

Press Release

31 JULY 2019

EMBARGOED UNTIL 07.00BST ON 31 JULY 2019

INTU PROPERTIES PLC

HALF YEAR REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2019

A TRANSFORMATIONAL FIVE YEAR STRATEGY

Matthew Roberts, intu Chief Executive, commented:

“The first half of 2019 has been challenging for intu. We have experienced further downward pressure on like-for-like net rental income and property values resulting from a higher level of administrations and CVAs as some retailers struggle to remain relevant in a multichannel world.

These challenges, facing intu and the whole sector, have been well-documented and, while there are no quick fixes, I am confident that we can address them head on. Over the past nine months we have carried out the most comprehensive review of the business that intu has ever undertaken.

We know radical transformation is required and have developed a new, ambitious five year strategy to reshape our business and address the challenges we face, with a priority to fix our balance sheet. With the people changes we have made, we now have the right leadership team in place with the appropriate skill sets to deliver this plan and drive the business forward.

Regardless of current sentiment, one thing is clear: the physical store is not dying, it is evolving. The right store in the right location still plays a vital role in retailers’ multichannel strategies and we are starting to work with them as partners sharing the risks and rewards.

Our centres will also transform as we turn them into thriving communities – places where people want to live, work and have fun, as well as shop.

Change will not happen overnight, but I am confident we have the right plan in place and an energised, dynamic team to deliver it.”

Investor presentation

A presentation to analysts and investors will take place at UBS, 5 Broadgate, London EC2 at 09.30BST on 31 July 2019. The presentation will also be available to international analysts and investors through a live audio call and webcast. The presentation and a copy of this announcement will be available on the Group’s website intugroup.co.uk.

Enquiries

intu properties plc

Matthew Roberts	Chief Executive	+44 (0)20 7960 1353
Robert Allen	Chief Financial Officer	+44 (0)20 7960 1208
Adrian Croft	Head of Investor Relations	+44 (0)20 7960 1212

Public relations

UK:	Justin Griffiths, Powerscourt	+44 (0)20 7250 1446
SA:	Frédéric Cornet, Instinctif Partners	+27 (0)11 447 3030

This press release contains “forward-looking statements” regarding the belief or current expectations of intu properties plc, its Directors and other members of its senior management about intu properties plc’s businesses, financial performance and results of operations.

These forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of intu properties plc and are difficult to predict, that may cause actual results, performance or developments to differ materially from any future results, performance or developments expressed or implied by the forward-looking statements. These forward-looking statements speak only as at the date of this press release. Except as required by applicable law, intu properties plc makes no representation or warranty in relation to them and expressly disclaims any obligation to update or revise any forward-looking statements contained herein to reflect any change in intu properties plc’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Any information contained in this press release on the price at which shares or other securities in intu properties plc have been bought or sold in the past, or on the yield on such shares or other securities, should not be relied upon as a guide to future performance.

Results summary for the first six months of 2019

Income statement (£m)	Six months ended 30 June 2019	Six months ended 30 June 2018	Change	Key comments
Net rental income ^{1/2}	205.2	223.1	(17.9)	— like-for-like reduction of 7.7% (£16.8m) — driven by impact of administrations and CVAs
Underlying earnings ^{1/2/3}	66.4	98.5	(32.1)	— net rental income reduction of £17.9m, see above — finance costs increased by £6.2m mainly due to reduced capitalised interest (£4.5m) — increased tax expense of £8.3m from current period estimated underpayment of minimum PID
Underlying EPS (pence) ^{1/3}	4.9	7.3	(2.4)	— reduction in line with underlying earnings
Property revaluation deficit ^{1/2}	(872.1)	(650.4)	(221.7)	— like-for-like reduction of 9.6% — 23bps outward yield shift from weakening investor sentiment — ERVs marked down by 4.1%, in particular for larger units following higher level of administrations and CVAs
IFRS revenue	279.9	286.1	(6.2)	— reduction in rents received
IFRS loss for the period attributable to owners of intu properties plc	(829.6)	(486.2)	(343.4)	— adversely impacted by revaluation deficit (see above) as well as change in fair value of financial instruments
IFRS basic loss per share (pence)	(61.7)	(36.2)	(25.5)	— reduction in line with IFRS loss for the period
Balance sheet (£m)	At 30 June 2019	At 31 December 2018	Change	Key comments
Market value of investment and development property ^{1/2/4}	8,357.5	9,167.4	(809.9)	— revaluation deficit of £872.1m — capital investment of £71.7m, mainly on developments such as intu Lakeside and intu Trafford Centre
Pro forma net external debt ^{1/2/5}	4,714.2	4,867.2	(153.0)	— part-disposal of intu Derby for initial consideration of £108.7m, calculated by reference to the December 2018 valuation
IFRS net assets attributable to owners of intu properties plc	2,999.2	3,811.7	(812.5)	— predominantly as a result of revaluation deficit
Dividends paid (pence)	—	4.6	(4.6)	— no 2019 interim dividend recommended for payment
NAV per share (diluted, adjusted) (pence) ^{1/3}	252	312	(60)	— impact of revaluation deficit of 62p — partially offset by underlying earnings in period of 5p
EPRA NNNNAV per share (pence) ^{1/3}	210	271	(61)	— as above for NAV per share (diluted, adjusted)
Pro forma debt to assets ratio (per cent) ^{1/2/5}	57.6	53.1	4.5	— increase due to reduced property values
Operational performance	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018	Key comments
Leasing activity				
— number	109	116	248	— level of lettings similar to prior year
— new rent	£14m	£16m	£39m	— in line with valuers assumptions
— rental uplift (v previous passing)	+1%	+6%	+6%	— +2% on net effective basis (net of rent frees and incentives)
Uplift on rent reviews settled	+7%	+10%	+7%	— 101 settled in period
Footfall	+0.8%	-1.3%	-1.6%	— UK +0.4%; Spain +3.5% — UK outperformed Springboard benchmark which was down by 2.2%
Occupancy (EPRA basis)	95.1%	96.6%	96.7%	— lower occupancy due to increased level of administrations and CVAs, in particular the impact from prior year processes
Net promoter score	78	73	75	— continued improvement in visitor satisfaction

1 Figure presented is an APM. See presentation of information section for further details including rationale for significant APMs used.

2 See financial information including share of joint ventures section for reconciliations between presented figures and IFRS figures.

3 See notes 10 and 11 for reconciliations between presented figures and IFRS figures.

4 30 June 2019 including intu Derby which is classified as an asset held for sale. See investment and development property section for reconciliation between presented figure and IFRS figure.

5 30 June 2019 figures pro forma for the part disposal of intu Derby which completed on 8 July 2019.

Chief Executive's statement

Our five year strategy

Over the last nine months we have carried out the most comprehensive review that intu has ever undertaken. With the pace of change accelerating in our sector, radical transformation is required, and we have tested our beliefs to develop a clear five year strategy to reshape the business by way of four strategic objectives.

From our half year results you can see that there are currently many changes and challenges in our market, but we have centres where both substantial visitor numbers and their satisfaction ratings are increasing.

We understand the issues we face, including how the market is changing, but recognise that we have some fundamental strengths that mean we are best-placed to take advantage of the flight to prime.

Challenges

The retail property market is impacted by the structural changes ongoing in the retail sector, with some weaker retailers struggling to remain relevant in a multichannel environment. This has led to a higher level of administrations and CVAs which has been exacerbated by the current political uncertainty in the UK and weak consumer confidence.

The result of all this on the retail property sector is pessimistic investor sentiment and decreasing property values.

On top of this, intu itself faces challenges. We are seen as having too much debt, with a tail of underperforming assets. Our relationships with tenants are seen as old-fashioned and our management structure has stopped us being as agile as we would like to be.

We believe our new strategy addresses these challenges and will position us to take advantage of opportunities that arise.

Strategic objective	Key actions	What have we done
Fix the balance sheet To reduce net external debt and create liquidity to deal with the upcoming refinancing activity, with the first material debt maturities in early 2021	— not paying a dividend for the time being — disposal and part-disposal of assets in the UK and Spain — reducing the capital expenditure pipeline	— no 2018 final or 2019 interim dividend — part disposed of intu Derby for initial consideration of £109m — entered second round of sales process for intu Asturias and intu Puerto Venecia — disposed of £12m of sundry assets with a further £24m exchanged at above book value — reduced capital expenditure pipeline by £60m, with total to 2023 now £146m
Simplify, enhance and drive efficiency To deliver our strategy and reshape intu, we need to ensure we have the correct leadership team in place, with the right skill sets and teams to deliver this vision	— update management structure for our forward-looking strategy — deliver a thriving culture of happy and high performing colleagues — new approach to incentive plans — focus on wellbeing and ESG	— restructured Executive Committee — new Non-Executive Directors — delivered £5m of annualised cost savings — signed Mind 'Time for Change' pledge
Sharpen customer focus To improve our relationships with those who pay us to take space, working closer with them and taking a partnership approach to maximise returns for both parties	— identifying, nurturing and supporting leading brands — investing further in data and sharing the insight — developing new product and service propositions for our customers to reduce their costs, remove hassle and improve sales — leading the way in modernising the lease structure, to include store generated online sales	— commenced CEO meetings with top 30 customers — appointed Customer Performance Director — recruited Head of Insight — identified new product and service propositions
Transform our centres To deliver what future visitors and customers want with a project pipeline for new uses	Within the existing centre footprint: — improving the visitor experience and dwell time: street food, experiential markets and paid for experiences — seamless customer offering: direct retail and curated space for pure-play online brands and intu Pocket, a cashback loyalty wallet Intensification of our landbanks, using a capital light model. Initial focus is on: — residential — hotel — flexible working	— successful intu Lakeside trial of 'instagrammable' upside down house, with further roll-out planned — opened test site for direct retailing with Birdhouse Café in Nottingham — launched first shopping centre branded cashback loyalty wallet, intu Pocket — around 6,000 potential residential units identified across eight sites with public consultation launched at intu Lakeside — seven potential hotel sites identified for around 800 rooms — six viable flexible working sites identified

Chief Executive's statement continued

Our review of the business looked at how we see the market evolving, and this along with our underlying strengths helped formulate our strategy for the next five years.

The store is not dying, it is evolving

With all the recent media articles around the death of the store, you could believe that no one will go shopping again. However, the right stores in the right locations still play a vital role for retailers. Two statistics tell this story well. First, 85 per cent of all retail transactions still touch a physical store. Second, recent research by CACI has shown that the presence of a physical store can double a retailer's online sales in that local catchment.

If we look ahead to 2026 and research carried out by CACI and Revo, their research suggests that 78 per cent of transactions will still touch a store in 2026, even with the overall percentage of online sales increasing from 20 per cent to 30 per cent. Although direct in-store spend on comparison goods will grow at a lower rate than other channels (2017 to 2026: +2.5 per cent compound annual growth rate), the growth in click and collect and online sales researched in-store gives an overall compound annual growth rate in sales that touch a store of 3.0 per cent.

This highlights the importance of the store, added to which, if the overall number of stores in the UK declines over this period then the productivity of the remaining stores will improve, and this should be weighted towards the best retail and leisure destinations.

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

Centres are transforming

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

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

intu's fundamental strengths

There are many challenges, but there are also many strengths we have to take advantage of.

We own nine of the UK's top-20 centres (source: GlobalData) and on average over one million people a day visit one of our centres where our visitor satisfaction continues to grow. Our centres continue to have high occupancy at 95 per cent. We are seen as innovators – we introduced the first nationwide online shopping mall in the UK, intu.co.uk.

All this means that we are a first stop and major provider of space in the UK for many global brands, such as Apple, Inditex, Victoria's Secret and Abercrombie & Fitch.

Outlook

In the period we have seen a reduction in like-for-like net rental income of 7.7 per cent. We expect this to run at a similar level through the remainder of 2019 as the impact of recent administrations and CVAs are resolved. Looking into 2020, we would expect like-for-like net rental income to be moderately down due to the full year impact of the 2019 CVAs, with the overall run rate improving against 2019.

Similarly, with valuations, we have seen reductions in the first half of the year by around 10 per cent. In the UK, we would expect continued downward pressure in the second half of the year, until we have more certainty on income as the level of administrations and CVAs reduces and we have clarity on the outcome of Brexit. Our share price has traded at around a 35 per cent discount to gross asset value (based on 31 December 2018 valuation) reflecting the more pessimistic view of external markets on Brexit and retailer strength. This discount is amplified at a net asset value level due to intu's debt levels.

In the short term, fixing the balance sheet is our top priority. We are making good progress on the disposal of our Spanish assets, the proceeds of which we will use to reduce our debt. Additionally, we are not paying a dividend for the time being to retain cash within the business. We are looking to make material progress over the next six to 12 months and we will keep all options under review, from the self-help measures described through to raising equity.

There are challenges in the market at the moment and we understand what they are, but we have a clear plan to address them and move the business forward.

Financial review

Presentation of information

Figures and commentary within the financial review, unless otherwise stated, are presented including the Group's share of joint ventures on a proportionately consolidated basis. See presentation of information section for further details including rationale for significant APMs used.

Income statement

£m	Notes	Six months ended 30 June 2019	Six months ended 30 June 2018	Change
Net rental income	A	205.2	223.1	(17.9)
Administration expenses	B	(20.8)	(21.7)	0.9
Net finance costs	C	(113.5)	(107.3)	(6.2)
Tax on underlying profit	D	(8.7)	(0.4)	(8.3)
Other underlying amounts ²		4.2	4.8	(0.6)
Underlying earnings¹		66.4	98.5	(32.1)
Revaluation of investment and development property	E	(872.1)	(650.4)	(221.7)
Change in fair value of financial instruments	F	(32.2)	75.1	(107.3)
Other non-underlying amounts ³		8.3	(9.4)	17.7
IFRS loss for the period attributable to owners of intu properties plc¹		(829.6)	(486.2)	(343.4)
IFRS basic loss per share (pence)		(61.7)p	(36.2)p	(25.5)p
Underlying EPS (pence)		4.9p	7.3p	(2.4)p

1 A reconciliation from the IFRS consolidated income statement to the underlying earnings amounts presented above is provided in the financial information including share of joint ventures section. A further reconciliation of underlying earnings to the IFRS loss attributable to owners of intu properties plc is provided within note 10.

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

3 Other non-underlying amounts includes losses on disposal of subsidiaries, gains on sale of investment and development property, exceptional administration and finance expenses, exceptional tax, share of joint ventures and associates adjusted items and any non-underlying amounts attributable to non-controlling interests.

The key drivers in the decrease in underlying earnings of £32.1 million and underlying EPS of 2.4 pence in the period as well as the decrease in IFRS loss for the period attributable to owners of intu properties plc of £343.4 million and IFRS basic loss per share of 25.5 pence are discussed below.

A Net rental income

Net rental income decreased £17.9 million in the period to £205.2 million. This is largely due to the 7.7 per cent reduction in like-for-like net rental income of £16.8 million, compared to an increase of 1.3 per cent in the same period in 2018. The key components of the movement are:

%	Six months ended 30 June 2019	Six months ended 30 June 2018
Rent reviews and improved lettings	+0.9	+1.4
Capital investment	+1.7	+0.3
Vacancy impact	-2.7	-0.3
Administrations and CVAs	-4.3	-0.9
Turnover rent	-0.8	—
Other (e.g.: bad debt; surrender premiums; headlease adjustments)	-2.5	+0.8
Change in like-for-like net rental income	-7.7	+1.3

- rent increases from rent reviews and new lettings delivered 0.9 per cent rental growth. Rent reviews were settled 7 per cent ahead of previous rents and lettings were on average up 1 per cent (see operational performance section for more details)
- capital investment in intu Lakeside and intu Watford delivered growth of 1.7 per cent
- vacancy increased in the period by 1.6 per cent, resulting in a 2.7 per cent impact on net rental income from both rent foregone and increased void costs
- the effect of administrations and CVAs was 4.3 per cent, mainly driven by the 2018 administrations and CVAs, including House of Fraser, HMV and New Look Men
- other is adverse by 2.5 per cent primarily due to the level of premiums received, with around £4 million received in the first half of 2018 against around £1 million for the same period this year

Financial review continued

In the first half of 2019, administrations and CVAs relate to 71 stores and around 7 per cent of our passing rent. By rent, 45 per cent have had no impact, with the tenant keeping their stores in our portfolio open on the existing rent. Of the remainder, 52 per cent are trading on discounted rents and 3 per cent have closed.

We anticipate full year like-for-like net rental income to be down by a similar amount to that seen in the first half of 2019.

B Administration expenses

Administration expenses reduced marginally in the period:

- our EPRA cost ratio (excluding direct vacancy costs) remains low at 16.0 per cent (see EPRA section for detailed calculation)
- since the end of June, we have been through a restructuring of headcount removing around 10 per cent of management roles. This gives £5 million of annualised saving, of which around £2 million will benefit the service charge. We estimate that the changes will have minimal impact in 2019

C Finance costs

Net finance costs have increased by £6.2 million in the period to £113.5 million, largely due to lower interest being capitalised on developments as they come online.

D Tax on underlying profit

Tax on underlying profit includes £8.3 million in respect of corporation tax on the estimated current period underpayment of the minimum PID.

Current tax relating to the estimated prior year underpayment of the minimum PID of £7.9 million has been treated as an exceptional expense due to changes in the interpretation of REIT legislation. See note 8 for further details.

E Valuation

The revaluation deficit of £872.1 million relates to increasing yields and reduced rental values in the period:

- UK centres are down by 10.4 per cent on a like-for-like basis with all centres impacted by broadly similar amounts of 9 per cent to 11 per cent (see investment and development property section for centre by centre analysis)
- Spanish centres are unchanged given the continued demand for top quality Spanish centres and strong income performance

Yields have been impacted by weak sentiment in the investment market, with investors focusing on net initial yields. The main factors impacting yields are:

- uncertainty around Brexit, the structural change in retail and higher than normal levels of administrations and CVAs has significantly reduced demand for prime shopping centres in the UK
- according to Cushman & Wakefield, the first quarter of 2019 has had the lowest level of shopping centre transactions since the third quarter of 2008
- intu's weighted average net initial yield (topped-up) increased by 23 basis points to 5.21 per cent at 30 June 2019. This yield shift equates to an approximate 4 per cent reduction in capital values

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

- valuers have reappraised ERVs, in particular on some of the larger spaces
- intu's ERVs decreased by 4.1 per cent in the period on a like-for-like basis

For the investment market to improve, more certainty over the terms of Brexit and stabilisation of income is required. This will enable investors to make more informed decisions on pricing.

F Change in fair value of financial instruments

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

Financial review continued

Balance sheet¹

£m	Notes	30 June 2019	31 December 2018	Change
Investment and development property	A	7,964.6	9,130.1	(1,165.5)
Investment and development property classified as held for sale	B	349.9	–	349.9
Investment in associates and other investments	C	75.0	76.1	(1.1)
Net external debt	D	(4,892.3)	(4,867.2)	(25.1)
Derivative financial instruments	E	(310.1)	(284.0)	(26.1)
Other assets and liabilities ²		(204.9)	(226.9)	22.0
Net assets		2,982.2	3,828.1	(845.9)
Non-controlling interest ³		17.0	(16.4)	33.4
IFRS net assets attributable to owners of intu properties plc		2,999.2	3,811.7	(812.5)
Fair value of derivative financial instruments		310.1	284.0	26.1
Other adjustments		86.0	95.2	(9.2)
NAV (diluted, adjusted)		3,395.3	4,190.9	(795.6)
NAV per share (diluted, adjusted) (pence)	F	252p	312p	(60)p

1 A reconciliation from the IFRS consolidated balance sheet to the amounts presented above is provided in the financial information including share of joint ventures section. A further reconciliation of net assets (diluted, adjusted) to IFRS net assets attributable to owners of intu properties plc is provided within note 11.

2 Other assets and liabilities includes property, plant and equipment, investment in associates, other investments, goodwill, trade and other receivables, trade and other payables, current tax liabilities, deferred tax liabilities and other payables.

3 Relates primarily to our partner's 40 per cent stake in intu Metrocentre.

The key drivers in the decrease in NAV (diluted, adjusted) of £795.6 million and NAV per share (diluted, adjusted) of 60 pence in the period as well as the decrease in IFRS net assets attributable to owners of intu properties plc of £812.5 million are discussed below.

A Investment and development property

Investment and development property has decreased by £1,165.5 million:

- deficit on revaluation of £872.1 million (see E above within the income statement section)
- transfer of intu Derby (£349.9 million) to assets held for sale (see B below)
- capital expenditure of £71.7 million on projects enhancing the value and appeal of our centres, including £28.3 million on the Primark anchored intu Trafford Centre's Barton Square extension and £8.9 million on the now completed leisure extension at intu Lakeside

B Investment and development property classified as held for sale

In April we announced the formation of a joint venture with Cale Street Investments LP (Cale Street) for them to take part ownership of intu Derby. The key components to the transaction were:

- intu Derby removed from the SGS debt structure and new senior debt financing of £150.0 million arranged at the joint venture level secured on 100 per cent of the asset, fully drawn on 28 June 2019
- the transaction completed on 8 July 2019 and in accordance with IFRS, at 30 June 2019 intu Derby has been classified as held for sale in the balance sheet
- initial consideration of £108.7 million received from Cale Street for 50 per cent of the equity value was calculated by reference to the December 2018 market value of £372.5 million, £150 million senior debt finance and a working capital adjustment
- preferred equity, giving Cale Street priority on income and capital distributions capped at a high single-digit total return per annum

C Investments in associates and other investments

Investments in associates and other investments of £75.0 million primarily represent our interests in India, Prozone and Empire, which own and operate shopping centres in Coimbatore and Aurangabad. See note 14 for further details.

D Net external debt

Net external debt of £4,892.3 million has increased marginally in the period. On a pro forma basis for the part disposal of intu Derby, which completed on 8 July 2019, net external debt is £4,714.2 million a reduction of £153.0 million against December 2018.

Financial review continued

E Derivative financial instruments

Derivative financial instruments comprise the fair value of the Group's interest rate swaps (referred to as allocated and unallocated swaps). The net liability of £310.1 million has increased by £26.1 million in the period, due to decreases in interest rates, with the Sterling five-year and 10-year swap rates decreasing by 40bps and 39bps respectively, partially offset by cash payments in the period. Cash payments in the period totalled £19.1 million, £13.5 million of which has been classified as an exceptional finance cost as it relates to payments in respect of unallocated swaps (see below). The balance of the payments has been included as underlying finance costs as it relates to ongoing allocated swaps used to hedge debt.

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

At 30 June 2019 these unallocated swaps have a market value liability of £183.6 million (31 December 2018: £184.4 million). It is estimated that we will be required to make cash payments on these unallocated swaps of around £13.9 million in the second half of 2019, reducing to below £21 million per annum in 2021. Cash payments on these unallocated swaps will continue until their maturity dates, which range between 2020 and 2037, but will cease in the event a swap is closed early. Management currently intends to hold these until maturity as there is currently no economic benefit to closing these unallocated swap contracts early as this would require an upfront cash settlement in full.

F NAV per share (diluted, adjusted) bridge

The key drivers of the 60 pence decrease in NAV per share (diluted, adjusted) to 252 pence are summarised in the chart below.



As noted in previous results, our measure of NAV per share continues to include a timing impact within retained earnings of 4 pence in relation to our Spanish development partner Eurofund's expected future equity interest in the intu Costa del Sol development. The positive impact on retained earnings is expected to reverse, once these arrangements are concluded. We are expecting full planning to become effective in the second half of 2019. In this event NAV per share would be 248 pence.

IFRS balance sheet items

Our net investment in joint ventures is £777.3 million at 30 June 2019, a decrease of £46.6 million from 31 December 2018. The key driver in the period relates to the share of loss of joint ventures of £36.1 million, which primarily includes underlying earnings of £12.7 million and a property revaluation deficit of £44.0 million.

We are exposed to foreign exchange movements on our overseas investments. At 30 June 2019 the exposure is 18 per cent of net assets attributable to shareholders, the increase from the 31 December 2018 exposure of 15 per cent being due to the deficit on property revaluations in the UK. We are presently undertaking a sales process for intu Asturias and intu Puerto Venecia, which would reduce this level. Once this has concluded, our policy of a maximum of 10 percent will be assessed.

Financial review continued

Cash flow

£m (IFRS Group cash flow)	Notes	Six months ended 30 June 2019	Six months ended 30 June 2018	Change
Cash flows from operating activities	A	25.1	48.1	(23.0)
Cash flows from investing activities	B	(45.6)	75.1	(120.7)
Cash flows from financing activities	C	(28.2)	(139.9)	111.7
Foreign exchange movements		—	—	—
Net decrease in IFRS Group cash and cash equivalents		(48.7)	(16.7)	(32.0)

The key drivers of the decrease in cash and cash equivalents of £32.0 million in the period are discussed below.

A Cash flows from operating activities

Cash flows from operating activities of £25.1 million are £23.0 million lower than the same period in 2018, largely due to the timing of interest paid.

B Cash flows from investing activities

Cash flows from investing activities mainly reflects cash outflows related to capital expenditure during the period. The same period in 2018 includes £143.4 million of proceeds in respect of the part disposal of intu Chapelfield.

C Cash flows from financing activities

Cash flows from financing activities primarily reflect net borrowings drawn in the period offset by a transfer to restricted cash of £210.0 million to repay part of the SGS term loan on 1 July 2019 (see debt activity section below). The same period in 2018 includes an outflow of £120.9 million in respect of the final 2017 cash dividend.

Debt measures

	Notes	30 June 2019	31 December 2018	Change
Pro forma debt to assets ratio ¹	A	57.6%	53.1%	4.5%
Interest cover	B	1.68x	1.91x	(0.23)x
Pro forma weighted average debt maturity ¹		5.4 years	5.8 years	-0.4 years
Pro forma weighted average cost of gross debt (excluding RCF) ¹		4.3%	4.2%	0.1%
Pro forma proportion of gross debt with interest rate protection ¹		86%	84%	2%
Pro forma cash and available facilities ¹		£494.7m	£512.6m	£(17.9)m

1 30 June 2019 figures pro forma for the initial consideration of £108.7 million on part disposal of intu Derby which completed on 8 July 2019 and the £210.0 million part repayment of the SGS term loan on 1 July 2019.

A Debt to asset ratio

Our pro forma debt to assets ratio has increased to 57.6 per cent since 31 December 2018 due to the deficit on property revaluation in the period. The part disposal of intu Derby has reduced debt to assets by around 1 per cent.

B Interest cover

Interest cover of 1.68x remains above our target minimum level of 1.60x although it has reduced in the period as a result of the reduction in net rental income and increased finance costs.

Financing

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

Disposals

In the period we made the following advances:

- part disposal of intu Derby for initial consideration of £108.7 million (see B within the balance sheet section above for further details)
- disposed of £12 million of sundry assets, including King George V dock (see note 4 for further details), with a further £24 million exchanged, ahead of book value, for completion in the second half of 2019
- launched a sales process for intu Asturias and intu Puerto Venecia in May 2019 and following substantial interest we have now entered the second round of the process

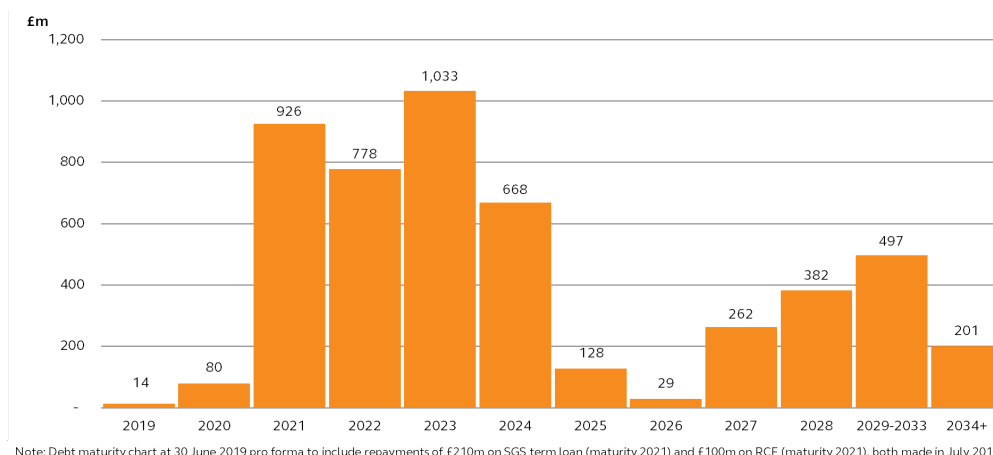
Financial review continued

Once there is increased demand in the UK market, we have flexibility for further disposals or part disposals, as around two-thirds of our portfolio is 100 per cent owned.

Debt activity

- raised debt of £150 million on intu Derby at the joint venture level on 28 June 2019
- removed intu Derby and added the extension of intu Watford to the SGS debt structure on 28 June 2019 and repaid £210 million of the SGS term loan (maturity 2021) on 1 July 2019
- used £100 million of initial proceeds to part repay the Revolving Credit Facility (RCF) on 15 July 2019
- impact is reduction of 2021 maturities from £1,163 million at 31 December 2018 to £926 million on a pro forma basis for the points above

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



Debt structure and covenants

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

- secured bonds and syndicated bank debt secured on individual or pools of assets
- limited or no recourse from the borrowing entities to other Group companies outside of these arrangements
- corporate-level debt limited to the RCF and £375 million 2.875 per cent convertible bonds
- covenant headroom on both loan to value and interest cover:
 - a 15 per cent fall in capital values, from the June 2019 valuations, equivalent to a peak to trough fall of 33 per cent, would create a covenant shortfall of £83 million
 - at this 15 per cent fall in capital values, none of our investment grade bonds, secured on our flagship assets (around £4.7 billion of asset base), would reach their covenant limits
 - the majority of the interest cover covenants have substantial headroom. A 10 per cent fall in income, would create a covenant shortfall of £26 million
 - details of the debt financial covenants are included in the financial covenants section of this report

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

Financial review continued

Capital commitments

We are committed to investing £209 million:

£m	Cost to completion			
	Total	H2 2019	2020	2021
intu Broadmarsh	78	20	33	25
intu Trafford Centre	47	32	14	1
intu Watford	14	14	-	-
intu Lakeside	9	9	-	-
Active asset management	61	49	12	-
Total committed¹	209	124	59	26

1 Total committed represents projects that are Board approved (31 December 2018: £238.0 million). Of this, £160.7 million (31 December 2018: £191.2 million) is contractually committed.

- at intu Broadmarsh we commenced construction of the £89 million regeneration of the centre in January 2019. This leisure led scheme will be anchored by The Light cinema and Hollywood Bowl, with two-thirds of the units either exchanged or in advanced negotiations
- at intu Trafford Centre, construction is underway for the expansion and transformation of Barton Square which will open in spring 2020. The £75 million project is enclosing the courtyard, enhancing interiors, allowing trading from two levels and providing a fashion offer for the first time at Barton Square with Primark anchoring this development
- the extensions at intu Watford and intu Lakeside are now open, the remaining spend relating to the final lettings
- active asset management projects total £61 million and include £11 million enhancing the look and feel of intu Merry Hill, £7 million to complete the final design and resolve any outstanding planning matters at intu Costa del Sol and £8 million enhancing the food court and ski-zone at intu Xanadú

Other

Tax policy position

The Group has tax exempt status in the UK (REIT) and for two of our joint ventures in Spain (SOCIMI) which provide exemption from corporation tax on rental income and gains arising on property sales, with tax instead being paid at shareholder level. See glossary for further information on REITs and SOCIMIs.

The Group looks to minimise the level of tax risk and at all times seeks to comply fully with our regulatory and other tax obligations and to act in a way which upholds intu's reputation as a responsible corporate citizen. This is achieved through regularly carrying out risk reviews, seeking pre-clearance from taxing authorities in complex areas and actively engaging in discussions regarding proposed changes in the taxation system that might affect the Group.

We published 'intu's Approach to Tax' in respect of the year ended 31 December 2018 on the Group's website intugroup.co.uk which provides further information about the Group's tax strategy.

Despite being a REIT, we pay tax directly on non-SOCIMI overseas earnings, any UK non-property income, business rates and transaction taxes such as stamp duty land tax. In the period the total of such payments to tax authorities was £13.9 million (same period in 2018: £15.1 million), of which £12.9 million (same period in 2018: £13.4 million) was in the UK and £1.0 million (same period in 2018: £1.7 million) in Spain. In addition, we also collect VAT, employment taxes and withholding tax on dividends for HMRC and the Spanish tax authorities.

Dividends

The Directors are not recommending payment of an interim dividend for 2019.

A UK REIT is expected to pay dividends (PIDs) of at least 90 per cent of its taxable profits from its UK property rental business by the first anniversary of each accounting date. In view of the announced short-term reduction of dividends it is anticipated that there will be an underpayment of the minimum PID, and therefore under REIT legislation, the Group will incur UK corporation tax payable at 19 per cent whilst remaining a REIT. For 2019 we would expect this to be in the range of £15 million to £20 million. See note 8 for further detail. The Group intends to remain a UK REIT for the foreseeable future.

Operational performance

	Notes	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
Leasing activity	A			
— number, new rent		109, £14m	116, £16m	248, £39m
— new rent relative to previous passing rent		+1%	+6%	+6%
Tenant investment	B	£49m	£31m	£144m
Rental uplift on rent reviews settled	C	+7%	+10%	+7%
Occupancy (EPRA basis)	D	95.1%	96.6%	96.7%
— of which, occupied by tenants trading in administration		1.6%	0.3%	2.0%
Unexpired lease term	E	6.5 years	7.4 years	7.2 years
Footfall	F	+0.8%	-1.3%	-1.6%
Retailer sales	G	-1.8%	-2.2%	-2.3%
Net promoter score	H	78	73	75

A Leasing activity

We agreed 109 long-term leases in the period, amounting to £14 million annual rent, at an average of 1 per cent above previous passing rent (like-for-like units) and in line with valuers' assumptions. On a net effective basis (net of rent frees and incentives), rents were 2 per cent ahead of previous rents. The upside from these new lettings added to like-for-like net rental income but was lower in magnitude than the negative impacts from administrations and CVAs and increased vacancy (see financial review section).

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

- pure-play online brands starting to open stores to increase their physical presence. Morphe, the digital native cosmetics brand, is set to open its fourth and fifth stand-alone stores at intu Victoria Centre and intu Eldon Square and AliExpress, the consumer platform of Alibaba, is opening its first store in Europe at intu Xanadu
- leisure brands increasing their space with Puttshack to open its third venue at intu Watford, following their successful opening at intu Lakeside, and Namco expanding their range of attractions at intu Metrocentre with Clip 'n Climb and the first Angry Birds Adventure Golf in the UK
- new catering concepts with The Hall, from the Market Halls stable, opening at intu Lakeside with their communal dining concept
- international fashion brands continuing to expand in the UK with Spanish brand Mango due to open at intu Watford and intu Merry Hill and Uniqlo and Hollister joining the line up at intu Watford

B Tenant investment

In the period, 103 units opened or refitted in our centres (H1 2018: 107 stores), around 3 per cent of our 3,300 units. Tenants have invested around £49 million in these stores, a significant demonstration of their long-term commitment to our centres.

C Rent reviews

We settled 101 rent reviews in the period for new rents totalling £29 million, an average uplift of 7 per cent on the previous rents.

D Occupancy

Occupancy is 95.1 per cent, a reduction against both 31 December 2018 (96.7 per cent) and 30 June 2018 (96.6 per cent), impacted by units closed in the first half of 2019 from tenants who went into administration or through a CVA process in 2018. This had a 2.7 per cent negative impact on like-for-like net rental income in the period from both rents foregone and increased void costs.

E Weighted average unexpired lease term

The weighted average unexpired lease term is 6.5 years (31 December 2018: 7.2 years) illustrating the longevity of our income streams.

F Footfall

Footfall in our centres increased by 0.8 per cent in the period. UK footfall was up 0.4 per cent, significantly outperforming the Springboard footfall monitor for shopping centres which was down on average by 2.2 per cent. This highlights the continued attraction of our compelling destinations against the wider market. In Spain, footfall in our three centres was up by 3.5 per cent.

G Retailer sales

Estimated retailer sales in our centres were down 1.8 per cent impacted by some larger space users who have had difficulties and have been through CVAs and other retailers who operate successful multichannel models where in-store sales figures take no account of the benefit of the

Operational performance continued

store to retailers' online sales. This compares to the British Retail Consortium (BRC), where non-food retailer sales in-store were down 2.9 per cent on average over the same period.

The ratio of rents to estimated sales for standard units remained stable in the period at 12.4 per cent. This does not credit stores with their benefit to the retailer's multichannel business, such as click and collect.

H Net promoter score

Our net promoter score, a measure of visitor satisfaction, ran consistently high throughout the period averaging 78, an increase of 5 over the same period in 2018. Visitor satisfaction is paramount to a shopper's likelihood to visit, which in turn drives footfall and extended dwell time.

Principal risks and uncertainties

intu's Board has responsibility for establishing the Group's risk appetite on the balance of potential risks and returns, and has overall responsibility for identifying and managing risks.

The principal risks and uncertainties impacting the Group and the relevant mitigating actions are set out on pages 38 to 41 of the Group's 2018 annual report and financial statements.

The Board has reviewed its assessment of the principal risks and uncertainties facing the Group, including those that would impact the business model, future performance, solvency or liquidity. The risk profile for the six months ended 30 June 2019 has increased since the year ended 31 December 2018 and is detailed in the table below. No significant new risk headings or sub risk categories have been identified, although it is recognised that risks within the categories continue to evolve. Following the 2019 risk appetite process, it has been recognised that the Board's tolerance for risk may change as the Group explores new business opportunities.

The Group's principal risks and uncertainties are reviewed throughout the year in-line with the group risk management framework and the Group will provide a full report in the 2019 annual report and financial statements. During the period, where risks have evolved, additional risk mitigation strategies have been put in place. Specifically, the property market sub risks of macroeconomic and retail environment, the financing sub risk of availability of funds and the brand sub risk of integrity of the brand have seen an increased risk profile. See commentary on these changes in risk profile below.

Risk heading	Sub risk	2019 commentary
Property market	Macroeconomic	Likelihood and impact of macroeconomic weakness continues to be a risk with continued political uncertainty in the UK and Brexit arrangements not yet detailed, which has increased investor caution resulting in a reduction in property values and lower transaction volumes in the period.
Property market	Retail environment	With the recent higher level of administrations and CVAs and the continued macroeconomic uncertainty, the likelihood and impact of changes to the retail environment resulting in further potential tenant failures continues to increase, putting downward pressure on property values. intu monitor key retail metrics closely, in line with intu's strategy of continuing to deliver solid footfall numbers and occupancy.
Financing	Availability of funds	Macroeconomic events during the period, and the uncertainty caused by them, mean the risk of reduced funding availability remains. Recent refinancing activity has evidenced the availability of funding to intu although the debt market is more cautious at the moment. In the period, a key focus for the Group has been to reduce net external debt. During the period we have introduced a joint venture partner into intu Derby, with initial consideration of £108.7 million received on 8 July 2019 used to reduce net external debt.
Brand	Integrity of the brand	Likelihood and severity of potential impact increased in the period due to the increased recognition of the brand combined with the increased pace and breadth of social media particularly towards ESG issues. However, intu has strong controls to identify and manage these.

The uncertainty arising from the UK's decision to exit the EU continues to have a negative impact on the macroeconomic environment. Specifically for intu, the risks faced are affected by any changes in sentiment in the investment and occupier markets in which we operate, in our ability to execute our recycling and investment plans and in broader consumer confidence and expenditure. We have continued to review our Brexit risks and both planning and consideration has been given to implementing additional controls to mitigate risks where we can reduce either the likelihood or impact of the risk affecting the delivery of the Group's objectives.

Directors' responsibility statement

The Directors are responsible for preparing the half year report including the interim management report and condensed consolidated set of interim financial statements (interim financial statements), in accordance with applicable law and regulations. The Directors confirm that, to the best of their knowledge:

- the interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position, and profit and loss of the Group; and
- the interim management report includes a fair review of the information required by Sections DTR 4.2.7R and DTR 4.2.8R of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

The financial review and operational performance sections refer to important events which have taken place in the period.

The principal risks and uncertainties facing the business are referred to in the principal risks and uncertainties section.

Related party transactions are set out in note 4 of the interim financial statements.

Details, including biographies, of all current Directors are maintained on the intu properties plc website: intugroup.co.uk.

On behalf of the Board

Matthew Roberts
Chief Executive

Robert Allen
Chief Financial Officer
31 July 2019

Independent review report to intu properties plc

We have been engaged by the Company to review the condensed consolidated set of interim financial statements in the half year report for the six months ended 30 June 2019 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and related notes 1 to 22. We have read the other information contained in the half year report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated set of interim financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half year report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half year report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed consolidated set of interim financial statements included in this half year report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed consolidated set of interim financial statements in the half year report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated set of interim financial statements in the half year report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Statutory Auditor
London
31 July 2019

Consolidated income statement (unaudited)

for the six months ended 30 June 2019

£m	Notes	Six months ended 30 June 2019	Six months ended 30 June 2018
Revenue	5	279.9	286.1
Net rental income	5	180.3	197.5
Net other income		2.4	3.2
Revaluation of investment and development property	12	(827.9)	(617.4)
Gain/(loss) on disposal of subsidiaries		0.1	(8.3)
Gain on sale of investment and development property		0.2	–
Administration expenses – ongoing		(20.3)	(21.2)
Administration expenses – exceptional	6	(1.9)	(6.3)
Operating loss		(667.1)	(452.5)
Finance costs ¹	7	(112.1)	(105.4)
Finance income	7	9.0	7.5
Other finance costs – exceptional ¹	7	(20.9)	(14.9)
Change in fair value of financial instruments	7	(29.1)	75.3
Net finance costs	7	(153.1)	(37.5)
Loss before tax, joint ventures and associates		(820.2)	(490.0)
Share of post-tax loss of joint ventures	13	(36.1)	(16.2)
Share of post-tax loss of associates	14	(0.1)	(0.3)
Loss before tax		(856.4)	(506.5)
Current tax – ongoing	8	(8.4)	(0.2)
Current tax – exceptional	8	(7.9)	–
Deferred tax	8	9.9	3.3
Taxation	8	(6.4)	3.1
Loss for the period		(862.8)	(503.4)
Attributable to:			
Owners of intu properties plc		(829.6)	(486.2)
Non-controlling interests		(33.2)	(17.2)
		(862.8)	(503.4)
Basic loss per share	10	(61.7)p	(36.2)p
Diluted loss per share	10	(61.7)p	(36.1)p

1 The underlying component of other finance costs has been re-presented to finance costs. As a result, other finance costs now only includes exceptional items. Following the change in presentation, for the six months ended 30 June 2018 finance costs have increased by £2.9 million, while other finance costs – exceptional have decreased by the same amount. See note 7 for further details on change in presentation.

Consolidated statement of comprehensive income (unaudited)

for the six months ended 30 June 2019

£m	Six months ended 30 June 2019	Six months ended 30 June 2018
Loss for the period	(862.8)	(503.4)
Other comprehensive income		
Items that may be reclassified subsequently to the income statement:		
Exchange differences	(1.1)	(4.6)
Total items that may be reclassified subsequently to the income statement	(1.1)	(4.6)
Items that will not be reclassified subsequently to the income statement:		
Revaluation of other investments	(1.6)	(1.2)
Change in fair value of financial instruments (note 17)	18.6	–
Total items that will not be reclassified subsequently to the income statement	17.0	(1.2)
Other comprehensive income/(loss) for the period	15.9	(5.8)
Total comprehensive loss for the period	(846.9)	(509.2)
Attributable to:		
Owners of intu properties plc	(813.7)	(492.0)
Non-controlling interests	(33.2)	(17.2)
	(846.9)	(509.2)

Consolidated balance sheet (unaudited)

at 30 June 2019

£m	Notes	At 30 June 2019	At 31 December 2018
Non-current assets			
Investment and development property	12	6,897.7	8,021.8
Property, plant and equipment		14.2	11.8
Investment in joint ventures	13	777.3	823.9
Investment in associates	14	66.0	65.6
Other investments		9.0	10.5
Goodwill		4.0	4.0
Derivative financial instruments		–	4.3
Trade and other receivables		103.5	105.5
		7,871.7	9,047.4
Current assets			
Assets classified as held for sale	22	367.7	–
Derivative financial instruments		0.1	0.4
Trade and other receivables		157.6	155.2
Cash and cash equivalents	15	400.8	239.5
		926.2	395.1
Total assets		8,797.9	9,442.5
Current liabilities			
Liabilities associated with assets classified as held for sale	22	(159.2)	–
Trade and other payables		(250.5)	(278.4)
Current tax liabilities		(16.1)	–
Borrowings	16	(242.7)	(51.1)
Derivative financial instruments		(66.1)	(39.0)
		(734.6)	(368.5)
Non-current liabilities			
Borrowings	16	(4,838.1)	(4,984.2)
Derivative financial instruments		(237.4)	(246.2)
Deferred tax liabilities	8	(7.9)	(18.0)
Other payables		(1.2)	(1.2)
		(5,084.6)	(5,249.6)
Total liabilities		(5,819.2)	(5,618.1)
Net assets		2,978.7	3,824.4
Equity			
Share capital	18	677.5	677.5
Share premium	18	1,327.4	1,327.4
ESOP shares		(34.1)	(37.0)
Other reserves		418.1	402.2
Retained earnings		610.3	1,441.6
Attributable to owners of intu properties plc		2,999.2	3,811.7
Non-controlling interests		(20.5)	12.7
Total equity		2,978.7	3,824.4

Consolidated statement of changes in equity (unaudited)

for the six months ended 30 June 2019

£m	Attributable to owners of intu properties plc						Non-controlling interests	Total equity
	Share capital	Share premium	ESOP shares	Other reserves	Retained earnings	Total		
At 1 January 2019	677.5	1,327.4	(37.0)	402.2	1,441.6	3,811.7	12.7	3,824.4
Loss for the period	–	–	–	–	(829.6)	(829.6)	(33.2)	(862.8)
Other comprehensive income:								
Revaluation of other investments	–	–	–	(1.6)	–	(1.6)	–	(1.6)
Change in fair value of financial instruments (note 17)	–	–	–	18.6	–	18.6	–	18.6
Exchange differences	–	–	–	(1.1)	–	(1.1)	–	(1.1)
Total comprehensive income/(loss) for the period	–	–	–	15.9	(829.6)	(813.7)	(33.2)	(846.9)
Share-based payments	–	–	–	–	1.3	1.3	–	1.3
Acquisition of ESOP shares	–	–	(0.1)	–	–	(0.1)	–	(0.1)
Disposal of ESOP shares	–	–	3.0	–	(3.0)	–	–	–
	–	–	2.9	–	(1.7)	1.2	–	1.2
At 30 June 2019	677.5	1,327.4	(34.1)	418.1	610.3	2,999.2	(20.5)	2,978.7

£m	Attributable to owners of intu properties plc						Non-controlling interests	Total equity
	Share capital	Share premium	ESOP shares	Other reserves	Retained earnings	Total		
At 1 January 2018	677.5	1,327.4	(39.1)	361.1	2,748.1	5,075.0	54.2	5,129.2
Adjustment on adoption of new accounting standard	–	–	–	–	14.0	14.0	–	14.0
Adjusted 1 January 2018	677.5	1,327.4	(39.1)	361.1	2,762.1	5,089.0	54.2	5,143.2
Loss for the period	–	–	–	–	(486.2)	(486.2)	(17.2)	(503.4)
Other comprehensive income:								
Revaluation of other investments	–	–	–	(1.2)	–	(1.2)	–	(1.2)
Exchange differences	–	–	–	(4.6)	–	(4.6)	–	(4.6)
Total comprehensive loss for the period	–	–	–	(5.8)	(486.2)	(492.0)	(17.2)	(509.2)
Dividends (note 9)	–	–	–	–	(126.3)	(126.3)	–	(126.3)
Share-based payments	–	–	–	–	1.9	1.9	–	1.9
Acquisition of ESOP shares	–	–	(0.5)	–	–	(0.5)	–	(0.5)
	–	–	(0.5)	–	(124.4)	(124.9)	–	(124.9)
At 30 June 2018	677.5	1,327.4	(39.6)	355.3	2,151.5	4,472.1	37.0	4,509.1

Consolidated statement of changes in equity (unaudited) continued

for the six months ended 30 June 2019

£m	Attributable to owners of intu properties plc						Non-controlling interests	Total equity
	Share capital	Share premium	ESOP shares	Other reserves	Retained earnings	Total		
At 1 January 2018	677.5	1,327.4	(39.1)	361.1	2,748.1	5,075.0	54.2	5,129.2
Adjustment on adoption of new accounting standard	–	–	–	–	14.0	14.0	–	14.0
Adjusted 1 January 2018	677.5	1,327.4	(39.1)	361.1	2,762.1	5,089.0	54.2	5,143.2
Loss for the year	–	–	–	–	(1,132.2)	(1,132.2)	(41.5)	(1,173.7)
Other comprehensive income:								
Revaluation of other investments	–	–	–	(6.4)	–	(6.4)	–	(6.4)
Change in fair value of financial instruments (note 17)	–	–	–	43.4	–	43.4	–	43.4
Exchange differences	–	–	–	4.1	–	4.1	–	4.1
Total comprehensive income/(loss) for the year	–	–	–	41.1	(1,132.2)	(1,091.1)	(41.5)	(1,132.6)
Dividends (note 9)	–	–	–	–	(188.1)	(188.1)	–	(188.1)
Share-based payments	–	–	–	–	2.8	2.8	–	2.8
Acquisition of ESOP shares	–	–	(0.9)	–	–	(0.9)	–	(0.9)
Disposal of ESOP shares	–	–	3.0	–	(3.0)	–	–	–
	–	–	2.1	–	(188.3)	(186.2)	–	(186.2)
At 31 December 2018	677.5	1,327.4	(37.0)	402.2	1,441.6	3,811.7	12.7	3,824.4

Consolidated statement of cash flows (unaudited)

for the six months ended 30 June 2019

£m	Notes	Six months ended 30 June 2019	Six months ended 30 June 2018
Cash generated from operations	20	145.2	156.6
Interest paid		(128.3)	(110.9)
Interest received		8.4	2.5
Taxation		(0.2)	(0.1)
Cash flows from operating activities		25.1	48.1
Cash flows from investing activities			
Purchase and development of property, plant and equipment		(61.7)	(88.3)
Sale of investment and development property		7.8	1.5
Cash transferred to assets classified as held for sale	22	(9.3)	–
Additions to other investments		(0.1)	–
Disposal of subsidiaries net of cash sold		4.1	143.4
Investment of capital in joint ventures		(2.1)	(2.8)
Repayments of capital by joint ventures	13	3.3	5.3
Loan advances to joint ventures	13	(1.4)	(0.6)
Loan repayments by joint ventures	13	12.3	16.2
Distributions from joint ventures	13	1.5	0.4
Cash flows from investing activities		(45.6)	75.1
Cash flows from financing activities			
Acquisition of ESOP shares		(0.1)	(0.5)
Transfer (to)/from restricted cash		(210.0)	1.1
Borrowings drawn		228.2	74.0
Borrowings repaid		(38.1)	(93.6)
Equity dividends paid		(8.2)	(120.9)
Cash flows from financing activities		(28.2)	(139.9)
Effects of exchange rate changes on cash and cash equivalents		–	–
Net decrease in cash and cash equivalents		(48.7)	(16.7)
Cash and cash equivalents at beginning of period	15	238.4	225.1
Cash and cash equivalents at end of period	15	189.7	208.4

Notes (unaudited)

1 Basis of preparation

The condensed consolidated set of interim financial statements (interim financial statements) for the six months ended 30 June 2019 are unaudited and do not constitute statutory financial statements within the meaning of s434 of the Companies Act 2006. The interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 as adopted by the European Union.

The comparative information presented for the year ended 31 December 2018 is not the Group's financial statements for that year. Those financial statements have been reported on by the Group's auditor and delivered to the registrar of companies. The auditor's opinion on those financial statements was unqualified and did not contain an emphasis of matter paragraph or a statement made under Section 498 (2) or (3) of the Companies Act 2006.

The interim financial statements should be read in conjunction with the Group's annual report and financial statements for the year ended 31 December 2018 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Significant estimates and judgements

The preparation of interim financial statements in conformity with the Group's accounting policies requires management to make judgements and use estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these judgements and estimates are based on management's best knowledge of the amount, event or action, the actual result ultimately may differ from those judgements and estimates.

In preparing the interim financial statements, with the exception of the significant judgements applied during the period as detailed below, the areas of significant judgement and the key sources of estimation uncertainty in applying the Group's accounting policies were consistent with those applied to the Group's financial statements as at and for the year ended 31 December 2018. See page 111 of the Group's 2018 annual report and financial statements for details on significant use of estimates and assumptions as well as significant areas of judgement.

During the period, management applied significant judgement to the following area:

- accounting for the part disposal of intu Derby at period end – management applied significant judgement to determine that the part disposal of intu Derby should be accounted for as an equity arrangement as opposed to a financing arrangement following completion. Following this, management applied significant judgement to determine that the part disposal of intu Derby should be classified as an asset held for sale. See further detail on judgements made in note 22

Going concern and future prospects

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.

Factors taken into account in making the going concern assessment include £189.7 million of unrestricted cash and £196.3 million of undrawn facilities at 30 June 2019. The Group's pro forma weighted-average debt maturity of 5.4 years and the relatively long-term and stable nature of the cash flows receivable under tenant leases were also factored into the forecasts.

The Group's liquidity position and available resources could be impacted by a reduced ability to refinance its borrowings in the same amount as currently secured on those assets should the reductions in the Group's property asset values continue. Within the going concern period, there are no material refinancing requirements. The pro forma debt maturity chart presented in the financial review section shows that there are no major refinancing requirements until early 2021, with a total of £926 million due to be refinanced throughout 2021. The Group is actively engaging with its lenders to mitigate any potential impact.

Various corporate transactions are also progressing in order to increase short-term liquidity (including the disposal of Spanish assets as noted in the financial review section) and to increase headroom. On 8 July 2019 the Group completed the part disposal of intu Derby, generating initial consideration of £108.7 million. As part of the transaction, the Group has arranged new senior debt financing of £150.0 million at the joint venture level secured on 100 per cent of the asset, which is fully drawn at 30 June 2019.

The Group has also considered covenant headroom through the going concern period on both loan to value and interest cover. For example, a 15 per cent fall in capital values from the June 2019 valuations, equivalent to a peak to trough fall of 33 per cent, would create a covenant shortfall of £83 million.

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 interim financial statements.

Notes (unaudited) continued

2 Accounting policies

The accounting policies and methods of computation applied are consistent with those of the Group's financial statements for the year ended 31 December 2018 as set out on pages 112 to 115 of the Group's 2018 annual report and financial statements, as amended when relevant to reflect the adoption of new standards, amendments and interpretations which became effective in the period. Except as described below, these amendments have not had an impact on the interim financial statements.

This is the Group's first set of financial statements where IFRS 16 Leases has been applied. The standard requires lessees to recognise a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Revaluation of the right-of-use asset and finance costs on the lease liability will be recognised in the income statement. This standard does not affect the current accounting for rental income earned. On adoption, the Group has recognised a right-of-use asset and lease liability of £3.5 million. The Group has applied the modified retrospective approach and therefore has not re-assessed existing leases under the new standard.

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

Taxes on income in interim periods are accrued using tax rates expected to be applicable to total annual earnings.

3 Seasonality and cyclicalities

There is no material seasonality or cyclicalities impacting the interim financial statements.

4 Related party transactions

As John Whittaker, Deputy Chairman and Non-Executive Director of intu properties plc, is Chairman of the Peel Group, members of the Peel Group are considered to be related parties. During the period intu shareholders approved, at a General Meeting held on 31 May 2019, the sale to the Peel Group of a 30.96 acre site near intu Braehead known as King George V docks (West) and additional plots of adjacent ancillary land for cash consideration of £6.1 million.

During the period, the Group sold a wholly owned subsidiary, which holds a plot of sundry land near intu Xanadú, to the intu Xanadú joint venture for consideration of £8.6 million. Consideration includes cash consideration of £4.3 million and a retained interest in the entity through the intu Xanadú joint venture.

There have been no other related party transactions during the period that require disclosure under Section DTR 4.2.8 R of the Disclosure and Transparency Rules or under IAS 34 Interim Financial Reporting except those disclosed elsewhere in the interim financial statements.

5 Segmental reporting

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

As set out in the presentation of information section, management review and monitor the business primarily on a proportionately consolidated basis. As such, the segmental analysis has been prepared on a proportionately consolidated basis.

Notes (unaudited) continued

5 Segmental reporting (continued)

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

£m	Six months ended 30 June 2019				
	Group including share of joint ventures			Less share of joint ventures	Group total
	UK	Spain	Total		
Rent receivable	231.0	16.5	247.5	(29.1)	218.4
Service charge income	61.8	3.8	65.6	(7.0)	58.6
Facilities management income from joint ventures	1.9	–	1.9	1.0	2.9
Revenue	294.7	20.3	315.0	(35.1)	279.9
Rent payable	(8.8)	–	(8.8)	0.5	(8.3)
Service charge costs	(69.5)	(4.0)	(73.5)	7.1	(66.4)
Facilities management costs recharged to joint ventures	(1.9)	–	(1.9)	(1.0)	(2.9)
Other non-recoverable costs	(23.5)	(2.1)	(25.6)	3.6	(22.0)
Net rental income	191.0	14.2	205.2	(24.9)	180.3
(Loss)/profit for the period	(831.7)	(31.3)	(863.0)	0.2¹	(862.8)

£m	Six months ended 30 June 2018				
	Group including share of joint ventures			Less share of joint ventures	Group total
	UK	Spain	Total		
Rent receivable	243.9	16.7	260.6	(29.8)	230.8
Service charge income	56.3	3.6	59.9	(7.0)	52.9
Facilities management income from joint ventures	1.6	–	1.6	0.8	2.4
Revenue	301.8	20.3	322.1	(36.0)	286.1
Rent payable	(7.2)	–	(7.2)	0.5	(6.7)
Service charge costs	(65.1)	(4.1)	(69.2)	8.0	(61.2)
Facilities management costs recharged to joint ventures	(1.6)	–	(1.6)	(0.8)	(2.4)
Other non-recoverable costs	(18.9)	(2.1)	(21.0)	2.7	(18.3)
Net rental income	209.0	14.1	223.1	(25.6)	197.5
(Loss)/profit for the period	(505.3)	2.3	(503.0)	(0.4)¹	(503.4)

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

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

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

£m	Investment and development property			Capital expenditure		Revaluation deficit
	At 30 June 2019	At 31 December 2018	Six months ended 30 June 2019	Six months ended 30 June 2018	Six months ended 30 June 2019	Six months ended 30 June 2018
UK	7,133.5	8,270.5	61.6	83.7	(841.1)	(648.4)
Spain	831.1	859.6	10.1	18.2	(31.0)	(2.0)
Group including share of joint ventures	7,964.6	9,130.1	71.7	101.9	(872.1)	(650.4)
Less share of joint ventures	(1,066.9)	(1,108.3)	(0.9)	(1.8)	44.2	33.0
Group	6,897.7	8,021.8	70.8	100.1	(827.9)	(617.4)

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

£m	At 30 June 2019	At 31 December 2018
UK	7,236.4	8,381.8
Spain	569.2	599.6
India	66.1	66.0
	7,871.7	9,047.4

Notes (unaudited) continued

6 Administration expenses – exceptional

Exceptional administration expenses in the period of £1.9 million relate principally to costs incurred in respect of the revised strategy work undertaken by the Group. These costs have been classified as exceptional based on their incidence (see definition in the glossary).

7 Net finance costs

£m	Six months ended 30 June 2019	Six months ended 30 June 2018
On bank loans, overdrafts and allocated interest rate swaps	104.3	100.2
Less: finance costs capitalised to developments	(2.7)	(7.2)
On convertible bonds (note 17)	5.4	7.3
On lease liabilities	2.2	2.2
Amortisation of Metrocentre compound financial instrument ¹	2.9	2.9
Finance costs¹	112.1	105.4
Finance income	(9.0)	(7.5)
Payments on unallocated interest rate swaps and other costs	21.0	15.2
Foreign currency movements	(0.1)	(0.3)
Other finance costs – exceptional^{1/2}	20.9	14.9
Loss/(gain) on derivative financial instruments ³	23.2	(42.7)
Loss/(gain) on convertible bonds designated as at fair value through profit or loss (note 17)	5.9	(32.6)
Change in fair value of financial instruments	29.1	(75.3)
Net finance costs	153.1	37.5

1 The underlying component of other finance costs (amortisation of Metrocentre compound financial instrument) has been re-presented within finance costs. As a result, other finance costs now only includes exceptional items. Following the change in presentation, for the six months ended 30 June 2018 finance costs have increased by £2.9 million, while other finance costs – exceptional have decreased by the same amount.

2 Exceptional finance costs are treated as exceptional items, as defined in the glossary, due to their nature and are therefore excluded from the Group's measure of underlying earnings (see note 10). These costs include payments on unallocated interest rate swaps, payments on termination of interest rate swaps, amounts associated with modifications and extinguishments of borrowings, foreign currency movements and other fees.

3 Included within the change in fair value of derivative financial instruments are gains totalling £19.1 million (six months ended 30 June 2018: £23.6 million) resulting from the payment of obligations under derivative financial instruments during the period. Of these £13.5 million relate to unallocated interest rate swaps (six months ended 30 June 2018: £14.1 million).

8 Taxation

Taxation for the period:

£m	Six months ended 30 June 2019	Six months ended 30 June 2018
Current tax:		
Overseas taxation – ongoing	0.1	0.2
UK taxation – ongoing	8.3	–
Current tax – ongoing	8.4	0.2
Current tax – exceptional	7.9	–
Deferred tax:		
On investment and development property	(10.0)	(3.2)
On other temporary differences	0.1	(0.1)
Deferred tax	(9.9)	(3.3)
Total tax expense/(credit)	6.4	(3.1)

Factors that may affect future current and total tax expense

Management uses judgement in assessing compliance with REIT legislation.

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

Notes (unaudited) continued

8 Taxation (continued)

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

The UK ongoing current tax expense in the period of £8.3 million relates to corporation tax on the estimated current period underpayment of the minimum PID. The figure has been calculated using management's estimate of the UK effective tax rate for the full year. This amount has been included within the Group's measure of underlying earnings as it relates to a tax expense on current year UK rental income.

The UK exceptional current tax expense in the period of £7.9 million represents in full the corporation tax in respect of the estimated prior year underpayment of the minimum PID. This one-off tax expense in respect of prior year has arisen from changes in the interpretation of the REIT legislation and has been classified as exceptional. This is excluded from the Group's measure of underlying earnings.

Certain of the Group's Spanish joint ventures have elected into the SOCIMI regime, and these continued to operate as and fulfil the relevant conditions of the SOCIMI regime throughout the period.

Movements in the provision for deferred tax:

£m	Investment and development property	Other temporary differences	Total
Provided deferred tax provision/(asset):			
At 1 January 2019	19.2	(1.2)	18.0
Recognised in the income statement	(10.0)	0.1	(9.9)
Foreign exchange movements	(0.2)	–	(0.2)
At 30 June 2019	9.0	(1.1)	7.9

The net deferred tax provision of £7.9 million predominantly arises in respect of the revaluation of development property at intu Costa del Sol, partially offset by associated tax losses.

At 30 June 2019, the Group had unrecognised deferred tax assets calculated at a tax rate of 17 per cent (31 December 2018: 17 per cent) of £54.6 million (31 December 2018: £51.1 million) for surplus UK revenue tax losses carried forward, £32.5 million (31 December 2018: £31.4 million) for temporary differences on derivative financial instruments, £0.5 million (31 December 2018: £0.5 million) for temporary differences on capital allowances, £1.6 million (31 December 2018: £1.2 million) for other investments and £5.9 million (31 December 2018: £5.8 million) for capital losses.

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

9 Dividends

£m	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
Ordinary shares:			
2017 final dividend paid of 9.4 pence per share	–	126.3	126.3
2018 interim dividend paid of 4.6 pence per share	–	–	61.8
Dividends paid	–	126.3	188.1

The Directors are not recommending payment of an interim dividend for 2019.

As a REIT, dividends are declared and paid in accordance with REIT legislation. See financial review section and note 8 for further information.

Notes (unaudited) continued

10 EPS

(a) Number of shares

Shares (millions)	Six months ended 30 June 2019	Six months ended 30 June 2018
Basic ¹	1,344.3	1,343.6
Diluted ²	1,344.3	1,345.9

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

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

(b) EPS

Basic and diluted EPS is calculated in accordance with IAS 33 Earnings Per Share.

The Group's measure of underlying earnings (used to calculate underlying EPS) and the industry standard comparable measure of EPRA earnings (used to calculate EPRA EPS) are both APMs. The presentation of information section provides details on the key differences between underlying earnings and EPRA earnings as well as the rationale for using the APMs. The EPRA section provides additional details on EPRA and related measures provided.

£m	Six months ended 30 June 2019			Six months ended 30 June 2018 ¹		
	IFRS loss	EPRA earnings	Underlying earnings	IFRS loss	EPRA earnings	Underlying earnings
Loss attributable to owners of intu properties plc	(829.6)	(829.6)	(829.6)	(486.2)	(486.2)	(486.2)
Adjusted for:						
Revaluation of investment and development property (note 12)	n/a	827.9	827.9	n/a	617.4	617.4
(Gain)/loss on disposal of subsidiaries	n/a	(0.1)	(0.1)	n/a	8.3	8.3
Gain on sale of investment and development property	n/a	(0.2)	(0.2)	n/a	–	–
Administration expenses – exceptional ²	n/a	–	1.9	n/a	6.1	6.3
Other finance costs – exceptional ²	n/a	–	20.9	n/a	–	14.9
Change in fair value of financial instruments ³	n/a	29.9	29.1	n/a	(49.3)	(75.3)
Tax on the above ⁴	n/a	(9.9)	(2.0)	n/a	(3.2)	(3.3)
Share of joint ventures' adjusted items	n/a	48.3	48.8	n/a	36.7	30.4
Share of associates' adjusted items	n/a	0.6	0.7	n/a	0.9	0.9
Non-controlling interests in respect of the above	n/a	(31.0)	(31.0)	n/a	(14.9)	(14.9)
(Loss)/profit used in per share calculation (basic)	(829.6)	35.9	66.4	(486.2)	115.8	98.5
Dilutive convertible bonds, share options and share awards	–	–	–	–	–	–
(Loss)/profit used in per share calculation (diluted)	(829.6)	35.9	66.4	(486.2)	115.8	98.5
	IFRS	EPRA EPS	Underlying EPS	IFRS	EPRA EPS	Underlying EPS
Basic (pence per share)	(61.7)p	2.7p	4.9p	(36.2)p	8.6p	7.3p
Diluted (pence per share)	(61.7)p	2.7p	4.9p	(36.1)p	8.6p	7.3p

1 EPRA earnings for the six months ended 30 June 2018 has been adjusted to now include the fair value movements of unallocated interest rate swaps not related to cash payments on the respective swaps.

2 With the exception of termination costs on allocated interest rate swaps and costs related to acquisitions, which are both excluded from EPRA earnings and underlying earnings, exceptional finance costs (as detailed in note 7) and exceptional administration expenses (as detailed in note 6) are included in EPRA earnings but are excluded from the Group's measure of underlying earnings.

3 Fair value movements on interest rate swaps not currently used for economic hedges of debt (referred to as unallocated swaps) are included in EPRA earnings but are excluded from the Group's measure of underlying earnings.

4 The tax expense in respect of the prior year minimum PID shortfall has been classified as exceptional and therefore excluded from the Group's measure of underlying earnings (see further details in note 8) but has been included within EPRA earnings.

Notes (unaudited) continued

10 EPS (continued)

(c) Headline earnings per share

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

£m	Six months ended 30 June 2019		Six months ended 30 June 2018	
	Gross	Net ¹	Gross	Net ¹
Basic loss		(829.6)		(486.2)
Adjusted for:				
Revaluation of investment and development property (note 12)	827.9	787.0	617.4	599.3
(Gain)/loss on disposal of subsidiaries	(0.1)	(0.1)	8.3	8.3
Gain on sale of investment and development property	(0.2)	(0.2)	–	–
Share of joint ventures' adjusted items	44.0	45.3	33.0	35.0
Share of associates' adjusted items	0.6	0.6	0.9	0.9
Headline earnings		3.0		157.3
Dilution ²		–		–
Diluted headline earnings		3.0		157.3
Weighted average number of shares (million)		1,344.3		1,343.6
Dilution ²		–		2.3
Diluted weighted average number of shares (million)		1,344.3		1,345.9
Headline earnings per share (pence)		0.2p		11.7p
Diluted headline earnings per share (pence)		0.2p		11.7p

1 Net of tax and non-controlling interests.

2 The dilution impact is required to be included as calculated in note 10(a/b) even where this is not dilutive for headline earnings per share.

Notes (unaudited) continued

11 NAV per share

(a) Number of shares

Shares (millions)	Six months ended 30 June 2019	Year ended 31 December 2018
Basic ¹	1,344.7	1,343.8
Diluted ^{2/3}	1,346.2	1,345.6

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

2 Diluted shares is used to calculate NAV per share (diluted, adjusted), EPRA NAV per share and EPRA NNNNAV per share.

3 Diluted shares includes the impact of any dilutive convertible bonds, share options and share awards.

(b) NAV per share

The Group's measure of NAV (diluted, adjusted) (used to calculate NAV per share (diluted, adjusted)) and the industry standard comparable measure of EPRA NAV (used to calculate EPRA NAV per share) are both APMs. The presentation of information section provides details on the key differences between NAV (diluted, adjusted) and EPRA NAV as well as the rationale for using the APMs. The EPRA section provides additional details on EPRA and related measures provided.

EPRA NNNNAV (used to calculate EPRA NNNNAV per share), also an industry standard comparable measure, is presented to provide stakeholders with the most relevant information on the current fair value of the Group's net assets.

£m	At 30 June 2019				At 31 December 2018			
	IFRS net assets	NAV (diluted, adjusted)	EPRA NAV	EPRA NNNNAV	IFRS net assets	NAV (diluted, adjusted)	EPRA NAV	EPRA NNNNAV
Net assets attributable to owners of intu properties plc	2,999.2	2,999.2	2,999.2	2,999.2	3,811.7	3,811.7	3,811.7	3,811.7
Adjusted for:								
Fair value of derivative financial instruments (net of tax) ¹	n/a	303.4	119.8	–	n/a	280.5	96.8	–
Fair value of convertible bonds ²	n/a	–	(72.8)	–	n/a	–	(60.1)	–
Excess of fair value of debt over book value	n/a	–	–	(200.0)	n/a	–	–	(206.7)
Deferred tax on investment and development property	n/a	7.9	7.9	–	n/a	18.0	18.0	–
Share of joint ventures' adjusted items	n/a	13.5	13.5	(42.6)	n/a	9.4	9.4	(42.6)
Non-controlling interest included in the above amounts	n/a	–	–	5.2	n/a	–	–	7.0
Non-controlling interest recoverable balance not recognised	n/a	71.3	71.3	71.3	n/a	71.3	71.3	71.3
Net assets used in per share calculation (basic)	2,999.2	3,395.3	3,138.9	2,833.1	3,811.7	4,190.9	3,947.1	3,640.7
Dilutive convertible bonds, share options and share awards	–	–	–	–	–	–	–	–
Net assets used in per share calculation (diluted)	2,999.2	3,395.3	3,138.9	2,833.1	3,811.7	4,190.9	3,947.1	3,640.7

	IFRS NAV per share	NAV per share (diluted, adjusted)	EPRA NAV per share	EPRA NNNNAV per share	IFRS NAV per share	NAV per share (diluted, adjusted)	EPRA NAV per share	EPRA NNNNAV per share
Basic (pence per share)	223p	n/a	n/a	n/a	284p	n/a	n/a	n/a
Diluted (pence per share)	223p	252p	233p	210p	283p	312p	293p	271p

1 Fair value movements on interest rate swaps not currently used for economic hedges of debt (referred to as unallocated swaps) are included in EPRA NAV but excluded from the Group's measure of NAV (diluted, adjusted).

2 Fair value movements on convertible bonds are excluded from EPRA NAV but included in the Group's measure of NAV (diluted, adjusted).

Notes (unaudited) continued

12 Investment and development property

£m	Investment property	Development property	Total
At 1 January 2019	7,686.3	335.5	8,021.8
Additions	57.3	13.5	70.8
Disposals	(7.6)	–	(7.6)
Disposal of development property to joint venture	–	(8.1)	(8.1)
Transfer	66.5	(66.5)	–
Transfer of intu Derby to assets classified as held for sale (note 22)	(349.9)	–	(349.9)
Deficit on revaluation	(794.0)	(33.9)	(827.9)
Foreign exchange movements	–	(1.4)	(1.4)
At 30 June 2019	6,658.6	239.1	6,897.7

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

£m	At 30 June 2019	At 31 December 2018
Balance sheet carrying value of investment and development property	6,897.7	8,021.8
Tenant incentives included within trade and other receivables	119.5	116.5
Head leases included within lease liabilities in borrowings	(80.2)	(80.2)
Market value of investment and development property	6,937.0	8,058.1

The market value of investment and development property at 30 June 2019 includes £6,697.4 million (31 December 2018: £7,718.7 million) in respect of investment property and £239.6 million (31 December 2018: £339.4 million) in respect of development property.

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 19 for definition) as one or more significant inputs to the valuation are partly based on unobservable market data.

The fair value of the Group's investment and development property at 30 June 2019 was determined by independent external valuers at that date other than certain development land not valued externally and held at cost as detailed below. The valuations are in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards 2017 and were arrived at by reference to market transactions for similar properties and rent profiles. Fair values for investment properties are calculated using the present value income approach.

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

Certain development land not valued externally and held at cost amounted to £15.1 million at 30 June 2019 (31 December 2018: £23.2 million). These amounts have been reviewed internally and it has been concluded that the cost is the appropriate carrying value and so no valuation adjustment is needed. As the developments advance these will be valued by independent external valuers.

In respect of the intu Costa del Sol development site near Málaga, Spain, as the General Plan of Torremolinos was approved in December 2017, with the remaining consents expected in the coming months, the Group obtained an independent external valuation at 31 December 2017 as cost was no longer an appropriate approximation of fair value. At 30 June 2019 the remaining consents are yet to be finalised; however, the Group is expecting full planning to become effective in the second half of 2019. Therefore, consistent with the 31 December 2017 valuation and subsequent periods, the 30 June 2019 valuation is based on the assumption that planning approval is in place at the valuation date.

The valuation methodology is unchanged from the prior year and is set out in further detail on pages 125 and 126 of the Group's 2018 annual report and financial statements. The investment and development property section includes details on market value, occupancy as well as the assumptions used in the valuation of the core portfolio and key unobservable inputs of the significant investment and development property.

Notes (unaudited) continued

13 Investment in joint ventures

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

£m	St David's, Cardiff	intu Puerto Venecia	intu Xanadú	intu Chapelfield	intu Asturias	Other	Total
Group's interest	50%	50%	50%	50%	50%		
Principal place of business	Wales	Spain	Spain	England	Spain		
At 1 January 2019	296.4	145.7	125.3	134.7	91.2	30.6	823.9
Group's share of underlying profit	5.8	1.2	2.6	2.4	0.3	0.4	12.7
Group's share of other net (loss)/profit	(27.7)	(4.9)	2.0	(12.7)	(1.9)	(3.6)	(48.8)
Group's share of (loss)/profit	(21.9)	(3.7)	4.6	(10.3)	(1.6)	(3.2)	(36.1)
Investment of capital	–	–	6.4	–	–	–	6.4
Repayments of capital	–	–	(3.3)	–	–	–	(3.3)
Distributions	–	–	–	(1.1)	–	(0.4)	(1.5)
Loan advances	–	–	–	–	–	1.4	1.4
Loan repayments	(9.0)	–	–	–	(3.3)	–	(12.3)
Foreign exchange movements	–	(0.6)	(0.2)	–	(0.4)	–	(1.2)
At 30 June 2019	265.5	141.4	132.8	123.3	85.9	28.4	777.3
Represented by:							
Loans to joint ventures	60.6	98.0	58.2	74.0	22.7	11.0	324.5
Group's share of net assets	204.9	43.4	74.6	49.3	63.2	17.4	452.8

£m	St David's, Cardiff	intu Puerto Venecia	intu Chapelfield	intu Xanadú	intu Asturias	Other	Total
Group's interest	50%	50%	50%	50%	50%		
Principal place of business	Wales	Spain	England	Spain	Spain		
At 1 January 2018	347.0	133.9	–	119.4	95.6	39.6	735.5
Acquisition of joint venture interest	–	–	151.9	–	–	–	151.9
Group's share of underlying profit	13.2	2.0	5.3	5.1	3.2	0.4	29.2
Group's share of other net (loss)/profit	(49.8)	9.8	(20.3)	(0.8)	0.5	(10.7)	(71.3)
Group's share of (loss)/profit	(36.6)	11.8	(15.0)	4.3	3.7	(10.3)	(42.1)
Investment of capital	–	–	–	7.7	–	–	7.7
Repayment of capital	–	–	–	(7.1)	–	–	(7.1)
Distributions	–	–	(2.2)	–	–	(0.7)	(2.9)
Loan advances	–	–	–	–	–	2.0	2.0
Loan repayments	(14.0)	(2.0)	–	–	(9.3)	–	(25.3)
Foreign exchange movements	–	2.0	–	1.0	1.2	–	4.2
At 31 December 2018	296.4	145.7	134.7	125.3	91.2	30.6	823.9
Represented by:							
Loans to joint ventures	69.6	98.3	74.0	58.5	26.0	9.6	336.0
Group's share of net assets	226.8	47.4	60.7	66.8	65.2	21.0	487.9

Notes (unaudited) continued

13 Investment in joint ventures (continued)

£m	St David's, Cardiff	intu Chapelfield	intu Puerto Venecia	intu Xanadú	intu Asturias	Other	Total
Group's interest	50%	50%	50%	50%	50%		
Principal place of business	Wales	England	Spain	Spain	Spain		
At 1 January 2018	347.0	–	133.9	119.4	95.6	39.6	735.5
Acquisition of joint venture interest	–	151.9	–	–	–	–	151.9
Group's share of underlying profit	6.7	2.4	0.7	2.8	1.4	0.2	14.2
Group's share of other net (loss)/profit	(25.2)	(8.1)	9.9	(0.5)	(0.6)	(5.9)	(30.4)
Group's share of (loss)/profit	(18.5)	(5.7)	10.6	2.3	0.8	(5.7)	(16.2)
Investment of capital	–	–	–	2.8	–	–	2.8
Repayments of capital	–	–	–	(5.3)	–	–	(5.3)
Distributions	–	–	–	–	–	(0.4)	(0.4)
Loan advances	–	–	–	–	–	0.6	0.6
Loan repayments	(10.5)	–	–	–	(5.7)	–	(16.2)
Foreign exchange movements	–	–	(0.3)	(0.3)	(0.6)	–	(1.2)
At 30 June 2018	318.0	146.2	144.2	118.9	90.1	34.1	851.5
Represented by:							
Loans to joint ventures	73.1	74.0	98.8	57.5	28.9	8.1	340.4
Group's share of net assets	244.9	72.2	45.4	61.4	61.2	26.0	511.1

At 30 June 2019, the boards of joint ventures had approved £15.9 million of future expenditure for the purchase, construction, development and enhancement of investment property. Of this, £8.8 million is contractually committed. These amounts represent the Group's share.

14 Investment in associates

	£m
At 1 January 2019	65.6
Share of loss of associates	(0.1)
Foreign exchange movements	0.5
At 30 June 2019	66.0

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

In accordance with IAS 28 Investments in Associates and Joint Ventures, the equity method is applied in accounting for the Group's investments in Prozone and Empire. The results for the year to 31 March have been used as 30 June information is not available in time for these financial statements. Those results are adjusted to be in line with the Group's accounting policies and include the most recent property valuations, determined at 31 March 2019, by independent professionally qualified external valuers in line with the valuation methodology described in note 12.

The market price per share of Prozone at 30 June 2019 was INR22 (31 December 2018: INR29), valuing the Group's interest at £12.2 million (31 December 2018: £16.4 million) compared to the carrying value of £45.9 million (31 December 2018: £45.1 million). As the share price of Prozone is lower than its carrying value, a review of the carrying value has been undertaken. The net assets of Prozone principally comprise investment property which is held at fair value within the investment in associates line. 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 financial statements 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.

Notes (unaudited) continued

15 Cash and cash equivalents

£m	At 30 June 2019	At 31 December 2018
Unrestricted cash	189.7	238.4
Restricted cash	211.1	1.1
Cash and cash equivalents	400.8	239.5

Restricted cash at 30 June 2019 includes £210.0 million for the part repayment of the SGS term loan. This repayment was made in full on 1 July 2019. See financial review section for additional details.

16 Borrowings

£m	At 30 June 2019	At 31 December 2018
Current		
Commercial mortgage backed securities (CMBS) notes	27.7	46.7
Bank loan ¹	210.0	–
Current borrowings, excluding lease liabilities	237.7	46.7
Lease liabilities	5.0	4.4
	242.7	51.1
Non-current		
Revolving credit facility 2021 (including £89.6 million drawn in euros (31 December 2018: £89.9 million))	460.6	393.9
CMBS notes 2022	28.3	33.4
CMBS notes 2024	88.5	88.3
CMBS notes 2029	64.6	67.5
CMBS notes 2033	288.5	296.3
CMBS notes 2035	196.2	195.1
Bank loan 2020	25.1	25.0
Bank loans 2021	473.5	668.7
Bank loans 2022	249.4	247.5
Bank loan 2023	73.2	73.1
Bank loan 2024	474.2	473.8
3.875% bonds 2023	445.2	444.6
4.125% bonds 2023	480.0	479.5
4.625% bonds 2028	343.2	342.9
4.250% bonds 2030	345.5	345.3
Debenture 2027	229.2	229.1
2.875% convertible bonds 2022 (note 17)	302.2	314.9
Non-current borrowings, excluding lease liabilities and Metrocentre compound financial instrument	4,567.4	4,718.9
Metrocentre compound financial instrument	192.4	189.5
Lease liabilities	78.3	75.8
	4,838.1	4,984.2
Total borrowings	5,080.8	5,035.3
Cash and cash equivalents (note 15)	(400.8)	(239.5)
Net debt	4,680.0	4,795.8

1 The current bank loan of £210.0 million relates to the part repayment of the SGS term loan. The repayment was made in full on 1 July 2019.

The fair value of total borrowings at 30 June 2019 was £5,280.8 million (31 December 2018: £5,242.0 million).

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

Notes (unaudited) continued

17 Convertible bonds

2.875 per cent convertible bonds ('the 2.875 per cent bonds')

In 2016 the Group issued £375.0 million 2.875 per cent Guaranteed Convertible Bonds due 2022 at par, all of which remain outstanding at 30 June 2019. Under the terms of the 2.875 per cent bonds, the exchange price is adjusted upon certain events including the payment of dividends by the Company over a certain threshold. At 30 June 2019 the exchange price was £3.7506 (31 December 2018: £3.7506) per ordinary share.

These bonds are designated at fair value through profit or loss and so are presented on the balance sheet at fair value. Gains and losses in respect of own credit risk are recognised in other comprehensive income and all other gains and losses are recognised in the income statement through the change in fair value of financial instruments line.

At 30 June 2019, the fair value of the 2.875 per cent bonds was £302.2 million (31 December 2018: £314.9 million). During the six months ended 30 June 2019, interest of £5.4 million has been recognised on these bonds within finance costs (six months ended 30 June 2018: £5.4 million).

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

In 2012 the Group issued £300.0 million 2.5 per cent Guaranteed Convertible Bonds due 2018 at par, £160.4 million of which were outstanding at 1 January 2018. The outstanding 2.5 per cent bonds were settled in cash on 4 October 2018, the Final Maturity Date. During the six months ended 30 June 2018, interest of £1.9 million had been recognised on these bonds within finance costs.

18 Share capital and share premium

£m	Share capital	Share premium
Issued and fully paid:		
At 1 January 2019 and 30 June 2019: 1,355,040,243 ordinary shares of 50 pence each	677.5	1,327.4

Notes (unaudited) continued

19 Financial risk management

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

£m		At 30 June 2019	At 31 December 2018
Assets			
Level 1	Other investments – fair value through other comprehensive income	7.3	8.9
Level 2	Derivative financial instruments – fair value through profit or loss	0.1	4.7
Level 3	Other investments – fair value through other comprehensive income	1.7	1.6
Total assets		9.1	15.2
Liabilities			
Level 1	Convertible bonds – designated at fair value through profit or loss	(302.2)	(314.9)
Level 2	Derivative financial instruments – fair value through profit or loss	(303.5)	(285.2)
Total liabilities		(605.7)	(600.1)

Fair value hierarchy

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

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

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

Transfers into and transfers out of the fair value hierarchy levels are recognised on the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 during the period.

Derivative financial instruments 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.

Other investments at fair value through other comprehensive income, 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.

Notes (unaudited) continued

20 Cash generated from operations

£m	Notes	Six months ended 30 June 2019	Six months ended 30 June 2018
Loss before tax, joint ventures and associates		(820.2)	(490.0)
Adjusted for:			
Revaluation of investment and development property	12	827.9	617.4
(Gain)/loss on disposal of subsidiaries		(0.1)	8.3
Gain on sale of investment and development property		(0.2)	–
Depreciation		3.2	1.7
Share-based payments		1.3	1.9
Lease incentives and letting costs		(5.8)	(7.0)
Net finance costs	7	153.1	37.5
Changes in working capital:			
Change in trade and other receivables		(7.9)	8.4
Change in trade and other payables		(6.1)	(21.6)
Cash generated from operations		145.2	156.6

21 Capital commitments

At 30 June 2019 the Board had approved £192.9 million of future expenditure for the purchase, construction, development and enhancement of investment property. Of this, £151.9 million is contractually committed. The majority of this is expected to be spent during the remainder of 2019 and 2020.

22 Assets classified as held for sale

In April the Group announced the formation of a joint venture with Cale Street Investments LP for them to take part ownership of intu Derby for initial consideration of £108.7 million. This transaction completed on 8 July 2019 following the arrangement of senior debt financing and satisfying certain other completion conditions. In accordance with IFRS, at 30 June 2019 the Group has classified 100 per cent of intu Derby (which is part of the UK operating segment) and all its related assets and liabilities as held for sale.

The accounting for the part disposal of intu Derby at period end is a significant judgement as referenced in note 1. The Group has assessed the key terms set out in the shareholders agreement, including joint venture board discretion over any payment of distributions. As a result, the part disposal will be accounted for as an equity arrangement as opposed to a financing arrangement following completion.

Following this, management has then applied significant judgement to determine that the part disposal of intu Derby should be classified as an asset held for sale. The Group concludes the classification as held for sale is appropriate given contracts had been exchanged prior to 30 June 2019 with completion occurring on 8 July 2019.

The assets and liabilities below are presented at their carrying amount.

	£m
Assets of disposal groups classified as held for sale	
Investment and development property	349.9
Cash and cash equivalents	9.3
Trade and other receivables	8.5
Total	367.7
Liabilities of disposal groups classified as held for sale	
Trade and other payables	(11.1)
Borrowings	(148.1)
Total	(159.2)

Presentation of information

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

The most significant APMs used to measure the Group's performance including the rationale for their use are summarised below. EPRA performance measures, which are industry standard APMs, are detailed in the EPRA section.

APM	Rationale
Proportionately consolidated amounts	The Group accounts for its interests in joint ventures using the equity method as required by IFRS 11 Joint Arrangements. This means that the income statement and the balance sheet as prepared in accordance with IFRS include single lines for the Group's total share of post-tax profit/loss and the net investment in joint ventures respectively. Management reviews and monitors performance as well as determines the strategy of the business primarily on a proportionately consolidated basis. This includes the Group's share of joint ventures on an individual line-by-line basis rather than a post-tax profit/loss or net investment basis. The figures and commentary presented in the interim management report are consistent with this management approach as management believe this provides a more relevant and reliable analysis of the Group's performance to users. The financial information including share of joint ventures section provides reconciliations of the income statement and balance sheet between the two bases.
Like-for-like amounts	Like-for-like amounts are presented as they measure operating performance as distinct from the impact of acquisitions or disposals. In respect of property, the like-for-like measure relates to property which has been owned throughout both periods without significant capital expenditure in either period, so that income can be compared on a like-for-like basis. For the purposes of comparison of capital values, this will also include assets owned at the previous reporting period end but not throughout the prior period. Further analysis is presented in the investment and development property section and in the financial review section.
NAV (diluted, adjusted)	NAV (diluted, adjusted) (used to calculate NAV per share (diluted, adjusted)) as presented is based on EPRA NAV (used to calculate EPRA NAV per share), an industry standard APM considered a key measure of the Group's performance, but adjusted for certain items (listed below) which management believes are necessary in order to better present the Group's performance. The key differences to EPRA NAV relate to the following adjustments: — fair value movements on interest rate swaps not currently used for economic hedges of debt (referred to as unallocated swaps) are included in EPRA NAV but excluded from the Group's measure of NAV (diluted, adjusted). The Group does not hold unallocated swaps for speculative purposes. Management currently intends to hold these unallocated swaps until maturity, therefore the volatility created by their fair value movements will not crystallise — fair value movements on convertible bonds which are excluded from EPRA NAV but included in the Group's measure of NAV (diluted, adjusted). Management reviews and monitors the Group's debt to assets ratio based on the book value of debt and therefore management believes it is appropriate to include the book value of debt within the Group's measure of NAV (diluted, adjusted) A reconciliation from the IFRS NAV attributable to owners of intu properties plc to NAV (diluted, adjusted) as well as EPRA NAV is provided in note 11. The EPRA section provides additional details on EPRA and related measures provided.
Underlying earnings	Underlying earnings (used to calculate underlying EPS) as presented is based on EPRA earnings (used to calculate EPRA EPS), an industry standard APM considered a key measure of recurring performance, but adjusted for certain items (listed below) which management believes are necessary in order to better present the Group's recurring performance and therefore provide an indication of the extent to which dividend payments are supported by underlying operations (see underlying profit statement section). Underlying earnings excludes property and derivative movements, exceptional items and related tax. The key differences to EPRA earnings relate to the following adjustments: — with the exception of termination costs on allocated interest rate swaps and costs related to acquisitions, which are both excluded from EPRA earnings and underlying earnings, exceptional finance costs (as detailed in note 7), exceptional administration expenses (as detailed in note 6) and exceptional current tax expenses (as detailed in note 8) are included in EPRA earnings but are excluded from the Group's measure of underlying earnings. In accordance with the Group's definition for exceptional items (as detailed in the glossary), the Group considers these costs to be exceptional based on their nature and incidence, which create volatility in earnings — fair value movements on interest rate swaps not currently used for economic hedges of debt (referred to as unallocated swaps) are included in EPRA earnings but are excluded from the Group's measure of underlying earnings. The Group does not hold unallocated swaps for speculative purposes. Management currently intends to hold these unallocated swaps until maturity, therefore the volatility created by their fair value movements will not crystallise A reconciliation from the IFRS profit/loss for the period attributable to owners of intu properties plc to underlying earnings as well as EPRA earnings is provided in note 10. The EPRA section provides additional details on EPRA and related measures provided.

Investment and development property (unaudited)

Property data

	Market value £m	Revaluation deficit/surplus	Net initial yield (EPRA)	'Topped-up' NIY (EPRA)	Nominal equivalent yield	Occupancy (EPRA)
At 30 June 2019						
Subsidiaries/joint operations						
intu Trafford Centre	1,897.5	-11%	4.5%	4.6%	5.0%	94%
intu Lakeside	1,130.0	-11%	4.4%	4.8%	5.2%	93%
intu Metrocentre	766.4	-9%	5.1%	5.6%	5.9%	94%
intu Merry Hill	707.9	-9%	4.9%	5.2%	6.0%	93%
intu Braehead	379.4	-11%	6.6%	6.8%	6.9%	98%
intu Watford	374.6	-9%	3.4%	3.9%	5.5%	96%
Manchester Arndale	364.8	-11%	4.9%	5.2%	5.9%	97%
intu Eldon Square	248.2	-12%	5.6%	5.7%	5.6%	97%
intu Milton Keynes	236.0	-8%	5.3%	5.4%	5.4%	98%
intu Victoria Centre	232.6	-12%	5.8%	6.2%	7.1%	98%
Cribbs Causeway	192.0	-12%	5.8%	5.9%	5.9%	99%
Other ^B	407.6					
Investment and development property excluding Group's share of joint ventures	6,937.0					
Joint ventures						
St David's, Cardiff	265.9	-9%	5.2%	5.6%	5.4%	95%
intu Xanadú	250.7	+3% ^A	4.7%	4.9%	5.5%	99%
intu Puerto Venecia	237.8	-1% ^A	4.8%	4.9%	5.7%	97%
intu Asturias	142.5	-1% ^A	4.8%	4.8%	5.4%	99%
intu Chapelfield	121.0	-9%	5.8%	5.9%	6.1%	98%
Other ^C	49.1					
Investment and development property including Group's share of joint ventures	8,004.0					
Assets classified as held for sale						
intu Derby	353.5	-5%	6.4%	6.5%	7.0%	93%
Investment and development property including Group's share of joint ventures and assets classified as held for sale	8,357.5		4.99%^D	5.21%^D	5.69%^D	95%
At 31 December 2018 including Group's share of joint ventures and assets classified as held for sale	9,167.4		4.75% ^D	4.98% ^D	5.44% ^D	97%

Notes

A Calculated in local currency.

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

C Includes the Group's interest in intu Uxbridge.

D Weighted average yields exclude developments.

£m	At 30 June 2019	At 31 December 2018
Passing rent	415.0	428.9
Annual property income	459.5	474.1
ERV	542.9	566.3
Weighted average unexpired lease term	6.5 years	7.2 years

Please refer to the glossary for definitions of terms.

Investment and development property (unaudited) continued

Analysis of capital return in the period – including Group's share of joint ventures

	Market value		Revaluation deficit	
	At 30 June 2019 £m	At 31 December 2018 £m	At 30 June 2019 £m	At 30 June 2019 %
Like-for-like property	7,547.3	8,286.6	(795.2)	(9.6)
intu Derby: classified as held for sale at 30 June 2019	–	372.5	(20.2)	(5.5)
Disposals	–	7.6	–	–
Spain developments	201.6	224.2	(30.7)	(13.2)
UK other including developments ¹	255.1	276.5	(26.0)	(9.2)
Total investment and development property	8,004.0	9,167.4	(872.1)	(9.5)

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

Analysis of net rental income in the period – including Group's share of joint ventures

	Six months ended 30 June		£m	Movement %
	2019 £m	2018 £m		
Like-for-like property	201.8	218.6	(16.8)	(7.7)
Part disposal: intu Chapelfield (50%)	–	0.6	(0.6)	–
Developments and other non like-for-like	3.4	3.9	(0.5)	(12.8)
Net rental income	205.2	223.1	(17.9)	(8.0)

Net rental income margin

£m	Six months ended 30 June 2019	Six months ended 30 June 2018
Gross rental income	247.5	260.6
Head rent payable	(8.8)	(7.2)
	238.7	253.4
Net service charge expense and void costs	(14.0)	(14.3)
Bad debt and lease incentive write offs	(2.1)	(0.9)
Property operating expense	(17.4)	(15.1)
Net rental income	205.2	223.1
Net rental income margin	86.0%	88.0%

Investment and development property (unaudited) continued

Additional property information

	Size (sq ft 000)	Ownership	Number of stores	Annual property income	Headline rent ITZA	ABC1 visitors	Key tenants
intu Trafford Centre	2,020	100%	228	£89.9m	£440	66%	Selfridges, John Lewis, Next, Debenhams, Topshop, Apple, Ted Baker, Victoria's Secret, Odeon, Legoland Discovery Centre, H&M, Marks & Spencer, Zara, Sea Life, Abercrombie & Fitch, Tessuti
intu Lakeside	1,612	100%	255	£55.5m	£325	69%	House of Fraser, Debenhams, Marks & Spencer, Topshop, Zara, Primark, Vue, Victoria's Secret, River Island, H&M, Next, Apple, Nickelodeon, Puttshack
intu Metrocentre	2,096	90%	307	£45.0m	£280	54%	House of Fraser, Marks & Spencer, Debenhams, Next, Apple, H&M, Odeon, Topshop, Zara, Primark, River Island
intu Merry Hill	1,671	100%	217	£41.2m	£200	48%	Marks & Spencer, Debenhams, Primark, Next, Topshop, Asda, Boots, H&M, Odeon
intu Braehead	1,123	100%	124	£27.8m	£190	66%	Marks & Spencer, Primark, Apple, Next, H&M, Topshop, Hollister, Superdry, Sainsbury's
intu Watford	1,089	93%	166	£18.0m	£200	84%	John Lewis, Marks & Spencer, Next, Debenhams, Apple, Zara, Primark, Lego, H&M, Topshop, Hugo Boss, Cineworld
Manchester Arndale	1,811	48%	258	£20.9m	£285	57%	Harvey Nichols, Apple, Burberry, Topshop, Next, Ugg, Hugo Boss, Superdry, Zara, Victoria's Secret, Paul Smith, Monki, Uniqlo
intu Eldon Square	1,385	60%	142	£15.3m	£285	55%	John Lewis, Fenwick, Debenhams, Waitrose, Apple, Hollister, Topshop, Boots, River Island, Next
intu Victoria Centre	976	100%	118	£18.3m	£225	60%	John Lewis, House of Fraser, Next, Topshop, River Island, Boots, Urban Outfitters, Superdry, Timberland
Cribbs Causeway	1,076	33%	154	£12.4m	£305	46%	John Lewis, Marks & Spencer, Apple, Next, Topshop, Hugo Boss, H&M, Tesla, The White Company
St David's, Cardiff	1,391	50%	203	£16.1m	£212	71%	John Lewis, Debenhams, Marks & Spencer, Apple, Hugo Boss, H&M, River Island, Hamleys, Primark, Victoria's Secret
intu Derby	1,302	100%	208	£26.4m	£103	45%	Marks & Spencer, Next, Debenhams, Sainsbury's, Boots, Topshop, Cinema de Lux, Zara, H&M, Hollywood Bowl
	Size (sq m 000)	Ownership	Number of stores	Annual property income			Key tenants
intu Xanadú	120*	50%	204	€13.4m			El Corte Inglés, Zara, Primark, Apple, H&M, Mango, SnowZone, Cinesa, Bricor, Decathlon
intu Puerto Venecia	119*	50%	201	€12.4m			El Corte Inglés, Primark, Ikea, Apple, Decathlon, Cinesa, H&M, Mediamarkt, Zara, Hollister, Toys R Us
intu Asturias	74*	50%	145	€8.3m			Primark, Zara, H&M, Cinesa, Eroski, Mango, Fnac, Mediamarkt, Sfera

* Excludes owner occupied space.

Financial covenants (unaudited)

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

	Loan £m	Maturity	LTV covenant	LTV actual	Interest cover covenant	Interest cover actual
Term loan ¹	351.8	2021				
3.875% bonds	450.0	2023				
4.625% bonds	350.0	2028				
4.250% bonds	350.0	2030				
	1,501.8		80%	60%	125%	210%

1 £210.0 million of the SGS term loan was repaid on 1 July 2019. See financial review section for further details.

Covenants are tested on the Security Group, the principal assets of which are intu Lakeside, intu Braehead, intu Watford and intu Victoria Centre. During the period, intu Derby was withdrawn and the extension of intu Watford was added to the Secured Group Structure.

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

The Trafford Centre Finance Limited

There are no financial covenants on the intu Trafford Centre debt of £711.4 million at 30 June 2019. However, a debt service cover ratio is assessed quarterly and where this falls below specified levels restrictions come into force. The loan to 30 June 2019 market value ratio is 39 per cent. No restrictions are in place at present.

Intu Metrocentre Finance plc

	Loan £m	Maturity	LTV covenant	LTV actual	Interest cover covenant	Interest cover actual
4.125% bonds	485.0	2023	100%	64%	125%	208%

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

Intu Debenture plc

	Loan £m	Maturity	Capital cover covenant	Capital cover actual	Interest cover covenant	Interest cover actual
	231.4	2027	150%	168%	100%	103%

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

Should the capital cover or interest cover test be breached, Intu Debenture plc (the 'Issuer') has three months from the date of delivery of the valuation or the latest certificate to the Trustees to make good any deficiencies. The Issuer may withdraw property secured on the debenture by paying a sum of money or through the substitution of alternative property provided that the capital cover and interest cover tests are satisfied immediately following the substitution.

Financial covenants on corporate facilities

	Net worth covenant	Net worth actual	Interest cover covenant	Interest cover actual	Borrowings/net worth covenant	Borrowings/net worth actual
£600m facility, maturing in 2021 ¹	£1,200m	£1,666m	120%	180%	125%	121%
£375m 2.875% convertible bonds, due in 2022 (note 17) ²	n/a	n/a	n/a	n/a	175%	15%

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

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

Financial covenants (unaudited) continued

Other asset-specific debt

Term facilities	Loan outstanding at 30 June 2019 ¹ £m	Maturity	LTV covenant	Loan to 30 June 2019 market value ²	Interest cover covenant	Interest cover actual ³
Sprucefield	25.2	2020	65%	63%	150%	321%
intu Uxbridge ⁴	26.0	2020	70%	69%	125%	237%
St David's, Cardiff	161.2	2021	65%	61%	150%	221%
intu Milton Keynes	140.5	2021	65%	60%	150%	267%
intu Trafford Centre, Barton Square	25.0	2021	65%	30%	150%	458%
intu Trafford Centre	250.0	2022	65%	53%	103% ⁵	113%
intu Chapelfield	74.0	2023	65%	61%	150%	236%
intu Merry Hill	478.1	2024	75%	68%	150%	259%
intu Asturias ^{4 (E)}	60.5	2021	65%	38%	150%	646%
intu Xanadú ^{4 (E)}	131.5	2022	65%	48%	150%	446%
intu Puerto Venecia ^{4 (E)}	112.5	2025	65%	42%	150%	456%
Development facilities	Loan outstanding at 30 June 2019 ¹ £m	Maturity	Loan to development cost covenant	Loan to 30 June 2019 development cost	Loan to gross development value covenant	Loan to gross development value actual
intu Trafford Centre, Barton Square	11.8	2021	34%	16%	65%	36%
intu Broadmarsh	2.7	2022	60%	3%	55%	50%

1 The loan values are the actual principal balances outstanding at 30 June 2019, which take into account any principal repayments made up to 30 June 2019. The balance sheet value of the loans includes unamortised fees.

2 The loan to 30 June 2019 market value provides an indication of the impact the 30 June 2019 property valuations could have on the LTV covenants. The actual timing and manner of testing LTV covenants varies and is loan specific.

3 Based on latest certified figures, calculated in accordance with loan agreements, which have been submitted between 30 June 2019 and 31 July 2019. The calculations are loan specific and include a variety of historical, forecast and in certain instances a combined historical and forecast basis.

4 Debt shown is consistent with the Group's economic interest.

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

Interest rate swaps

The table below sets out the nominal amount and average rate of hedging, excluding lenders' margins, in place under current and forward-starting swap contracts.

	Nominal amount £m	Average rate %
In effect on or after:		
1 year	1,986.8	2.75
2 years	1,815.1	2.90
5 years	1,258.1	3.17
10 years	670.1	5.00
15 years	457.8	4.74

Financial information including share of joint ventures (unaudited)

for the six months ended 30 June 2019

The information in this section is presented to show the Group including share of joint ventures.

Consolidated income statement

£m	Six months ended 30 June 2019				
	Group income statement	Share of joint ventures	Group including share of joint ventures	Underlying earnings	Non-underlying (loss)/earnings
Revenue	279.9	35.1	315.0	315.0	–
Net rental income	180.3	24.9	205.2	205.2	–
Net other income	2.4	(1.0)	1.4	1.4	–
Revaluation of investment and development property	(827.9)	(44.2)	(872.1)	–	(872.1)
Gain on disposal of subsidiaries	0.1	–	0.1	–	0.1
Gain on sale of investment and development property	0.2	–	0.2	–	0.2
Administration expenses – ongoing	(20.3)	(0.5)	(20.8)	(20.8)	–
Administration expenses – exceptional	(1.9)	–	(1.9)	–	(1.9)
Operating (loss)/profit	(667.1)	(20.8)	(687.9)	185.8	(873.7)
Finance costs	(112.1)	(2.9)	(115.0)	(115.0)	–
Finance income	9.0	(7.5)	1.5	1.5	–
Other finance costs – exceptional	(20.9)	(0.4)	(21.3)	–	(21.3)
Change in fair value of financial instruments	(29.1)	(3.1)	(32.2)	–	(32.2)
Net finance costs	(153.1)	(13.9)	(167.0)	(113.5)	(53.5)
(Loss)/profit before tax, joint ventures and associates	(820.2)	(34.7)	(854.9)	72.3	(927.2)
Share of post-tax loss of joint ventures	(36.1)	36.1	–	–	–
Share of post-tax (loss)/profit of associates	(0.1)	–	(0.1)	0.6	(0.7)
(Loss)/profit before tax	(856.4)	1.4	(855.0)	72.9	(927.9)
Current tax – ongoing	(8.4)	(0.3)	(8.7)	(8.7)	–
Current tax – exceptional	(7.9)	–	(7.9)	–	(7.9)
Deferred tax	9.9	(1.3)	8.6	–	8.6
Taxation	(6.4)	(1.6)	(8.0)	(8.7)	0.7
(Loss)/profit for the period	(862.8)	(0.2)	(863.0)	64.2	(927.2)
Non-controlling interests	33.2	0.2 ¹	33.4	2.2	31.2
(Loss)/profit for the period attributable to owners of intu properties plc	(829.6)	–	(829.6)	66.4	(896.0)

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

A reconciliation from the Group's loss attributable to owners of intu properties plc to underlying earnings is also provided in note 10(b).

Financial information including share of joint ventures (unaudited) continued

Consolidated balance sheet

£m	At 30 June 2019		
	Group balance sheet	Share of joint ventures	Group including share of joint ventures
Assets			
Investment and development property	6,897.7	1,066.9	7,964.6
Investment in joint ventures	777.3	(777.3)	–
Derivative financial instruments	0.1	–	0.1
Assets classified as held for sale	367.7	–	367.7
Cash and cash equivalents	400.8	29.9	430.7
Other assets	354.3	60.1	414.4
Total assets	8,797.9	379.6	9,177.5
Liabilities			
Borrowings	(5,080.8)	(295.8)	(5,376.6)
Derivative financial instruments	(303.5)	(6.7)	(310.2)
Liabilities associated with assets classified as held for sale	(159.2)	–	(159.2)
Other liabilities	(275.7)	(73.6)	(349.3)
Total liabilities	(5,819.2)	(376.1)	(6,195.3)
Net assets	2,978.7	3.5	2,982.2
Non-controlling interests	20.5	(3.5)	17.0
Net assets attributable to owners of intu properties plc	2,999.2	–	2,999.2

Financial information including share of joint ventures (unaudited) continued

Investment and development property

£m	At 30 June 2019	At 31 December 2018
Balance sheet carrying value of investment and development property	7,964.6	9,130.1
Tenant incentives included within trade and other receivables	127.7	125.6
Head leases included within lease liabilities in borrowings	(88.3)	(88.3)
Market value of investment and development property	8,004.0	9,167.4

Net external debt

The table below provides a reconciliation between the components of net debt included on the Group's balance sheet and net external debt including the Group's share of joint ventures' debt and cash.

£m	At 30 June 2019	At 31 December 2018
Total borrowings	5,080.8	5,035.3
Cash and cash equivalents	(400.8)	(239.5)
Net debt	4,680.0	4,795.8
Less Metrocentre compound financial instrument	(192.4)	(189.5)
Add borrowings within assets classified as held for sale	148.1	–
Less cash and cash equivalents within assets classified as held for sale	(9.3)	–
Net external debt – before Group's share of joint ventures	4,626.4	4,606.3
Add share of borrowings of joint ventures	295.8	295.7
Less share of cash of joint ventures	(29.9)	(34.8)
Net external debt – including Group's share of joint ventures	4,892.3	4,867.2
Analysed as:		
Debt including Group's share of joint ventures	5,332.3	5,141.5
Cash including Group's share of joint ventures	(440.0)	(274.3)
Net external debt – including Group's share of joint ventures¹	4,892.3	4,867.2

1 The 30 June 2019 pro forma net external debt including Group's share of joint ventures of £4,714.2 million adjusts for the completion of the part disposal of intu Derby which completed on 8 July 2019, including the initial consideration of £108.7 million as well as 50 per cent of the borrowings and cash within the joint venture sold.

Debt to assets ratio

£m	At 30 June 2019	At 31 December 2018
Market value of investment and development property	8,004.0	9,167.4
Add market value of investment and development property classified as assets held for sale	353.5	–
	8,357.5	9,167.4
Net external debt	(4,892.3)	(4,867.2)
Debt to assets ratio¹	58.5%	53.1%

1 The 30 June 2019 pro forma debt to assets ratio of 57.6 per cent adjusts for the pro forma net external debt figure as provided above and for 50 per cent of the investment property within the joint venture sold.

Interest cover

£m	Six months ended 30 June 2019	Six months ended 30 June 2018
Finance costs	(115.0)	(108.6)
Less amortisation of Metrocentre compound financial instrument	2.9	2.9
Finance income	1.5	1.3
	(110.6)	(104.4)
Underlying operating profit	185.8	203.4
Interest cover	1.68x	1.95x

Underlying profit statement (unaudited)

for the six months ended 30 June 2019

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

£m	Six months ended 30 June 2019	Six months ended 30 June 2018	Six months ended 31 December 2018	Year ended 31 December 2018
Net rental income	205.2	223.1	227.4	450.5
Net other income	1.4	2.0	0.9	2.9
Administration expenses	(20.8)	(21.7)	(22.3)	(44.0)
Underlying operating profit	185.8	203.4	206.0	409.4
Finance costs ¹	(115.0)	(108.6)	(114.4)	(223.0)
Finance income	1.5	1.3	1.3	2.6
Underlying net finance costs	(113.5)	(107.3)	(113.1)	(220.4)
Underlying profit before tax and associates	72.3	96.1	92.9	189.0
Tax on underlying profit	(8.7)	(0.4)	(0.3)	(0.7)
Share of underlying profit of associates	0.6	0.6	0.6	1.2
Remove underlying amounts attributable to non-controlling interests	2.2	2.2	1.4	3.6
Underlying earnings	66.4	98.5	94.6	193.1
Underlying EPS (pence)	4.9p	7.3p	7.0p	14.4p
Weighted average number of shares (million)	1,344.3	1,343.6	1,343.8	1,343.7

¹ The underlying component of other finance costs has been re-presented to finance costs. Following the change in presentation, for the six months ended 30 June 2018, the six months ended 31 December 2018 and for the year ended 31 December 2018 finance costs have increased by £2.9 million, £3.0 million and £5.9 million respectively, while other finance costs have decreased by the same amounts. See note 7 for further details.

For the reconciliation from basic loss per share to underlying EPS see note 10(b).

EPRA performance measures (unaudited)

1 Summary

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

In 2018, the Group retained its EPRA Gold Award for exceptional compliance with the EPRA Best Practices Recommendations.

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

	Table/note	30 June 2019	Comparative	Comparative period
EPRA cost ratio (including direct vacancy costs)	table 2	21.8%	19.6%	30 June 2018
EPRA cost ratio (excluding direct vacancy costs)	table 2	16.0%	15.0%	30 June 2018
EPRA earnings	note 10(b)	£35.9m	£115.8m	30 June 2018
— per share	note 10(b)	2.7p	8.6p	30 June 2018
EPRA NAV	note 11(b)	£3,138.9m	£3,947.1m	31 December 2018
— per share	note 11(b)	233p	293p	31 December 2018
EPRA NNNAV	note 11(b)	£2,833.1m	£3,640.7m	31 December 2018
— per share	note 11(b)	210p	271p	31 December 2018
EPRA NIY	table 3	5.0%	4.8%	31 December 2018
EPRA 'topped-up' NIY	table 3	5.2%	5.0%	31 December 2018
EPRA vacancy rate	table 4	4.9%	3.3%	31 December 2018

Details of the Group's performance against the EPRA Best Practices Recommendations on Sustainability Reporting can be found in full in the 2018 corporate responsibility report. In 2018, the Group retained its Gold EPRA Sustainability Best Practice Recommendations award.

2 EPRA cost ratios

£m	Six months ended 30 June 2019	Six months ended 30 June 2018
Administration expenses – ongoing	20.8	21.7
Net service charge costs	10.4	9.3
Other non-recoverable costs	23.1	21.0
Remove:		
Service charge costs recovered through rents	(2.9)	(2.9)
EPRA costs – including direct vacancy costs	51.4	49.1
Direct vacancy costs	(13.6)	(11.5)
EPRA costs – excluding direct vacancy costs	37.8	37.6
Rent receivable	247.5	260.6
Rent payable	(8.8)	(7.2)
Gross rental income less ground rent payable	238.7	253.4
Remove:		
Service charge costs recovered through rents	(2.9)	(2.9)
Gross rental income	235.8	250.5
EPRA cost ratio (including direct vacancy costs)	21.8%	19.6%
EPRA cost ratio (excluding direct vacancy costs)	16.0%	15.0%

EPRA performance measures (unaudited) continued

3 EPRA net initial yield and 'topped-up' NIY¹

£m	At 30 June 2019	At 31 December 2018
Investment and development property	8,358	9,167
Less developments	(243)	(342)
Completed property portfolio	8,115	8,825
Allowance for estimated purchasers' costs	546	609
Gross up completed property portfolio valuation	8,661	9,434
Annualised cash passing rental income	460	474
Property outgoings	(31)	(25)
Annualised net rents	429	449
Notional rent on expiration of rent-free periods or other lease incentives	23	25
Topped-up net annualised rent	452	474
EPRA NIY	5.0%	4.8%
EPRA 'topped-up' NIY	5.2%	5.0%

1 Includes intu Derby, classified as an asset held for sale at 30 June 2019.

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

4 EPRA vacancy rate¹

%	At 30 June 2019	At 31 December 2018
intu Trafford Centre	5.9	2.1
intu Lakeside	7.1	2.9
intu Metrocentre	6.1	5.1
intu Merry Hill	7.0	6.6
intu Braehead	2.1	1.3
intu Watford	3.8	3.9
Manchester Arndale	2.8	1.7
intu Derby	7.1	4.8
intu Eldon Square	2.7	1.4
intu Milton Keynes	1.7	1.7
intu Victoria Centre	1.6	1.8
Cribbs Causeway	1.4	2.6
St David's, Cardiff	5.4	7.8
intu Xanadú	1.2	2.3
intu Puerto Venecia	2.6	0.5
intu Asturias	1.2	1.1
intu Chapelfield	1.7	0.7
	4.9	3.3

1 Includes intu Derby, classified as an asset held for sale at 30 June 2019.

EPRA vacancy rate is the ERV of vacant space divided by total ERV.

Glossary

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

APMs (alternative performance measures) Financial measures of historical or future financial performance, position or cash flows of the Group which are not measures defined or specified in IFRS.

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

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

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

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

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

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

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

EPRA earnings IFRS profit/loss adjusted to exclude valuation movements, exceptional items and related tax, as calculated in accordance with EPRA Best Practice Recommendations. Per share measure calculated on a basic and diluted basis.

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

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

EPRA NNNAV EPRA NAV adjusted to reflect the fair value of borrowings, derivative financial instruments and deferred tax on revaluation of investment and development property.

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

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

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

Exceptional items Items that in the Directors' view are required to be separately disclosed by virtue of their size, nature or incidence. Underlying earnings is considered to be a key measure in understanding the Group's financial performance and excludes exceptional items.

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

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

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

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

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

Glossary continued

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

MSCI Producer of an independent benchmark of property returns.

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

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

Net external debt Net debt after removing the Metrocentre compound financial instrument and including net debt within liabilities associated with assets classified as held for sale.

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

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

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

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

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

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

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

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

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

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

SOCIMI The Spanish equivalent of a Real Estate Investment Trust.

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

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

Total financial return The change in NAV per share (diluted, adjusted) plus dividends per share paid in the year expressed as a percentage of opening NAV per share (diluted, adjusted).

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

Underlying earnings IFRS profit/loss adjusted to exclude valuation movements, exceptional items and related tax. Per share measure calculated on basic and diluted basis.

About intu

intu creates thriving, vibrant destinations where brands flourish.

Our portfolio of 20 centres in the UK and Spain consistently beats the industry standard for visitor numbers. In fact we're the only group in Europe to attract more than ten million visitors a year to each and every centre.

With ten of the most popular out-of-town and city centre flagship destinations in the UK, our centres welcome half the population every year and provide employment for more than three per cent of the country's retail workforce.

We have worked hard to create winning destinations that are the beating heart of regions, with an irresistible blend of shopping, dining, events and leisure. intu centres are rated number one for being modern, stylish and fun; there is always something new to discover and everything we do is designed to make people smile.

We are recognised by retail and leisure brands for our unrivalled national coverage, high footfall and compelling mix, all under one roof and one brand.

We bring economic prosperity wherever we operate and we take our responsibilities as a good neighbour just as seriously with green transport plans and energy efficiency strategies for each centre.

The JSE link for the announcement is as follows:

<https://senspdf.jse.co.za/documents/2019/jse/isse/ITU/H119Result.pdf>