure

The Group seeks to enhance shareholder value both by investing in the business so as to improve the return on investment and by managing the capital structure. The capital of the Group consists of equity, debt and compound financial instruments. The Group aims to access both debt and equity capital markets with maximum efficiency and flexibility.

The key ratios used to monitor the capital structure of the Group are the debt to assets ratio and interest cover. The Group's stated medium to long-term preference is for the debt to assets ratio to be within the 40–50 per cent range and interest cover to be greater than 1.60x. At 31 December 2015 the debt to asset ratio remains within the preferred range and the interest cover ratio continues to be above the preferred level.

As the Group's debt is sometimes secured on its interests in joint ventures, these ratios are monitored for the Group including share of joint ventures. A reconciliation from the relevant amounts as presented to those including the Group's share of joint ventures is presented in the other information section.

Debt to assets ratio	Group 2015 £m	Group 2014 £m
Market value of investment and development property	**9,602.4**	8,963.4
Net external debt	**(4,139.1)**	(3,963.4)
Debt to assets ratio	**43.1%**	44.2%

Interest cover	Group 2015 £m	Group 2014 £m
Finance costs	**(208.9)**	(201.2)
Finance income	**1.6**	1.2
Interest on convertible bonds recognised directly in equity	**–**	(2.9)
	(207.3)	(202.9)
Underlying operating profit	**395.6**	370.3
Remove trading property related items	**–**	(0.6)
	395.6	369.7
Interest cover	**1.91x**	1.82x

Notes to the accounts continued

36 Deferred tax

Under IAS 12 Income Taxes, provision is made for the deferred tax assets and liabilities associated with the revaluation of assets and liabilities at the corporate tax rate expected to apply to the Group at the time the temporary differences are expected to reverse. For those UK assets and liabilities benefitting from REIT exemption, the relevant tax rate will be 0 per cent (2014: 0 per cent), for other UK assets and liabilities the relevant rate will be 20 per cent if the temporary difference is expected to be realised before 1 April 2017, 19 per cent if it is expected to be realised on or after 1 April 2017 but before 1 April 2020 and 18 per cent if it is expected to be realised on or after 1 April 2020 (2014: 20 per cent). For other assets and liabilities the tax rate will be the relevant expected corporate tax rate in the relevant country.

Movements in the provision for deferred tax:

Group	Investment and development property £m	Other investments £m	Derivative financial instruments £m	Other temporary differences £m	Total £m
Provided deferred tax provision/(asset):					
At 1 January 2014	12.0	8.4	(8.0)	(0.4)	12.0
Recognised in the income statement	–	(0.9)	(5.6)	(0.1)	(6.6)
Recognised in other comprehensive income	–	6.6	–	–	6.6
Disposal of subsidiaries (note 41)	(12.0)	–	–	–	(12.0)
At 31 December 2014	–	14.1	(13.6)	(0.5)	–
Acquisition of Puerto Venecia, Zaragoza	6.1	–	–	(6.1)	–
Recognised in the income statement	(0.8)	(0.2)	(2.8)	(1.2)	(5.0)
Recognised in other comprehensive income	–	5.0	–	–	5.0
Foreign exchange movements	(0.2)	–	–	0.2	–
Disposal of subsidiaries	(5.1)	–	–	5.1	–
At 31 December 2015	**–**	**18.9**	**(16.4)**	**(2.5)**	**–**

At 31 December 2015, the Group had unrecognised deferred tax assets calculated at a tax rate of 18 per cent (2014: 20 per cent) of £54.2 million (2014: £55.7 million) for surplus UK revenue tax losses carried forward, £31.3 million (2014: £40.0 million) for temporary differences on derivative financial instruments and £0.6 million (2014: £0.5 million) for temporary differences on capital allowances.

In accordance with the requirements of IAS 12 Income Taxes, the deferred tax asset has not been recognised in the Group financial statements due to uncertainty over the level of profits that will be available in the non-REIT elements of the Group in future periods.

The Company recognises a deferred tax asset of £1.1 million (2014: £0.4 million), which resulted from carried forward losses. In 2014, this also resulted from the difference between the timing of certain deductions for tax and accounting purposes.

37 Share capital and share premium

	Share capital £m	Share premium £m
Issued and fully paid:		
At 1 January 2014: 973,845,701 ordinary shares of 50p each	486.9	695.6
Ordinary shares issued on conversion of bonds (note 33)	21.2	122.5
Other ordinary shares issued	150.3	403.9
At 31 December 2014: 1,316,838,051 ordinary shares of 50p each	658.4	1,222.0
Ordinary shares issued	13.9	81.1
At 31 December 2015: 1,344,661,827 ordinary shares of 50p each	**672.3**	**1,303.1**

During the year the Company issued a total of 75,777 ordinary shares in connection with the exercise of options by employees and former employees under the intu properties plc approved share option scheme and the intu properties plc unapproved share option scheme. As a result the Company's share capital increased by 0.1 million and share premium by £0.2 million.

On 20 May 2015 the Company issued 6,256,075 new ordinary shares of 50p each to entities in the Peel Group at £3.4635 per share in connection with the purchase of the two parcels of land in the province of Málaga, Spain. As a result share capital increased by £3.1 million and share premium by £18.6 million. See note 46.

37 Share capital and share premium (continued)

On 28 May 2015 and 24 November 2015, the Company issued 16,071,625 and 5,420,299 new ordinary shares of 50p each respectively to shareholders who elected to receive their 2014 final and 2015 interim dividends in shares under the Scrip Dividend Scheme. The value of the Scrip Shares was calculated in accordance with the terms of the Scrip Dividend Scheme, being the average middle market quotations for each day between 24 March to 30 March 2015 inclusive and between 2 October to 8 October 2015 respectively less the gross amount of dividend payable. As a result the Company's share capital increased by £10.7 million and share premium by £62.3 million.

Full details of the rights and obligations attaching to the ordinary shares are contained in the Company's Articles of Association. These rights include an entitlement to receive the Company's report and financial statements, to attend and speak at General Meetings of the Company, to appoint proxies and to exercise voting rights. Holders of ordinary shares may also receive dividends and may receive a share of the Company's assets on the Company's liquidation. There are no restrictions on the transfer of the ordinary shares.

At 26 February 2016 the Company had an unexpired authority to repurchase shares up to a maximum of 131,683,805 shares with a nominal value of £65.8 million, and the Directors have an unexpired authority to allot up to a maximum of 438,946,017 shares with a nominal value of £219.5 million.

Included within the issued share capital as at 31 December 2015 are 12,712,516 ordinary shares (2014: 13,131,185) held by the Trustee of the ESOP which is operated by the Company (note 38). The nominal value of these shares at 31 December 2015 is £6.4 million (2014: £6.6 million).

38 Employee Share Ownership Plan ('ESOP')

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

The purpose of the ESOP is to acquire and hold shares which will be transferred to employees in the future under the Group's employee incentive arrangements as described in note 47 and the Director's remuneration report on pages 78 to 91, including joint ownership of shares in its role as Trustee of the Joint Share Ownership Plan. Dividends of £1.6 million (2014: £1.4 million) in respect of these shares have been waived by agreement.

	Group and Company			
	2015 Shares million	**2015 £m**	2014 Shares million	2014 £m
At 1 January	**13.1**	**45.1**	12.6	48.2
Adjustment for rights issue	**–**	**–**	1.3	–
Acquisitions	**0.5**	**1.6**	0.3	1.0
Disposals	**(0.9)**	**(3.4)**	(1.1)	(4.1)
At 31 December	**12.7**	**43.3**	13.1	45.1

Notes to the accounts continued

39 Other reserves

Group	Capital redemption £m	Translation reserve £m	Other £m	Total £m
At 1 January 2014	61.4	(7.3)	446.4	500.5
Revaluation of other investments (note 25)	–	–	21.1	21.1
Exchange differences	–	7.4	–	7.4
Tax relating to components of other comprehensive income (note 14)	–	–	(6.6)	(6.6)
Realisation of merger reserve	–	–	(164.4)	(164.4)
At 31 December 2014	61.4	0.1	296.5	358.0
Revaluation of other investments (note 25)	–	–	12.8	12.8
Exchange differences	–	7.6	–	7.6
Tax relating to components of other comprehensive income (note 14)	–	–	(5.0)	(5.0)
Reclassified to income statement on sale of other investments	–	–	(0.6)	(0.6)
At 31 December 2015	**61.4**	**7.7**	**303.7**	**372.8**

Company	Capital redemption £m	Merger reserve £m	Total £m
At 1 January 2014	61.4	164.4	225.8
Realisation of merger reserve	–	(164.4)	(164.4)
At 31 December 2014 and 31 December 2015	**61.4**	**–**	**61.4**

In 2014, the merger reserve created as part of the March 2013 capital raise was realised and transferred to retained earnings following redemption of preference shares held by the Company.

40 Business combinations

Acquisition during 2015

On 19 January 2015 the Group acquired 100 per cent of the share capital of Puerto Venecia Investments SOCIMI S.A. for total cash consideration of €273.5 million (£208.8 million). The cash flow statement outflow of £203.1 million reflects the £208.8 million less the unrestricted cash acquired of £5.7 million. Acquisition related costs of £1.1 million were incurred and recognised in the income statement in exceptional administration expenses during 2014 and 2015.

The company acquired owns Puerto Venecia, a shopping resort in Zaragoza, Spain.

The fair value of assets and liabilities acquired is set out in the table below:

	Fair value £m
Assets	
Investment and development property (€450.8 million)	344.2
Cash and cash equivalents (including restricted cash of £2.4 million)	8.1
Derivative financial instruments	0.1
Trade and other receivables	2.6
Total assets	**355.0**
Liabilities	
Trade and other payables	(7.2)
Borrowings	(138.2)
Total liabilities	**(145.4)**
Net assets	**209.6**
Fair value of consideration received	208.8
Gain on acquisition of business	**0.8**

The fair value of the assets and liabilities acquired exceeds the fair value of the consideration and as a result a gain of £0.8 million is recognised in the income statement on acquisition.

40 Business combinations (continued)

During the year the acquired business contributed £16.5 million to the revenue of the Group and £2.6 million to the profit of the Group.

Had the acquired business been consolidated from 1 January 2015, the 2015 consolidated income statement would show revenue of £572.3 million. The Group's reported profit would be unchanged.

Acquisition during 2014

On 1 May 2014 the Group acquired interests in a number of entities for a consideration of £854.9 million. These entities together hold a 100 per cent interest in intu Derby, a 50 per cent joint venture interest in intu Merry Hill and a 100 per cent interest in Sprucefield retail park in Northern Ireland. The transaction is accounted for as a single business combination as this was announced as one deal, from one ultimate vendor and completed on the same day. Consideration was in cash and totalled £854.9 million, consisting of a payment on completion of £867.8 million less £12.9 million received following final agreement of the completion balance sheet. The cash flow statement reflects the £854.9 million less the cash acquired of £3.6 million. Acquisition related costs of £11.8 million were incurred in 2014 and recognised in the income statement in exceptional administration expenses.

The fair value of assets and liabilities acquired is set out in the table below:

	Fair value £m
Assets	
Investment and development property	458.4
Investment in joint venture – intu Merry Hill	403.8
Cash and cash equivalents	3.6
Trade and other receivables	2.8
Total assets	868.6
Liabilities	
Trade and other payables	(12.1)
Total liabilities	(12.1)
Net assets	856.5
Fair value of consideration paid	854.9
Gain on acquisition of businesses	1.6

The fair value of the assets, investment in joint venture and liabilities acquired exceeds the fair value of the consideration and as a result a gain of £1.6 million is recognised in the income statement on acquisition.

The acquired companies contributed £28.7 million to the revenue of the Group and £76.9 million to the profit of the Group for 2014. Had the acquired companies been consolidated from 1 January 2014, the 2014 consolidated income statement would show revenue of £551.4 million and profit of £623.7 million.

41 Disposal of subsidiaries

Disposals during 2015

On 30 September 2015, the Group sold 50 per cent of its interest in Intu Zaragoza S.à r.l., a wholly owned subsidiary, to CPPIB for consideration of €122.3 million (£90.1 million). Intu Zaragoza S.à r.l. owns, through its subsidiaries, Puerto Venecia, Zaragoza. Following this transaction Puerto Venecia has ceased to be accounted for as a subsidiary and is now a joint venture. Therefore the assets and liabilities of Puerto Venecia are no longer recorded at 100 per cent in the Group's balance sheet but the remaining 50 per cent interest is included in the investment in joint ventures at an initial value of £86.1 million. As a result of this transaction the Group has recorded a gain on disposal of £2.2 million in the income statement. The cash flow statement records a net inflow of £81.0 million being cash received of £90.1 million net of cash in the business of £9.1 million.

Notes to the accounts continued

41 Disposal of subsidiaries (continued)

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

	£m
Assets	
Investment and development property (€450.8 million)	331.7
Cash and cash equivalents (including restricted cash of £2.4 million)	11.5
Trade and other receivables	2.5
Total assets	**345.7**
Liabilities	
Trade and other payables	(6.3)
Derivative financial instruments	(1.8)
Borrowings	(161.8)
Total liabilities	**(169.9)**
Net assets	**175.8**
Net assets (at 50 per cent)	**87.9**
Fair value of consideration received	90.1
Gain on disposal of subsidiaries	**2.2**

Disposals during 2014

On 20 June 2014, the Group sold 80 per cent of its interest in Intu Uxbridge Limited (renamed Metropolitan Uxbridge Limited), a wholly owned subsidiary, for consideration of £174.6 million, before expenses of £1.3 million. The Group retains a 20 per cent interest in the company and as a result of the terms governing the management of the business, this interest has been accounted for as a joint venture from 20 June 2014. As a result of this transaction the Group has recorded a gain on disposal of £0.6 million in the income statement. The cash flow statement records a net inflow of £173.3 million being cash received of £173.8 million net of cash in the business of £0.5 million.

During 2014 CPPIB, who held a 49 per cent non-controlling interest in Parque Principado S.à r.l., exercised an option allowing them to acquire an additional one per cent holding and certain rights relating to the management of the business. This has resulted in intu Asturias (renamed from Parque Principado), previously accounted for as a subsidiary, being accounted for as a joint venture from that date. No gain or loss arose on exercise of the option. As a result the assets and liabilities of intu Asturias, previously recorded in the balance sheet at 100 per cent, have been reclassified, along with the relevant non-controlling interest in reserves of £68.7 million, to investments in joint ventures. The cash flow statement shows an outflow of £11.6 million representing consideration received of £1.3 million on exercise of the option, net of cash in the business of £12.9 million which is reclassified as part of the investment in joint ventures.

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

	intu Asturias £m	intu Uxbridge £m	Total £m
Assets			
Investment and development property	142.2	208.2	350.4
Goodwill	4.2	–	4.2
Restricted cash	4.1	–	4.1
Other cash and cash equivalents	12.9	0.5	13.4
Trade and other receivables	1.9	11.1	13.0
Total assets	165.3	219.8	385.1
Liabilities			
Deferred tax	(12.0)	–	(12.0)
Trade and other payables	(13.3)	(4.9)	(18.2)
Total liabilities	(25.3)	(4.9)	(30.2)
Net assets	140.0	214.9	354.9

42 Capital commitments

At 31 December 2015 the Board had approved £59.9 million (2014: £80.1 million) of future expenditure for the purchase, construction, development and enhancement of investment property. Of this, £21.2 million (2014: £30.7 million) is contractually committed. The majority of this is expected to be spent in 2016.

43 Contingent liabilities

At 31 December 2015 the Group has no contingent liabilities requiring disclosure under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

44 Cash generated from operations

	Notes	**Group 2015 £m**	Group 2014 £m	**Company 2015 £m**	Company 2014 £m
Profit before tax, joint ventures and associates		**398.4**	493.2	**145.7**	158.6
Remove:					
Revaluation of investment and development property	19	**(264.9)**	(567.8)	**–**	–
Loss/(gain) on acquisition of businesses	5	**0.8**	(1.6)	**–**	–
Gain on disposal of subsidiaries	41	**(2.2)**	(0.6)	**–**	–
Gain on sale of other investments		**(0.9)**	–	**–**	–
Depreciation	20	**2.6**	2.1	**2.0**	1.7
Share-based payments		**4.8**	2.5	**4.8**	2.5
Lease incentives and letting costs		**(5.8)**	(8.3)	**–**	–
Reversal of impairment of investment in group companies	21	**–**	–	**(161.9)**	(208.1)
Finance costs	10	**206.6**	197.1	**9.1**	26.4
Finance income	11	**(18.7)**	(11.9)	**(17.0)**	(13.0)
Other finance costs	12	**37.3**	56.8	**2.7**	7.5
Change in fair value of financial instruments	13	**(6.0)**	157.6	**1.1**	12.7
Changes in working capital:					
Change in trade and other receivables		**14.4**	(29.6)	**33.6**	(144.8)
Change in trade and other payables		**0.1**	3.2	**(43.4)**	(193.0)
Cash generated from operations		**366.5**	292.7	**(23.3)**	(349.5)

Notes to the accounts continued

45 Subsidiaries, joint ventures and associates

The table below lists all of the Company's subsidiaries, joint ventures and associates. The country of incorporation and registration is England and Wales except as indicated. The Company's interest in each subsidiary is 100 per cent except as indicated. The Company's interest in each joint venture is 50 per cent except as indicated.

Name of entity	Class of capital
Subsidiaries	
Barton Square Holdco Limited (holding company)	Ordinary shares
Barton Square Limited (property)	Ordinary shares
Belside Limited (property) (Jersey)	Ordinary shares
Braehead Glasgow Limited (property)	'A' Ordinary shares 'B' Ordinary shares
Braehead Leisure Partnership (property)	n/a
Braehead Park Estates Limited (property)	Ordinary shares
Braehead Park Investments Limited (property)	Ordinary shares
Broadmarsh Retail (Nominee No.1) Limited (dormant)	Ordinary shares
Broadmarsh Retail (Nominee No.2) Limited (dormant)	Ordinary shares
Broadmarsh Retail (Nominee No.3) Limited (dormant)	Ordinary shares
Broadmarsh Retail (Nominee No.4) Limited (dormant)	Ordinary shares
Broadmarsh Retail General Partner Limited (general partner)	Ordinary 'A' shares
Broadway Construction & Development Limited (dormant)	Ordinary shares
Broadway Retail Leisure Limited (management of leisure facilities)	Ordinary shares
Cable Plaza Limited (limited partner)	Ordinary shares
Capital Shopping Centres Limited (dormant)[3]	Ordinary shares
Castle & Pedmore Houses Limited (holding company)	Ordinary shares
Chapelfield GP Limited (general partner)	Ordinary shares
Chapelfield LP Limited (limited partner)	Ordinary shares
Chapelfield Nominee Limited (dormant)	Ordinary shares
Chapelfield Property Management Limited (property management)	Ordinary shares
Conduit Insurance Holdings Limited (holding company)[3]	Ordinary shares
Cribbs Mall Nominee (2) Limited (dormant)	Ordinary shares
Crossmane Limited (limited partner)	Ordinary shares
CSC Capital (Jersey) Limited (dormant) (Jersey)[3]	Ordinary shares
CSC Uxbridge Limited (dormant)	Ordinary shares
Curley Limited (property) (Jersey)	Ordinary shares
Derby Business Management Limited (dormant)	Ordinary shares 'A' shares
Derby Investments General Partner Limited (general partner)	Ordinary shares
Derby Investments Limited Partnership (limited partner)	n/a
Derby Investments Trustee Limited (dormant)	Ordinary shares
Fortheath (No.3) Limited (dormant)	Ordinary shares
ICS Holding S.à r.l. (holding company) (Luxembourg)	Ordinary shares
ICS InvestCo S.à r.l. (holding company) (Luxembourg)	Ordinary shares
ICS JV S.à r.l. (holding company) (Luxembourg)	Ordinary shares
Intu (Jersey) Limited (finance) (Jersey)[3]	Ordinary shares
Intu (SGS) Finco Limited (finance)	Ordinary shares
Intu (SGS) Holdco Limited (holding company)	Ordinary shares
Intu (SGS) Limited (holding company)	Ordinary shares
Intu (SGS) Topco Limited (holding company)[3]	Ordinary shares
Intu 2027 Limited (dormant)	Ordinary shares
Intu Braehead Leisure Limited (holding company)	Ordinary shares
Intu Braehead Limited (holding company)	Ordinary shares
Intu Braehead Property Management Limited (property management)	Ordinary shares
Intu Broadmarsh Limited (dormant)[3]	Ordinary shares
Intu Bromley Limited (property)	Ordinary shares
Intu Capital (Jersey) Limited (dormant) (Jersey)[3]	Ordinary shares Redeemable preference shares
Intu Cardiff Holdco Limited (holding company)	Ordinary shares
Intu Cardiff Limited (dormant)	Ordinary shares
Intu Centaurus Retail Limited (holding company)	Ordinary shares
Intu Chapelfield Limited (dormant)[3]	Ordinary shares
Intu Chapelfield Residential Limited (property)	Ordinary shares
Intu Costa del Sol Resort Holdco S.A. (holding company) (Spain)	Ordinary shares
Intu Costa del Sol Resort S.L. (property) (Spain)	Ordinary shares

45 Subsidiaries, joint ventures and associates (continued)

Name of entity	Class of capital
Intu Debenture plc (finance, holding company)[3]	Ordinary shares
Intu Derby Limited (holding company) (Jersey)	Ordinary shares
Intu Derby 2 Limited (holding company) (Jersey)	Ordinary shares
Intu Derby Jersey Unit Trust (limited partner) (Jersey)	Units
Intu Eldon Square Limited (property)	Ordinary shares
Intu Experiences Limited (mall commercialisation)	Ordinary shares
Intu Finance MH Limited (finance)	Ordinary shares
Intu FM Limited (dormant)	Ordinary shares
Intu Holding S.à r.l. (holding company) (Luxembourg)	Ordinary shares
Intu Investments Limited (property)	Preference shares
	Ordinary shares
Intu IP Limited (intellectual property)	Ordinary shares
Intu Lakeside Hotel Limited (dormant)	Ordinary shares
Intu Lakeside Limited (property)	Ordinary shares
Intu Lakeside Property Management Limited (property management)	Ordinary shares
Intu London plc (dormant)[3]	Ordinary shares
Intu Management Services Limited (management services)[3]	Ordinary shares
Intu Management Spain Holding S.à r.l. (holding company) (Luxembourg)	Ordinary shares
Intu Management Spain S.L. (property management and management services) (Spain)	Ordinary shares
Intu Merry Hill Limited (holding company) (Jersey)	Ordinary shares
Intu Merry Hill 2 Limited (holding company) (Jersey)	Ordinary shares
Intu Metrocentre Limited (limited partner)	Ordinary shares
Intu Metrocentre Parent Company Limited (holding company)	Ordinary shares
Intu Metrocentre Property Management Limited (property management)	Ordinary shares
Intu Metrocentre Topco Limited (holding company)[3]	Ordinary shares
Intu MH (No.1) Jersey Unit Trust (limited partner) (Jersey)	Units
Intu MH (No.2) Jersey Unit Trust (limited partner) (Jersey)	Units
Intu MH (No.3) Jersey Unit Trust (limited partner) (Jersey)	Units
Intu MH (No.4) Jersey Unit Trust (limited partner) (Jersey)	Units

Name of entity	Class of capital
Intu MH (No.5) Jersey Unit Trust (limited partner) (Jersey)	Units
Intu MH (No.6) Jersey Unit Trust (limited partner) (Jersey)	Units
Intu MH (No.7) Jersey Unit Trust (limited partner) (Jersey)	Units
Intu MH (No.8) Jersey Unit Trust (limited partner) (Jersey)	Units
Intu MH Acquisitions Limited (limited partner)	Ordinary shares
Intu MH Group Limited (holding company)	Ordinary shares
Intu MH Holdings Limited (holding company)	Ordinary shares
Intu MH Investments Limited (limited partner)	Ordinary shares
Intu MH Leaseholds Limited (holding company)	Ordinary shares
Intu MH Participations Limited (holding company)	Ordinary shares
Intu MH Phase 1 Limited (limited partner)	Ordinary shares
Intu MH Properties Limited (holding company)	Ordinary shares
Intu MH Waterfront Limited (limited partner)	Ordinary shares
Intu MHDS Holdco Limited (holding company)[3]	Ordinary shares
Intu Milton Keynes Limited (property)	Ordinary shares
Intu Nottingham Investments Limited (limited partner)	Ordinary shares
Intu Payments Limited (Group payment services)	Ordinary shares
Intu Potteries Limited (limited partner)	Ordinary shares
Intu Properties Investments Limited (limited partner)	Ordinary shares
Intu Property Management Limited (property management)	Ordinary shares
Intu Property Services Limited (dormant)	Ordinary shares
Intu Retail Services Limited (facilities management)[5]	'A' Ordinary shares
	Ordinary shares
Intu RS Limited (facilities management)[5]	Ordinary shares
Intu Shelfco 1 Limited (dormant)[3]	Ordinary shares
Intu Shelfco 2 Limited (dormant)[3]	Ordinary shares
Intu Shopping Centres plc (holding company)[3]	Ordinary shares
Intu Spain Limited (holding company)	Ordinary shares
Intu Sprucefield Limited (holding company) (Jersey)	Ordinary shares
Intu Sprucefield 2 Limited (holding company) (Jersey)	Ordinary shares

Notes to the accounts continued

45 Subsidiaries, joint ventures and associates (continued)

Name of entity	Class of capital
Intu The Hayes Limited (limited partner)	Ordinary shares
Intu Trafford Centre Group Limited (holding company) (Isle of Man)[3]	Ordinary shares
Intu Trafford Centre Group (UK) Limited (holding company)	Ordinary shares
Intu Trafford Centre Limited (development management)	Ordinary shares
Intu Uxbridge Holdco Limited (holding company) (Jersey)	Ordinary shares
Intu Ventures Limited (dormant)	Ordinary shares
Intu Victoria Centre Limited (dormant)[3]	Ordinary shares
Intu Watford Limited (property)	Ordinary shares
Intu Watford Property Management Limited (property management)	Ordinary shares
IntuDigital Holdco Limited (holding company)	'A' Ordinary shares 'B' Ordinary shares
IntuDigital Limited (digital services)	Ordinary shares
Kindmotive Limited (dormant)	Cumulative redeemable preference shares Ordinary shares
Lakeside 1988 Limited (dormant)	'A' Ordinary shares 'B' Redeemable preference shares 'C' Preference shares
Liberty Capital PLC (dormant)[3]	Ordinary shares
Liberty International Construction and Development Limited (dormant)[3]	Ordinary shares
Liberty International Financial Services Limited (holding company)	Ordinary shares
Liberty International Group Treasury Limited (treasury management)	Ordinary shares
Liberty International Holdings Limited (holding company)[1]	Ordinary shares
Libint (Proprietary) Limited (local administration services) (South Africa)[3]	Ordinary shares
Libtai Holdings (Jersey) Limited (holding company) (Jersey)[3]	Ordinary shares
Manchester Nominee (2) Limited (dormant)	Ordinary shares
Merry Hill Finance Limited (finance) (Republic of Ireland)	'A' Ordinary shares 'B' Ordinary shares
Merry Hill Management Services Limited (dormant)	Ordinary shares
Merry Hill Services Limited (dormant)	Ordinary shares

Name of entity	Class of capital
Merry Hill Trading Limited (dormant)	Ordinary shares
Metrocentre (GP) Limited (general partner)	Ordinary shares
Metrocentre (Holdco) Limited (holding company)	Ordinary shares
Metrocentre (Nominee No.1) Limited (dormant)	Ordinary shares
Metrocentre (Nominee No.2) Limited (dormant)	Ordinary shares
Metrocentre (Subco) Limited (holding company)	Ordinary shares
Metrocentre Lancaster LLP (property)[4]	n/a
Metrocentre Lancaster No.1 Limited (holding company)	Ordinary shares
Metrocentre Lancaster No.2 Limited (holding company)	Ordinary shares
Middleford Property Investments Limited (dormant)	Ordinary shares
Midlands Shopping Centre Jersey Unit Trust (No.1) (limited partner) (Jersey)	Units
Nailsfield Limited (holding company) (Mauritius)[3]	Ordinary shares
Potteries (GP) Limited (general partner)	Ordinary shares
Potteries (Nominee No.1) Limited (dormant)	Ordinary shares
Potteries (Nominee No.2) Limited (dormant)	Ordinary shares
Rosholt Invest S.L. (property) (Spain)	Ordinary shares
Runic Nominees Limited (dormant)	Ordinary shares
Sandal Investments Limited (dormant)	Ordinary shares
Sprucefield No.1 Nominee Limited (dormant) (Jersey)	Ordinary shares
Sprucefield No.2 General Partner Limited (general partner)	Ordinary shares
Sprucefield No.2 Limited Partnership (property) (Jersey)	n/a
Sprucefield No.2 Nominee Limited (dormant) (Jersey)	Ordinary shares
Sprucefield Unit Trust (limited partner) (Jersey)	Units
Staffordshire Property Management Limited (property)	Ordinary shares
Steventon Limited (property) (Jersey)	Ordinary shares
TAI Investments Limited (holding company)[2]	'B' Deferred shares Ordinary shares

45 Subsidiaries, joint ventures and associates (continued)

Name of entity	Class of capital
TAI Nominees Limited (dormant)	Ordinary shares
The Broadmarsh Retail Limited Partnership (property)	n/a
The Bullfinch Company Limited (dormant)	Ordinary shares
The Chapelfield Partnership (property)	n/a
The Metrocentre Partnership (property)[4]	n/a
The Potteries Shopping Centre Limited Partnership (property)	n/a
The Trafford Centre Limited (property)	'A' Preference shares 'B' Preference shares Ordinary shares
The Trafford Centre Finance Limited (finance) (Cayman Islands)	Ordinary shares
The Trafford Centre Holdings Limited (holding company)	Ordinary shares
The Trafford Centre Investments Limited (holding company)	Ordinary shares
The Victoria Centre Partnership (property)	n/a
The Wilmslow (No.3) Limited Partnership (property)	n/a
TransAtlantic Holdings Limited (holding company)	Ordinary shares
Transol Investments Limited (dormant)	Ordinary shares
VCP (GP) Limited (general partner)	Ordinary shares
VCP Nominees No.1 Limited (dormant)	Ordinary shares
VCP Nominees No.2 Limited (dormant)	Ordinary shares
W (No.3) GP (Nominee A) Limited (dormant) (Jersey)	Ordinary shares
W (No.3) GP (Nominee B) Limited (dormant) (Jersey)	Ordinary shares
Wattenberg Invest S.L. (property) (Spain)	Ordinary shares
Westgate Oxford Investments Limited (dormant)	Ordinary shares
Wilmslow (No.3) (Nominee A) Limited (dormant)	Ordinary shares
Wilmslow (No.3) (Nominee B) Limited (dormant)	Ordinary shares
Wilmslow (No.3) General Partner Limited (general partner)	'A' Shares 'B' Shares
Whitesun Limited (property)	Ordinary shares
WRP Management Limited (property)	Ordinary shares

Joint ventures

Name of entity	Class of capital
Asturias Propco Numero Dos S.L. (property) (Spain)	Ordinary shares
Asturias Propco Numero Uno S.L. (property) (Spain)	Ordinary shares
Asturias Retail and Leisure SOCIMI S.A. (holding company) (Spain)	Ordinary shares
Centaurus Retail LLP (property)	n/a
Cribbs Causeway JV Limited (property management)	'A' Ordinary shares 'B' Ordinary shares
Intu Eurofund Developments S.à r.l. (holding company) (Luxembourg)	'A' shares 'B' shares
Intu Eurofund Investments Mallorca B.V (holding company) (Netherlands)	Ordinary shares
Intu Eurofund Investments Valencia, B.V. (holding company) (Netherlands)	Ordinary shares
Intu Eurofund Investments Vigo B.V. (holding company) (Netherlands)	Ordinary shares
Intu Eurofund Mallorca S.L. (property development) (Spain)	Ordinary shares
Intu Eurofund Valencia S.L. (property development) (Spain)	Ordinary shares
Intu Eurofund Vigo S.L (property development) (Spain)	Ordinary shares
Intu Zaragoza S.à r.l. (holding company) (Luxembourg)	Ordinary shares

Notes to the accounts continued

45 Subsidiaries, joint ventures and associates (continued)

Name of entity	Class of capital
Intu Zaragoza Holding S.à r.l. (holding company) (Luxembourg)	Ordinary shares
Manchester JV Limited (property management)	'A' Ordinary shares 'B' Ordinary shares
Metropolitan Retail JV (Jersey) Unit Trust (property) (Jersey)[8]	'A' units 'B' units
MH (No.1) General Partner Limited (general partner)	Ordinary shares
MH (No.1) Limited Partnership (property)	n/a
MH (No.1) Nominee A Limited (dormant)	Ordinary shares
MH (No.1) Nominee B Limited (dormant)	Ordinary shares
MH (No.2) General Partner Limited (general partner)	Ordinary shares
MH (No.2) Limited Partnership (property)	n/a
MH (No.2) Nominee A Limited (dormant)	Ordinary shares
MH (No.2) Nominee B Limited (dormant)	Ordinary shares
MH (No.3) General Partner Limited (general partner)	Ordinary shares
MH (No.3) Limited Partnership (property)	n/a
MH (No.3) Nominee A Limited (dormant)	Ordinary shares
MH (No.3) Nominee B Limited (dormant)	Ordinary shares
MH (No.4) General Partner Limited (general partner)	Ordinary shares
MH (No.4) Limited Partnership (property)	n/a
MH (No.4) Nominee A Limited (dormant)	Ordinary shares
MH (No.4) Nominee B Limited (dormant)	Ordinary shares
MH (No.5) General Partner Limited (general partner)	Ordinary shares
MH (No.5) Limited Partnership (property)	n/a
MH (No.5) Nominee A Limited (dormant)	Ordinary shares
MH (No.5) Nominee B Limited (dormant)	Ordinary shares
MH (No.6) General Partner Limited (general partner)	Ordinary shares
MH (No.6) Limited Partnership (property)	n/a
MH (No.6) Nominee A Limited (dormant)	Ordinary shares
MH (No.6) Nominee B Limited (dormant)	Ordinary shares
MH (No.7) General Partner Limited (general partner)	Ordinary shares
MH (No.7) Limited Partnership (property)	n/a
MH (No.7) Nominee A Limited (dormant)	Ordinary shares
MH (No.7) Nominee B Limited (dormant)	Ordinary shares
MH (No.8) General Partner Limited (general partner)	Ordinary shares
MH (No.8) Limited Partnership (property)	n/a
MH (No.8) Nominee A Limited (dormant)	Ordinary shares
MH (No.8) Nominee B Limited (dormant)	Ordinary shares
Parque Principado S.à r.l. (holding company) (Luxembourg)	'A' shares 'B' shares
Puerto Venecia Investments SOCIMI S.A. (property) (Spain)	Ordinary shares
St. David's (Cardiff Residential) Limited (property)	Ordinary shares
St. David's (General Partner) Limited (general partner)	'A' shares 'B' shares
St. David's (No.1) Limited (dormant)	Ordinary shares
St. David's (No.2) Limited (dormant)	Ordinary shares
St. David's Limited Partnership (property)	n/a
St. David's Unit Trust (limited partner) (Jersey)	Units
Zaragoza Properties SOCIMI S.A. (holding company) (Spain)	Ordinary shares

Associates

Name of entity	Class of capital
Empire Mall Private Limited (property) (India)[6]	Ordinary shares
Prozone Intu Properties Limited (property) (India)[7]	Ordinary shares

1 40.2 per cent is held by intu properties plc, 31.1 per cent is held by Conduit Insurance Holdings Limited and 28.7 per cent is held by TAI Investments Limited.
2 95.4 per cent is held by Libtai Holdings (Jersey) Limited and 4.6 per cent is held by intu properties plc.
3 Related undertaking held directly by intu properties plc.
4 Group's interest is 60 per cent.
5 Group's interest is 51 per cent.
6 Group's interest is 38 per cent.
7 Group's interest is 32.4 per cent.
8 Group's interest is 20 per cent.

45 Subsidiaries, joint ventures and associates (continued)

Intu (SGS) Finance plc and Intu Metrocentre Finance plc are consolidated as subsidiaries in these financial statements but are not listed in the table above as the Group does not own the shares in these companies. These companies are vehicles set up on behalf of the Group for the sole purpose of issuing some of the Group's listed debt. The Group's obligations in respect of this debt via a back-to-back intercompany loan agreement between these companies and other Group companies, and security over investment property via a deed of charge between the security trustees and other Group companies, mean that the Group is deemed to have control of these entities.

By virtue of their 40 per cent interest in The Metrocentre Partnership, GIC Real Estate is entitled to appoint 40 per cent of the directors of Metrocentre (GP) Limited. £78.4 million of the non-controlling interest shown in the balance sheet as at 31 December 2015 (2014: £72.8 million) and £0.8 million of the non-controlling interest share of loss for the year shown in the income statement for the year ended 31 December 2015 (2014: share of profit £12.5 million) relates to GIC Real Estate's interest. Set out below is the summarised financial information of The Metrocentre Partnership at 100 per cent, as consolidated:

	2015 £m	2014 £m
Summarised income statement		
Revenue	**65.5**	66.0
(Loss)/profit for the year	**(2.1)**	28.5
Summarised balance sheet		
Investment and development property	**934.0**	909.5
Borrowings	**(906.9)**	(891.0)
Other net liabilities	**(8.0)**	(13.2)
Net assets	**19.1**	5.3

Bilfinger Europa Facilities Management Limited holds a 49 per cent interest in Intu Retail Services Limited. At 31 December 2015 an amount of £nil (2014: £nil) is included within the non-controlling interest balance in the balance sheet of £nil (2014: £nil) and £nil of the non-controlling interest share of profit for the year shown in the income statement for the year ended 31 December 2015 (2014: £nil) relating to their interest.

46 Related party transactions

Key management[1] compensation is analysed below:

	2015 £m	2014 £m
Salaries and short-term employee benefits	**5.7**	5.4
Pensions and other post-employment benefits	**0.3**	0.4
Share-based payments	**3.8**	1.6
Compensation for loss of office	**0.2**	–
	10.0	7.4

1 Key management comprises the Directors of intu properties plc and employees who have been designated as persons discharging managerial responsibility.

As John Whittaker, Deputy Chairman and Non-Executive Director of intu properties plc, is the Chairman of the Peel Group, members of the Peel Group are considered to be related parties. Total transactions between the Group and members of the Peel Group are shown below:

	2015 £m	2014 £m
Income	**1.1**	1.6
Expenditure	**(0.5)**	(0.9)

Income predominantly relates to leases of office space and a contract to provide advertising services. Expenditure predominantly relates to costs incurred under a management services agreement and the supply of utilities. All contracts are on an arm's length basis at commercial rates. Following shareholder approval in December 2015, the Group agreed terms on a 5 year, £550,000 per annum lease on a 30.96 acre site known as King George V Docks (West) to Clydeport Operations Limited (a member of the Peel Group) with effect from 30 December 2015.

Notes to the accounts continued

46 Related party transactions (continued)

Balances outstanding between the Group and members of the Peel Group as at 31 December 2015 and 31 December 2014 are shown below:

	2015 £m	2014 £m
Amounts owed by members of the Peel Group	**0.1**	0.2
Amounts owed to members of the Peel Group	**(0.2)**	–

Under the terms of the Group's acquisition of intu Trafford Centre from the Peel Group, the Peel Group have provided a guarantee in respect of Section 106 planning obligation liabilities at Barton Square which as at 31 December 2015 totalled £11.7 million (2014: £11.6 million).

In 2012, the Group acquired for €2.5 million, alongside a refundable deposit of €7.5 million, a three year option to purchase two parcels of land in the province of Málaga, Spain from Peel Holdings Limited.

Following shareholder approval at a general meeting on 15 April 2015 the Group exercised the option in May 2015 for consideration of €48.7 million which included the €7.5 million deposit paid in 2012.

Under the terms of the agreement, the Peel Group subscribed to €30.0 million of ordinary shares in the Company. As a result, the Company issued 6,256,075 new ordinary shares of 50 pence each. The shares were issued and paid for in cash at £3.4635 per share being the 30-day average of the volume weighted average price of the Company's shares.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation in the Group's financial information.

Significant transactions between the Company and its subsidiaries are shown below:

	2015 £m	2014 £m
Interest expense	**(7.5)**	(20.6)
Interest income	**17.0**	13.0
Dividend received	**–**	9.1
Investment in subsidiaries	**–**	182.8
Redemption of preference shares	**–**	(197.2)

The Company has provided Intu (Jersey) Limited a guarantee over obligations in relation to the 2.5 per cent convertible bonds (see note 33).

Significant balances outstanding between the Company and its subsidiaries are shown below:

	2015 £m	2014 £m
Amounts owed by subsidiary undertakings	**1,262.0**	1,284.4
Amounts owed to subsidiary undertakings	**(326.8)**	(376.8)

47 Share-based payment

The Group operates a number of share-based payment arrangements providing employee benefits and incentives. All schemes are equity settled, and as such the expense recognised in the income statement is based on the fair value of the equity instruments awarded as determined at their grant date. The expense is recognised on a straight-line basis over the vesting period based on Group estimates of the number of shares that are expected to vest.

Share Option Schemes

Options to subscribe for ordinary shares may be awarded under the intu properties plc approved share option scheme and the intu properties plc unapproved share option scheme.

Certain grants are subject to an earnings per share ('EPS') performance condition. Options granted to members of the Executive Committee in 2012 are subject to a sliding scale performance condition based on EPS growth of between 4 to 6 per cent per annum over a three-year period. Options granted to staff who are not members of the Executive Committee 2012 are not subject to a performance condition.

Except in the case of a 'good' leaver, options may not be exercised within three years of grant and before satisfaction or waiver of any applicable performance condition, and are forfeited if the employee leaves the Group before the options become capable of exercise. The options automatically lapse if not exercised within 10 years of the date of grant.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2015		2014	
	Number of options	**Weighted average exercise price (pence)**	Number of options	Weighted average exercise price (pence)
Outstanding at 1 January	**6,173,103**	**275**	5,867,697	320
Forfeited prior to rights issue	**–**	**–**	(10,000)	335
Lapsed prior to rights issue	**–**	**–**	(536,628)	430
Exercised prior to rights issue	**–**	**–**	(11,041)	272
Adjustment for rights issue	**–**	**n/a**	897,337	n/a
Awarded after rights issue	**2,233,000**	**349**	1,834,800	292
Forfeited after rights issue	**(257,788)**	**293**	(100,759)	287
Exercised after rights issue	**(75,777)**	**286**	(1,768,303)	255
Outstanding at 31 December	**8,072,538**	**295**	6,173,103	275
Exercisable at 31 December	**2,578,544**	**256**	2,406,626	253

The weighted average share price at the date of exercise during the year was 348p (2014: 307p).

The number of options outstanding at 31 December 2015 includes a total of 170,181 (2014: 2,150,541) which are subject to a capped gain price of £2.8563 per share. If the market price of shares at the date of exercise exceeds the capped price, the maximum gain the holder of such options can realise is the difference between exercise price and the capped price per share.

Share options outstanding at 31 December 2015 had exercise prices between 232p and 349p (2014: between 232p and 292p) and a weighted average remaining contractual life of approximately seven years (2014: seven years). More detail by exercise price range is shown below:

	2015	
Exercise price (pence)	**Number of options**	**Weighted average remaining contractual life**
232 to 292	**5,854,538**	**6**
349	**2,218,000**	**9**

	2014	
Exercise price (pence)	Number of options	Weighted average remaining contractual life
232 to 292	**6,173,103**	**7**

Notes to the accounts continued

47 Share-based payment (continued)

The fair value of options granted during the year, determined using the Black-Scholes option pricing model, was £0.28 per option (2014: £0.26). The significant inputs to the model for the majority of options granted during the year were as follows:

	2015	2014
Share price and exercise price at grant date	**£3.49**	£2.92
Expected option life in years	**4 years**	4 years
Risk free rate	**1.4%**	1.8%
Expected volatility	**17%**	19%
Expected dividend yield	**3.9%**	4.7%

Expected dividend yield is based on public pronouncements about future dividend levels. All other measures are based on historical data.

Performance Share Plan

The Company operates a Performance Share Plan ('PSP') for eligible employees at the discretion of the Remuneration Committee. The PSP was approved by shareholders at the 2013 annual general meeting.

Awards may be made in the form of nil cost options, a conditional share award or a joint share ownership award and fixed value zero cost option, and eligible employees may be granted any combination of such awards subject to any individual limits.

Vesting of PSP awards made in 2015, 2014 and 2013 is based on Total Shareholder Return (TSR) and Absolute Total Return (TR) with performance measured one third over three years, one third over four years and one third over five years. Half of the awards vest by reference to TR (25 per cent vesting for 6 per cent per annum return; full vesting for 10 per cent per annum; straight line vesting in between). The remaining half of the awards vest by reference to TSR relative to the top five UK-listed REITs (25 per cent return vesting for TSR in line with the third rated Company; full vesting for TSR in line with the top rated Company; straight line vesting in between) subject to a Remuneration Committee operated discretionary assessment of underlying financial performance.

Movements in the number of PSP options outstanding are as follows:

	2015 Number of options	2014 Number of options
Outstanding at 1 January	**3,548,076**	1,913,145
Adjustment for rights issue	**–**	205,416
Awarded during the year	**1,410,003**	1,559,340
Forfeited in the year	**(343,701)**	(129,825)
Outstanding at 31 December	**4,614,378**	3,548,076

The fair value of TSR options granted during the year was determined using the Monte Carlo option pricing model. The fair value of the TR options granted during the year was determined using the Black-Scholes option pricing model. The fair values per option granted in the year were as follows:

	2015		2014	
Performance period	TSR	TR	TSR	TR
3 years	**£0.87**	**£0.87**	£0.74	£0.73
4 years	**£0.90**	**£0.87**	£0.79	£0.73
5 years	**£0.93**	**£0.87**	£0.84	£0.73

The significant inputs to the valuation model for the TSR options granted during the year were as follows:

	2015			2014		
Performance period	TSR 3 years	TSR 4 years	TSR 5 years	TSR 3 years	TSR 4 years	TSR 5 years
Share price at grant date	**3.38**	**3.38**	**3.38**	£2.92	£2.92	£2.92
Expected option life in years	**2.8 years**	**3.8 years**	**4.8 years**	2.7 years	3.7 years	4.7 years
Risk free rate	**1.0%**	**1.2%**	**1.4%**	1.1%	1.5%	1.8%
Expected volatility	**17%**	**21%**	**22%**	20%	23%	26%
Expected competitor volatility	**9%-15%**	**9%-15%**	**9%-15%**	11%-17%	11%-17%	11%-17%
Average correlation	**61%**	**72%**	**72%**	68%	71%	72%

47 Share-based payment (continued)

The fair value of the TR options, before taking account of the performance condition, is equal to the share price at the date of grant of £3.38 (2014: £2.92) as these awards accumulate dividends over the performance period. At the date of grant a 25 per cent vesting has been assumed resulting in a fair value per share of £0.87 (2014: £0.73) as above.

Joint Share Ownership Plan

Eligible employees may be invited to participate in the Joint Share Ownership Plan ('JSOP') which forms part of the intu properties plc unapproved share option scheme and the PSP. Under the JSOP shares are held jointly by the employee and the employee share ownership plan trustee with any increases in the share price and dividends paid on those shares being allocated between the joint owners in accordance with the terms of the scheme.

Conditions for exercise (including satisfaction of the same performance condition), forfeiture and lapsing are as set out above for options or PSP generally.

In 2012, individuals who received awards of unapproved options in 2011 and 2012 were given the option to exchange their awards for jointly owned shares under the JSOP. In 2013, participants in the PSP were given the option to take their awards in the form of jointly owned shares under the JSOP and fixed value zero cost options. No option was given in 2014 or 2015.

Bonus Share Scheme

Under the Company's Bonus Scheme (the 'Bonus Scheme'), deferred shares may be awarded as part of any bonus.

Such awards comprise 'Restricted' shares and 'Additional' shares. Where awarded, Additional shares would be equal to 50 per cent of the Restricted shares and SIP shares (see below) combined. No Additional shares were outstanding at 1 January 2014 and no awards have been made in 2014 or 2015. The vesting of deferred share awards is not dependent on the achievement of any further performance conditions other than that participants remain employed by the Group for a specified time from the date of the award, typically two to three years in the case of Restricted shares and four years in the case of Additional shares. The fair value of Restricted shares granted with the condition for participants to remain employed by the Group for two years during the year, determined using the Black-Scholes option pricing model, was £3.23 per share (2014: £2.66 per share). The fair value of Restricted shares with the condition for participants to remain employed by the Group for three years, determined using the Black-Scholes options pricing model, was £3.10 per share (2014: £2.54 per share). The significant inputs to the model were as follows:

	2015 **3 years**	**2015** **2 years**	2014 3 years	2014 2 years
Share price at grant date	**£3.49**	**£3.49**	£2.92	£2.92
Expected option life in years	**3 years**	**2 years**	3 years	2 years
Risk free rate	**1.3%**	**1.0%**	1.5%	1.1%
Expected dividend yield	**3.9%**	**3.9%**	4.7%	4.7%

Movements in shares awarded under the Bonus Share Scheme are as follows:

	2015 **Restricted**	2014 Restricted
Outstanding at 1 January	**1,013,807**	1,085,286
Awarded during the year	**425,117**	428,424
Adjustment for rights issue	**–**	183,348
Forfeited during the year	**(13,725)**	(35,751)
Vested during the year	**(711,376)**	(647,500)
Outstanding at 31 December	**713,823**	1,013,807

Share incentive plan ('SIP')

The Company operates a SIP for all eligible employees, who may receive up to £3,600 worth of shares as part of their annual bonus arrangements. The SIP arrangements offer worthwhile tax advantages to employees and to the Company.

The SIP Bonus shares can be released three years after the date of the award, provided the individual employee has remained in employment, but the shares must then be held in trust for a further two years in order to qualify for tax advantages. The fair value of shares granted during the year, determined using the Black-Scholes option pricing model, was £3.49 per share (2014: £2.92 per share). As these awards accumulate dividends, the fair value of each share awarded is equal to the share price at the date of grant of £3.49.

Notes to the accounts continued

47 Share-based payment (continued)

As part of the SIP arrangements, the Company also offers eligible employees the opportunity to participate in a 'Partnership' share scheme, under which employees can save up to £150 a month. The Group offers one free Matching share for every two Partnership shares purchased by the employee at the end of a 12-month saving period. Matching shares are forfeited if the employee leaves the Group within three years of the date of award, and qualify for tax advantages if they are held in the SIP for five years. The fair value of Matching shares is determined by the market price at the grant date.

The dividend payable in respect of the shares held in the SIP is used to purchase additional shares, known as Dividend Shares, which are also held in trust and allocated to individuals and are subject to the same conditions of release.

Movements in SIP bonus shares granted are as follows:

	2015	2014
Outstanding at 1 January	**260,271**	224,743
Awarded during the year	**120,431**	114,319
Adjustment for rights issue	**–**	7,158
Forfeited during the year	**(19,919)**	(20,171)
Vested during the year[1]	**(78,016)**	(65,778)
Outstanding at 31 December[2]	**282,767**	260,271

1 May still be held in trust.
2 Shares that remain within their three-year holding period.

48 Pensions

The Group operates defined contribution group pension plans for its staff. Additionally the Group makes contributions to self-invested personal pension arrangements ('SIPPs') on behalf of an Executive Director. All contributions are invested in funds administered outside of the Group.

The pension charge for the Group's contributions to these arrangements is the amount paid which totalled £3.1 million for the year ended 31 December 2015 (2014: £2.7 million).

49 Events after the reporting period

On 19 January 2016 the Group disposed of its interest in Equity One. See note 25 for details.

50 Directors' interests and emoluments

(a) Shares in the Company

The number of ordinary shares of the Company in which the Directors were beneficially interested were:

	2015	2014
Chairman:		
Patrick Burgess	**37,627**	37,627
Deputy Chairman:		
John Whittaker*	**336,492,751**	296,155,452
Executive:		
David Fischel	**993,534**	965,646
Matthew Roberts	**213,133**	154,506
Non-Executive:		
Adèle Anderson	**32,504**	18,124
Richard Gordon	**7,005,211**	7,004,818
Andrew Huntley	**7,714**	7,714
Rakhi (Parekh) Goss-Custard	**–**	–
Louise Patten	**12,857**	12,857
Neil Sachdev	**–**	–
John Strachan	**–**	–
Andrew Strang	**–**	–

* Total beneficial interest includes shares held by subsidiaries of the Peel Group of which John Whittaker is the Chairman.

50 Directors' interests and emoluments (continued)

Conditional awards of shares have previously been made to Executive Directors under the Company's annual bonus scheme.

The awards comprise 'Restricted' shares and 'Additional' shares, the latter equal to 50 per cent of the Restricted and share incentive plan shares combined. Executive Directors were required to retain the shares, net of shares sold to meet tax and PAYE deductions, which vested ahead of the normal vesting date.

Awards to Executive Directors under the scheme since January 2013 are as follows:

	Award date	Market price at award (pence)	Original vesting date	Market price at vesting (pence)	Number of shares at 31 December 2014	**Number of shares awarded during 2015**	**Number of shares vested during 2015**	**Number of shares at 31 December 2015**
David Fischel	07/03/2013	335	07/03/2015	343	144,117	**–**	**(144,117)**	**–**
	29/04/2014	292	29/04/2016	–	30,655	**–**	**–**	**30,655**
	29/04/2014	292	29/04/2017	–	29,627	**–**	**–**	**29,627**
	11/03/2015	349	11/03/2017	–	–	**30,478**	**–**	**30,478**
	11/03/2015	349	11/03/2018	–	–	**29,446**	**–**	**29,446**
Matthew Roberts	07/03/2013	335	07/03/2015	343	110,617	**–**	**(110,617)**	**–**
	29/04/2014	292	29/04/2016	–	24,558	**–**	**–**	**24,558**
	29/04/2014	292	29/04/2017	–	23,530	**–**	**–**	**23,530**
	11/03/2015	349	11/03/2017	–	–	**24,154**	**–**	**24,154**
	11/03/2015	349	11/03/2018	–	–	**23,122**	**–**	**23,122**

Details of Restricted and Additional shares awarded in respect of the year ended 31 December 2015 are given in the Directors' remuneration report on pages 78 to 91.

Awards may also be made under the Company's share incentive plan ('SIP'). The SIP shares can be released three years after the date of the award provided the individual Director has remained in employment but the shares must be held in trust for a further two years in order to qualify for tax advantages. The dividend payable in respect of the shares held in trust is used to purchase additional shares, known as Dividend Shares, which are also held in trust.

	At 31 December 2014	Removed from trust	Lapsed	Awarded[1]	Partnership, matching and dividend shares	**At 31 December 2015**
Current Directors:						
David Fischel	13,853	–	–	1,031	1,454	**16,338**
Matthew Roberts	6,210	–	–	1,031	1,198	**8,439**

1 SIP shares in respect of the year ended 31 December 2014 awarded in March 2015. Details of SIP shares awarded in respect of the year ended 31 December 2015 are given in the Directors' remuneration report on pages 78 to 91.

(b) Share options in the Company

Executive Directors interests in share options and the PSP are given in the Directors' remuneration report on pages 78 to 91.

(c) Other disclosures

No Director had any dealings in the shares of any Group company between 31 December 2015 and 26 February 2016, being a date less than one month prior to the date of the notice convening the annual general meeting.

Other than as disclosed in these accounts, no Director of the Company had a material interest in any contract (other than service contracts), transaction or arrangement with any Group company during the year ended 31 December 2015.

(d) Emoluments

The details of individual Directors' remuneration and pension benefits, as set out in the tables contained in the Directors' remuneration report on pages 78 to 91, form part of these financial statements.