

18 October 2017

## **U and I Group PLC ("U+I" or "the Company" or "the Group")**

Interim Results for the six months ended 31 August 2017

### **U+I on track to deliver full year development and trading gains in line with existing guidance**

U+I (LSE:UAI), the specialist regeneration developer and investor, announces its interim results for the six months ended 31 August 2017.

#### **On track to deliver £65m-£70m of development and trading gains in FY18**

- £9.4m delivered in the year to date:
  - £7.2m delivered in H1
  - £2.2m delivered since the period end
- Good visibility on projects delivering gains in H2 underpins confidence in meeting full year target
  - £9m-11m of gains set to be realised at 12 Hammersmith Grove – currently 79% let and 17% under offer
  - £6m-8m of gains due from the forward-sale of a wind farm project
  - Two out of three planning consents required to deliver FY target now achieved

#### **Good progress made to reposition investment portfolio**

- Valuation of our investment portfolio (including our share of JVs) flat during the first half of the year
- Void rate of 6.0% and contracted rental income of £12.6m (FY 2017: 4.7% and £12.7m)
- £50m of non-core assets identified for sale in the year
  - £22.5m assets sold in the year above book value
  - £12.5m of assets brought to the market for sale

#### **Continued focus on operational discipline and capital**

- On track with FY 2018 target of £2m reduction in net recurring overheads
  - £1.3m of efficiency benefits delivered in H1 via fees and overhead reduction
- £67m Aviva facility renegotiated to provide increased flexibility on substitution and cost reduction of approximately 75 bps p.a.

#### **Interim dividend of 2.4 pence per share declared (H1 2017: 2.4 pence per share)**

#### **Matthew Weiner, Chief Executive said:**

*"We are delivering on our targets, realising gains of £9.4 million since 28 February 2017 to date, and we are confident that we can meet our full year target of £65-£70 million of development and trading gains for the year. This is supportive of our three-year target to deliver a minimum of £155 million of development and trading gains and a 12% post-tax total annual return.*

*We are also encouraged with the progress made to reposition our investment portfolio and to reduce overheads.*

*The demand for mixed-use regeneration within communities in London, Manchester and Dublin continues to grow as the pressure on existing housing stock and infrastructure increases. We remain focussed on delivering value through our PPP, trading and investment activities, allowing us to deliver long-term sustainable returns for our investors and social and economic change for the communities in which we work."*

## Financial summary (unaudited for the six months ended 31 August 2017 and 31 August 2016)

	31 Aug 2017	31 Aug 2016	28 Feb 2017
Development and trading gains	<b>£7.2 million</b>	£11.5 million	£35.0 million
Basic NAV	<b>£336.8 million</b>	£340.5 million	£347.6 million
Basic NAV per share	<b>269p</b>	272p	278p
Loss before tax	<b>(£3.3) million</b>	(£11.7) million	(£1.7) million*
Basic loss per share	<b>(3.2)p</b>	(9.9)p	(2.4)p
Dividend per share (in respect of period reported)	<b>2.4p</b>	2.4p	5.9p
Supplemental dividend per share declared	-	-	2.8p
Net debt	<b>£159.4 million</b>	£128.0 million	£120.8 million
Gearing	<b>47.3%</b>	37.6%	34.8%

\* After an exceptional charge of £2.1m relating to serviced office business

### Conference call for analysts and investors

The company will host an audiocast for sell-side analysts and investors at 9am hosted by:

Matthew Weiner, CEO; Richard Upton, Deputy CEO; and Marcus Shepherd, CFO.

The audiocast details are below and the interims presentation will be posted on the corporate website:

<http://www.uandiplc.com/investors/financial-calendar> .

### Audiocast link:

<http://www.investis-live.com/uandi/59b7a5ba8b39dd100087be60/fsdfs>

### Participant dial-in numbers

Location you are dialling in from	Number you should dial
United Kingdom	020 3059 8125
All other locations	+44 20 3059 8125

### Participant Password

**U + I** - this must be quoted to the operator in order for participants to gain access to the conference.

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## Chief Executive's Statement

I am pleased to report that we are on track to meet our target of £65-£70 million of development and trading gains in this financial year. To date we have delivered £9.4 million of gains and made good, tangible progress towards realising the gains for the remainder of the year, with clear visibility on the projects that underpin these.

We continue to target our three geographical areas - the London City Region, Manchester and Dublin - and we are seeing significant demand for our expertise in delivering high quality, mixed-use regeneration projects alongside both public and private sector partners.

As per our previously stated policy, the board has declared an unchanged interim dividend of 2.4 pence per share, which will be payable on 24 November 2017 to Shareholders on the register on 27 October 2017.

### Development and trading portfolio

Our development and trading portfolio comprises both long-term, large scale PPP projects and shorter-term trading opportunities and is founded on our ability to buy land well and add value through the planning process. In the year to date we have realised a total of £9.4 million of gains from a number of trading opportunities. As advised at our prelims, the majority of the expected development and trading gains are scheduled to be realised in the second half of this financial year and we have good visibility on these.

At 12 Hammersmith Grove we are on track to realise gains of £9-11 million by the year end by letting at least 90% of this 170,000 sq.ft. office building. The building is currently 79% let and 17% under offer to five tenants and at terms in line with previous guidance.

In the period, we undertook a review of the delivery of our wind farm projects. With interest rates remaining low, investor demand for alternative assets with long-term income streams has strengthened and we believe that we can deliver a better risk adjusted return from these projects by changing our realisation route. We will now deliver these projects on a forward sale and build out model rather than individual site sales, a funding structure frequently deployed by the Group in our wider regeneration activities. This will deliver a higher level of profitability per project, with the first wind farm due to realise £6-8 million of profit in the second half of the year.

At Equipment Works, near Blackhorse Road underground station in North London, we secured planning consent for a £130 million regeneration project, a major milestone which enables us to either pursue a site sale or commence development ourselves.

Similarly, our PPP project at Mill Green, Cannock, is on track to deliver gains in the second half of the year. Heads of terms have been agreed with a funding partner and gains will be realised once an unconditional agreement is completed.

Our major PPP projects continue to proceed well. We were delighted with the progress at our schemes in Brighton with £70 million of forward funding agreed for our landmark Circus Street development and planning granted for the £150 million Preston Barracks project, the largest regeneration project to have ever been consented in Brighton. These schemes are core to our strategy and further evidence our expertise and growing position as a leading UK regeneration developer.

In July, we were selected by TfL, as its development partner to bring forward a mixed-use regeneration project, Landmark Court in Southwark, South East London. Currently in the pre-planning stage, Landmark Court adds to our significant pipeline of PPP projects, further establishing us within this market.

### Investment portfolio

As previously outlined, we are transitioning our investment portfolio to dispose of non-core assets and to acquire assets that better align with our focus on regeneration, targeting a 10% return per annum from this part of the business. During the period, we sold £22.5 million of non-core assets above book value and since the period end, we have identified a further £12.5 million of non-core assets for sale. This would bring assets sold in the year to c. £35 million against our targeted £50 million of investment disposals.

We have not acquired any assets in the period to date, as we believe that we remain in a sellers' market. We have stringent investment criteria and focus on assets where value can be added through active asset management and development. As a result, we believe it is in our Shareholders' best interests for us to remain patient and disciplined in the selection of new assets, rather than loosen our criteria in order to secure new deals. The lack of reinvestment means that we are likely to pause our sales strategy once this round of disposals is complete to maintain the current income stream.

## **Specialist platforms**

Specialist platforms enable us to deliver returns from off balance sheet projects financed by large-scale capital partners. We invest a minority equity stake in the joint venture and take responsibility for development, planning, letting and asset management for each asset. In joint venture with our two partners, Colony NorthStar and Proprium Capital Partners, in H1 we have added value through acquisitions, planning, construction and letting on a number of projects.

## **Board appointments**

We were delighted to announce the appointment of Ros Kerslake OBE as a Non-Executive Director in July 2017. Ros has more than 10 years of board level experience, having held a number of non-executive and CEO positions in regeneration and real estate. Ros has expertise in property and regeneration and she is skilled in dealing with the public and voluntary sectors.

## **Outlook**

We remain on track to deliver against our stated guidance for the year and clear in our vision to be the leading regeneration business in the UK. There is strong cross party-political support to drive greater productivity from our public land assets and we have the right skills and are well set to respond to this. With a growing track record of high quality projects we are becoming firmly established as a leading regeneration player and the public sector's development partner of choice. I have every confidence in our target to deliver a 12% total return per annum over the next three years as we deliver value through regeneration.

**Matthew Weiner, Chief Executive**

18 October 2017

## Financial review

Net assets attributable to shareholders decreased by £10.8 million to £336.8 million (28 February 2017: £347.6 million) reflecting the result for the period and the payment of £7.9 million of dividends declared in the previous financial year (£3.5 million supplemental dividend and £4.4 million final dividend).

The result for the six months to 31 August 2017 was a loss before tax of £3.3 million (31 August 2016: £11.7 million loss). This reduced loss is largely as a result of investment property sales achieved at or above book value and a stabilisation of the investment property valuations. In the period, the Group delivered development and trading gains of £7.2 million.

Our guidance for development and trading gains for the financial year has been reconfirmed as a range of £65-70 million, reflecting the excellent progress made during the period in terms of letting progress at 12 Hammersmith Grove as well as securing two major planning permissions at Blackhorse Road and Brighton, both of which are key value drivers for the year.

As at 31 August 2017 our net debt stood at £159.4 million representing gearing of 47.3% (28 February 2017: £120.8 million and 34.8%). Gearing has increased in the period as we have continued to build out our pre-sold residential schemes at Bromley and Ilford using debt.

Of our gross borrowings of £202.4 million, £50.2 million is repayable within one year (28 February 2017; £172.1 million, £4.5 million). Of the £50.2 million repayable within one year, £40.4 million relates to two development schemes which are due to monetise before their repayment date.

During the period we have agreed terms with Aviva for the restructuring of our long-term investment portfolio debt facility. The revised terms should deliver a reduction in costs of approximately 0.75% and a reduced amortisation profile in exchange for a 5-year term extension. More importantly, we have agreed greater flexibility around the substitution of assets in to the facility which will enable us to more proactively manage the portfolio.

Overall, the weighted average maturity of our debt is 3.9 years with a weighted average interest rate of 4.4%, excluding joint ventures.

The Group considers its risk profile to be consistent with February 2017. The main business risks are construction and planning risk. The Risk Management Committee continually reviews the Group's risk profile, reporting to the Audit and Risk Committee and the Board. Principal risks are categorised either as external risks, whose occurrence is beyond the control of the Group, or business risks which the Board manage as part of the Group's operations. Further details can be found in the U and I Group PLC 2017 Annual Report.

## Portfolio analysis

### Tenant profile – gross rental income

1	FTSE 100	3.9%
2	Government	1.8%
3	PLC/Nationals	61.6%
4	Regional Multiples	5.2%
5	Local Traders	27.5%

### Location profile – capital value

1	London	6.3%
2	South East	39.7%
3	South West	26.0%
4	Midlands	2.6%
5	North	16.0%
6	Wales	4.9%
7	Ireland	4.5%

### Lease profile – gross rental income

1	0-5 years	51.2%
2	5-10 years	27.9%
3	10-15 years	10.1%
4	15-20 years	1.6%
5	20 years+	9.2%

### Analysis by sector – capital value

1	Food store anchored retail	79.9%
2	Other retail	8.3%
3	Office	2.6%
4	Leisure	9.2%

Income generating properties as at 31 August 2017

Top five occupiers	31 August 2017	
	Annual rent £'m	% of contracted rent
Waitrose	1.6	12.6
Matalan	0.7	5.7
J Sainsbury Plc	0.5	3.9
Ricardo-Aea Ltd	0.4	3.1
Wilkinson	0.3	2.3

Top five occupiers	28 February 2017	
	Annual rent £'m	% of contracted rent
Waitrose	1.6	12.5
Matalan	0.7	5.6
J Sainsbury Plc	0.5	3.9
Ricardo-Aea Ltd	0.4	3.1
Wilkinson	0.3	2.2

### Income generating properties – Like-for-like rental income received

31 August 2017

	Properties owned throughout the period £ million	Acquisitions £ million	Disposals £ million	Total net rental income £ million
Investment properties	6.1	–	–	6.1
Development and trading properties	1.3	–	0.1	1.4
Joint ventures	1.2	0.4	–	1.6
	<b>8.6</b>	<b>0.4</b>	<b>0.1</b>	<b>9.1</b>

31 August 2016

	Properties owned throughout the period £ million	Acquisitions £ million	Disposals £ million	Total net rental income £ million
Investment properties	6.1	–	0.3	6.4
Development and trading properties	1.3	–	0.6	1.9
Joint ventures	0.7	0.1	0.3	1.1
	8.1	0.1	1.2	9.4

### Investment property – key statistics

	Portfolio value £ million	Contracted rent £ million	Number of assets held No.	New lettings in period £ million/ '000 sq.ft.	Initial yield in period* %	Equivalent yield* %	Voids* %	Rate of rent collections within 30 days %
<b>31 August 2017</b>	<b>173.0</b>	<b>12.6</b>	<b>17</b>	<b>£0.4m/17 sq.ft.</b>	<b>6.9</b>	<b>7.5</b>	<b>6.0</b>	<b>99.4</b>
28 February 2017	179.2	12.7	18	£0.5m/22 sq.ft.	6.6	7.5	4.7	99.8
31 August 2016	180.1	12.8	17	£0.4m/25 sq.ft.	7.0	7.3	5.1	96.3

\* Based on the core investment property assets only.

## Consolidated statement of comprehensive income unaudited for the six months ended 31 August 2017

	Notes	Six months to 31 August 2017 unaudited £ million	Six months to 31 August 2016 unaudited £ million	Year ended 28 February 2017 audited £ million
<b>Revenue</b>	2	<b>42.1</b>	54.9	123.9
Direct costs	2	<b>(32.4)</b>	(38.8)	(86.8)
<b>Gross profit</b>	2	<b>9.7</b>	16.1	37.1
Operating costs	2	<b>(10.0)</b>	(10.7)	(22.1)
Gain/(loss) on disposal of investment properties	2	<b>1.5</b>	(2.3)	(2.3)
Deficit on revaluation of property portfolio	2	<b>(0.8)</b>	(8.6)	(9.5)
<b>Operating profit/(loss) before exceptional item</b>		<b>0.4</b>	(5.5)	3.2
Exceptional impairment of operating segment	2	–	–	(2.1)
<b>Operating profit/(loss) after exceptional item</b>		<b>0.4</b>	(5.5)	1.1
Other income	2	<b>1.0</b>	0.4	1.3
Share of post-tax profits of joint ventures and associates	10	<b>2.7</b>	–	6.1
Profit on sale of investment	2	–	–	0.6
<b>Profit/(loss) before interest and income tax</b>	2	<b>4.1</b>	(5.1)	9.1
Finance income	3	–	1.0	0.7
Finance costs	3	<b>(7.4)</b>	(7.6)	(11.5)
<b>Loss before income tax</b>		<b>(3.3)</b>	(11.7)	(1.7)
Income tax	4	<b>(0.7)</b>	(0.6)	(1.3)
<b>Loss after income tax for the period attributable to owners of the parent</b>		<b>(4.0)</b>	(12.3)	(3.0)
<b>Other comprehensive income:</b>				
<b>Loss for the period</b>		<b>(4.0)</b>	(12.3)	(3.0)
<b>Items that will be reclassified subsequently to profit or loss:</b>				
Currency translation differences		<b>0.7</b>	2.9	3.0
Deferred income tax credit		–	–	0.1
<b>Total comprehensive income for the period attributable to owners of the parent</b>		<b>(3.3)</b>	(9.4)	0.1
<b>Basic loss per share</b>	6	<b>(3.2)p</b>	(9.9)p	(2.4)p
<b>Diluted loss per share</b>	6	<b>(3.2)p</b>	(9.9)p	(2.4)p

All amounts in the Consolidated statement of comprehensive income relate to continuing operations.

Notes 1 to 18 form an integral part of these condensed consolidated interim financial statements

# Consolidated balance sheet unaudited as at 31 August 2017

	Notes	31 August 2017 unaudited £ million	31 August 2016 unaudited £ million	28 February 2017 audited £ million
<b>Non-current assets</b>				
<b>Direct real estate interests</b>				
Investment properties	7	173.0	180.1	179.2
Operating property		0.8	0.8	0.8
Trade and other receivables		3.0	4.0	2.9
		176.8	184.9	182.9
<b>Indirect real estate interests</b>				
Investments in associates	10	4.3	4.4	8.4
Investments in joint ventures	10	57.4	32.2	46.1
Intangible assets – goodwill	8	2.3	2.3	2.3
Loans to joint operations and other real estate businesses		14.5	37.5	19.9
		78.5	76.4	76.7
<b>Other non-current assets</b>				
Other plant and equipment		5.8	7.2	5.8
Derivative financial instruments		–	0.5	0.3
Deferred income tax assets		1.2	1.0	1.3
		7.0	8.7	7.4
<b>Total non-current assets</b>		<b>262.3</b>	<b>270.0</b>	<b>267.0</b>
<b>Current assets</b>				
Inventory – development and trading properties	9	247.5	213.3	208.3
Other financial assets		18.8	1.7	18.5
Trade and other receivables		51.9	46.2	48.7
Current income tax assets		–	0.3	–
Monies held in restricted accounts and deposits		29.2	20.5	27.5
Cash and cash equivalents		13.8	28.8	23.8
		361.2	310.8	326.8
<b>Total assets</b>		<b>623.5</b>	<b>580.8</b>	<b>593.8</b>
<b>Current liabilities</b>				
Trade and other payables		(61.0)	(46.8)	(53.4)
Current income tax liabilities		(1.5)	–	–
Borrowings	11	(50.2)	(38.3)	(4.5)
Provisions for other liabilities and charges	12	(1.9)	–	(1.4)
		(114.6)	(85.1)	(59.3)
<b>Non-current liabilities</b>				
Trade and other payables		(16.7)	(10.9)	(14.4)
Borrowings	11	(152.2)	(139.0)	(167.6)
Deferred income tax liabilities		(2.8)	(3.6)	(3.6)
Provisions for other liabilities and charges	12	(0.4)	(1.7)	(1.3)
		(172.1)	(155.2)	(186.9)
<b>Total liabilities</b>		<b>(286.7)</b>	<b>(240.3)</b>	<b>(246.2)</b>
<b>Net assets</b>		<b>336.8</b>	<b>340.5</b>	<b>347.6</b>
<b>Equity</b>				
Share capital	13	62.6	62.6	62.6
Other reserves		160.0	159.8	158.9
Retained earnings		114.2	118.1	126.1
<b>Total equity</b>		<b>336.8</b>	<b>340.5</b>	<b>347.6</b>
<b>Basic/diluted net assets per share attributable to owners of the Parent</b>	6	<b>269p/269p</b>	<b>272p/272p</b>	<b>278p/277p</b>

Notes 1 to 18 form an integral part of these condensed consolidated interim financial statements.

## Consolidated statement of changes in equity unaudited as at 31 August 2017

	Share capital £ million	Other reserves £ million	Retained earnings £ million	Total £ million
<b>Balance at 1 March 2016</b>	62.5	156.0	144.8	363.3
Loss for the six months ended 31 August 2016	–	–	(12.3)	(12.3)
Other comprehensive income:				
Currency translation differences - Group	–	2.9	–	2.9
<b>Total comprehensive income for the six month period ended 31 August 2016</b>	–	2.9	(12.3)	(9.4)
Issue of Ordinary shares	0.1	0.2	–	0.3
Share based payments	–	0.7	–	0.7
Final dividend relating to 2016	–	–	(4.4)	(4.4)
Supplemental dividend 2016	–	–	(10.0)	(10.0)
<b>Total contributions by and distributions to owners of the Company</b>	0.1	0.9	(14.4)	(13.4)
<b>Balance at 31 August 2016</b>	<b>62.6</b>	<b>159.8</b>	<b>118.1</b>	<b>340.5</b>
Profit for the six months ended 28 February 2017	–	–	9.3	9.3
Other comprehensive income:				
Revaluation of operating property realised	–	(1.1)	1.1	–
Fair value adjustment realised	–	(0.6)	0.6	–
Currency translation differences - Group	–	0.1	–	0.1
Deferred income tax credited directly to equity	–	0.1	–	0.1
<b>Total comprehensive income for the six month period ended 28 February 2017</b>	–	(1.5)	11.0	9.5
Share based payments	–	0.6	–	0.6
Interim dividend 2017	–	–	(3.0)	(3.0)
<b>Total contributions by and distributions to owners of the Company</b>	–	0.6	(3.0)	(2.4)
<b>Balance at 28 February 2017</b>	<b>62.6</b>	<b>158.9</b>	<b>126.1</b>	<b>347.6</b>
Loss for the six months ended 31 August 2017	–	–	(4.0)	(4.0)
Other comprehensive income:				
Currency translation differences - Group	–	0.7	–	0.7
<b>Total comprehensive income for the six month period ended 31 August 2017</b>	–	0.7	(4.0)	(3.3)
Share based payments	–	0.4	–	0.4
Final dividend relating to 2017	–	–	(4.4)	(4.4)
Supplemental dividend 2017	–	–	(3.5)	(3.5)
<b>Total contributions by and distributions to owners of the Company</b>	–	0.4	(7.9)	(7.5)
<b>Balance at 31 August 2017</b>	<b>62.6</b>	<b>160.0</b>	<b>114.2</b>	<b>336.8</b>

Notes 1 to 18 form an integral part of these condensed consolidated interim financial statements.

## Consolidated cash flow statement unaudited for the six months ended 31 August 2017

	Notes	Six months to 31 August 2017 unaudited £ million	Six months to 31 August 2016 unaudited £ million	Year ended 28 February 2017 audited £ million
<b>Cash flows from operations</b>				
Cash flows (used in)/generated from operating activities	14	(31.6)	30.3	56.9
Interest paid		(4.4)	(4.0)	(7.8)
Income received/(tax) paid		0.1	(3.3)	(3.8)
<b>Net cash (used in)/generated from operating activities</b>		<b>(35.9)</b>	<b>23.0</b>	<b>45.3</b>
<b>Cash flows from investing activities:</b>				
Interest received		3.7	0.3	0.4
Proceeds on disposal of investment properties		7.3	15.1	16.3
Purchase of other plant and equipment		(0.2)	(0.2)	(0.6)
Purchase of investment properties		(0.4)	(0.7)	(3.0)
Cash outflow to joint ventures and associates		(10.0)	(5.0)	(19.2)
Cash inflow from joint ventures and associates		6.5	20.0	24.2
Investment in financial assets		(3.6)	–	(0.5)
Cash inflow from financial assets		5.0	0.5	1.8
<b>Net cash generated from investing activities</b>		<b>8.3</b>	<b>30.0</b>	<b>19.4</b>
<b>Cash flows from financing activities:</b>				
Dividends paid		(7.9)	(14.4)	(17.4)
Issue of new shares		–	0.3	0.3
Repayments of borrowings		(12.1)	(42.4)	(81.7)
New bank loans raised (net of transaction costs)		39.3	0.3	32.9
Increase in monies held in restricted accounts and deposits		(1.7)	(12.4)	(19.4)
<b>Net cash generated from/(used in) financing activities</b>		<b>17.6</b>	<b>(68.6)</b>	<b>(85.3)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(10.0)</b>	<b>(15.6)</b>	<b>(20.6)</b>
Cash and cash equivalents at the beginning of the period		23.8	43.8	43.8
Exchange gains on cash and cash equivalents		–	0.6	0.6
<b>Cash and cash equivalents at the end of the period</b>		<b>13.8</b>	<b>28.8</b>	<b>23.8</b>
<b>Cash and cash equivalents comprise:</b>				
Cash at bank and in hand		13.8	28.8	23.8
<b>Cash and cash equivalents at the end of the period</b>		<b>13.8</b>	<b>28.8</b>	<b>23.8</b>
<b>Net debt comprises:</b>				
Monies held in restricted accounts and deposits		29.2	20.5	27.5
Cash and cash equivalents		13.8	28.8	23.8
Financial liabilities:				
Current borrowings	11	(50.2)	(38.3)	(4.5)
Non-current borrowings	11	(152.2)	(139.0)	(167.6)
<b>Net debt</b>		<b>(159.4)</b>	<b>(128.0)</b>	<b>(120.8)</b>

Notes 1 to 18 form an integral part of these condensed consolidated interim financial statements.

# Notes to the interim financial information unaudited for the six months ended 31 August 2017

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

### a) General information

The principal activity of U and I Group PLC and its subsidiaries is property investment and development in the UK and Republic of Ireland.

The condensed consolidated interim financial statements for the six months ended 31 August 2017 comprise the results of the Company and its subsidiaries and were authorised by the Board for issue on 17 October 2017.

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the UK. The address of its registered office is 7A Howick Place, London, SW1P 1DZ.

The condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 28 February 2017, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, were approved by the Board of Directors on 26 April 2017 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

These condensed consolidated interim financial statements have been reviewed, not audited.

### b) Basis of preparation of half-year report

These condensed consolidated interim financial statements for the six months ended 31 August 2017 have been prepared in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the Financial Conduct Authority and with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial statements should be read in conjunction with the Group's financial statements for the year ended 28 February 2017, which have been prepared in accordance with IFRS, as adopted by the European Union.

### Going concern basis

The Group has considerable financial resources. Rental income continues to be robust, with the risk of significant default assessed by the Directors as low. Development and trading activities are well diversified across regions and sectors. Debt finance is secured for appropriate periods and the Group is comfortable with its covenant positions. As a result, the Directors believe that the Group is well placed to manage its business risks successfully. The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the interim financial statements.

### c) Significant events and transaction

The key events for the Group during the interim period were:

- The Group continued its strategy to dispose of non-core investment property assets. £5.8 million of assets were sold in the period (note 7).
- Development and trading activity continued to be strong with a high level of construction work (£59.8 million) and disposals (£23.6 million) in the period (note 9).
- A further £9.9 million was invested into joint venture schemes in the period, principally relating to Mayfield, Manchester and the Colony NorthStar specialist platform (note 10).

### d) Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, assumptions and estimates that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 28 February 2017.

## e) Accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are consistent with those of the Group's financial statements for the year ended 28 February 2017, as described in those financial statements.

A number of new standards and amendments to standards have been issued but are not yet effective for the Group. The most significant of these are set out below:

- IFRS 15 Revenue from Contracts with Customers (effective from 1 March 2018)
- IFRS 9 Financial Instruments (effective from 1 March 2018)
- IFRS 16 Leases (effective from 1 March 2019)

The Group is in the process of assessing the impact of these standards on the Group's results and a complete assessment of the impact of the pronouncements referred to above which are effective from 1 March 2018 will be disclosed in the 2018 Annual Report.

The accounting policies adopted are consistent with those of the previous financial year.

## f) Financial risk management

### Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial statements as at 28 February 2017.

There have been no changes in risk management or in any risk management policies since the year end.

### Liquidity risk

Compared to the year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

### Currency risk

During the period, the Group has continued to invest in the Republic of Ireland and the Directors have closely monitored its exposure to its Euro denominated assets and liabilities. The Group operates its policy to manage currency exposure whereby any assets acquired in Euros will have associated borrowing also denominated in Euros to limit the exposure. In addition, the Board will also require the foreign exchange risk to be hedged if appropriate.

### Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value at 31 August 2017:

	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total £ million
<b>Assets</b>				
Investment properties	–	–	173.0	173.0
Available-for-sale financial assets	–	–	24.5	24.5
<b>Total assets</b>	<b>–</b>	<b>–</b>	<b>197.5</b>	<b>197.5</b>

The following table presents the Group's assets and liabilities that are measured at fair value at 31 August 2016:

	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total £ million
<b>Assets</b>				
Investment properties	–	–	180.1	180.1
Derivative financial instruments:				
Foreign exchange contracts through profit or loss	–	0.6	–	0.6
Derivative financial instruments at fair value through profit or loss	–	–	–	–
Available-for-sale financial assets	–	–	30.4	30.4
<b>Total assets</b>	<b>–</b>	<b>0.6</b>	<b>210.5</b>	<b>211.1</b>
<b>Liabilities</b>				
Derivative financial instruments:				
Cross-currency interest rate swap	–	–	–	–
Derivative financial instruments at fair value through profit or loss	–	(0.1)	–	(0.1)
<b>Total liabilities</b>	<b>–</b>	<b>(0.1)</b>	<b>–</b>	<b>(0.1)</b>

The following table presents the Group's assets that are measured at fair value at 28 February 2017:

	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total £ million
<b>Assets</b>				
Investment properties	–	–	179.2	179.2
Derivative financial instruments:				
Foreign exchange contracts through profit or loss	–	0.2	–	0.2
Derivative financial instruments at fair value through profit or loss	–	0.1	–	0.1
Available-for-sale financial assets	–	–	29.6	29.6
<b>Total assets</b>	<b>–</b>	<b>0.3</b>	<b>208.8</b>	<b>209.1</b>

Derivative financial instruments at fair value through profit or loss of £0.2 million loss (31 August 2016: gain of £0.2 million and 28 February 2017: loss of £0.1 million) are recorded in Finance income or Finance costs as appropriate in the condensed consolidated interim financial statements.

There have been no reclassifications of financial assets during the period.

Level 2 derivative financial instruments comprise of a number of interest rate swaps and caps and a forward foreign exchange contract. Interest rate swaps and caps are valued using forward interest rates extracted from observable yield curves taking account of the risk of default of either counterparty to the financial instrument. The effects of discounting are generally insignificant for level 2 derivatives.

#### Fair value measurement using significant unobservable inputs (level 3)

	Financial assets at fair value through profit and loss £ million
<b>At 1 March 2016</b>	30.2
Loans advanced	0.8
Settlements	(0.6)
<b>At 31 August 2016</b>	30.4
Loans advanced	0.7
Settlements	(1.5)
<b>At 28 February 2017</b>	29.6
Loans advanced	3.8
Settlements	(8.9)
<b>At 31 August 2017</b>	<b>24.5</b>

<b>Total unrealised losses for the period included in profit or loss for assets held at 31 August 2017</b>	–
Total unrealised losses for the period included in profit or loss for assets held at 28 February 2017	–
Total unrealised losses for the period included in profit or loss for assets held at 31 August 2016	–

A review of the fair value of financial assets is performed at each reporting date with any significant changes in value reported to the Board and Audit and Risk Committee. Level 3 assets consist of loans to associates or joint ventures. Each receivable is reviewed as to its recoverability. If recoverability is in doubt an appropriate provision for impairment would be made based on the best estimate of the loan recoverable. The Board have concluded that there are no financial assets recognised where the loan amount is not the best evidence of fair value.

### Contingent consideration in a business combination

The Group had no contingent consideration liabilities at 31 August 2017, 31 August 2016 or 28 February 2017.

### Group's valuation processes

The Group engages external, independent and qualified valuers to determine the fair value of Level 3 investment property assets (refer note 7). The valuation process involves the Investment Team, our asset service provider and valuers. Every six months, prior to the valuation date, full tenancy information, verified by both the Investment Team and asset service provider is provided to the valuers. New lettings, completed and pending lease events and asset management proposals are provided by the Investment Team on an asset by asset basis. The valuers assimilated income information is checked by the Investment Team before the valuers report numbers.

The fair value of Level 3 assets is also determined by utilising the valuers own internal databases and propriety/external resources for both rental and capital evidence/yield evidence. In addition, they will review local sales data or, where the assets are held for the purpose of extending an existing retail asset, by reviewing appraisals relating to the proposed scheme.

The key unobservable assumptions used in the valuations are:

Valuation technique	Key unobservable input	Range
Income capitalisation	Equivalent yields	3.50% - 9.79%
Residual development method	Price per acre/ development margin	£0.45m per acre, 15.0% - 20.0%
Residual development method	Estimated profit margin	15.0% - 20.0%

More information relating to valuation methodology is contained within the Group's financial statements as at 28 February 2017.

The carrying value of the following financial assets and liabilities approximate to their fair value:

- Trade and other receivables
- Other current financial assets
- Cash and cash equivalents
- Trade and other payables
- Borrowing costs

### g) Related parties

Related party disclosures are given in note 16.

## 2. SEGMENTAL ANALYSIS

For management purposes, the Group is organised into three operating divisions, whose principal activities are as follows:

Investment	– management of the Group's investment property portfolio, generating rental income and valuation surpluses from property management;
Development and trading	– managing the Group's development and trading properties. Revenue is received from rental income, project management fees, development profits and the disposal of inventory; and
Operating	– serviced office operations. Revenue is principally received from short-term licence fee income.

These divisions are the basis on which the Group reports its primary segmental information. All operations occur and all assets are located in the United Kingdom or the Republic of Ireland. All revenue arises from continuing operations.

Unallocated amounts relate to general corporate assets and liabilities which cannot be allocated to specific segments.

	Six months to 31 August 2017 (unaudited)			
	Investment	Development	Operating	Total
	£ million	and trading £ million	£ million	£ million
<b>Segment revenue</b>	<b>6.1</b>	<b>33.9</b>	<b>2.1</b>	<b>42.1</b>
Direct costs	(1.5)	(29.0)	(1.9)	(32.4)
<b>Segment result</b>	<b>4.6</b>	<b>4.9</b>	<b>0.2</b>	<b>9.7</b>
Operating costs	(1.0)	(9.0)	–	(10.0)
Gain on disposal of investment properties	1.5	–	–	1.5
Deficit on revaluation of investment property portfolio	(0.8)	–	–	(0.8)
<b>Operating profit/(loss)</b>	<b>4.3</b>	<b>(4.1)</b>	<b>0.2</b>	<b>0.4</b>
Other income	0.2	0.8	–	1.0
Share of post-tax profit of joint ventures	0.4	2.3	–	2.7
<b>Gain/(loss) before interest and income tax</b>	<b>4.9</b>	<b>(1.0)</b>	<b>0.2</b>	<b>4.1</b>
Finance costs	(5.7)	(1.7)	–	(7.4)
<b>(Loss)/profit before income tax</b>	<b>(0.8)</b>	<b>(2.7)</b>	<b>0.2</b>	<b>(3.3)</b>
Income tax				(0.7)
<b>Loss after income tax</b>				<b>(4.0)</b>
<b>Assets and liabilities</b>				
Segment assets	218.9	389.3	2.2	610.4
Unallocated assets				13.1
<b>Total assets</b>				<b>623.5</b>
Segment liabilities	(101.5)	(174.1)	(3.3)	(278.9)
Unallocated liabilities				(7.8)
<b>Total liabilities</b>				<b>(286.7)</b>
<b>Revenue</b>				
Rental income	6.1	1.4	–	7.5
Serviced office income	–	–	2.1	2.1
Project management fees	–	0.4	–	0.4
Trading property sales	–	16.1	–	16.1
Other trading property income	–	1.3	–	1.3
Development proceeds	–	14.7	–	14.7
	<b>6.1</b>	<b>33.9</b>	<b>2.1</b>	<b>42.1</b>

	Six months to 31 August 2016 (unaudited)			
	Investment	Development	Operating	Total
	£ million	and trading £ million	£ million	£ million
<b>Segment revenue</b>	<b>6.6</b>	<b>46.3</b>	<b>2.0</b>	<b>54.9</b>
Direct costs	(1.3)	(34.9)	(2.6)	(38.8)
<b>Segment result</b>	<b>5.3</b>	<b>11.4</b>	<b>(0.6)</b>	<b>16.1</b>
Operating costs	(1.8)	(8.9)	–	(10.7)
Loss on disposal of investment properties	(2.3)	–	–	(2.3)
Deficit on revaluation of investment property portfolio	(8.6)	–	–	(8.6)
<b>Operating (loss)/profit</b>	<b>(7.4)</b>	<b>2.5</b>	<b>(0.6)</b>	<b>(5.5)</b>
Other income	0.3	0.1	–	0.4
Share of post-tax profit/(loss) of joint ventures	0.8	(0.8)	–	–
<b>(Loss)/profit before interest and income tax</b>	<b>(6.3)</b>	<b>1.8</b>	<b>(0.6)</b>	<b>(5.1)</b>
Finance income	0.2	0.8	–	1.0
Finance costs	(1.4)	(6.2)	–	(7.6)
<b>Loss before income tax</b>	<b>(7.5)</b>	<b>(3.6)</b>	<b>(0.6)</b>	<b>(11.7)</b>
Income tax				(0.6)
<b>Loss after income tax</b>				<b>(12.3)</b>
<b>Assets and liabilities</b>				
Segment assets	216.4	332.0	3.7	552.1
Unallocated assets				28.7
<b>Total assets</b>				<b>580.8</b>
Segment liabilities	(106.5)	(125.5)	(2.9)	(234.9)
Unallocated liabilities				(5.4)
<b>Total liabilities</b>				<b>(240.3)</b>

<b>Revenue</b>				
Rental income	6.4	1.9	–	8.3
Serviced office income	–	–	2.0	2.0
Project management fees	–	0.5	–	0.5
Trading property sales	–	14.3	–	14.3
Other trading property income	–	1.3	–	1.3
Development proceeds	–	28.3	–	28.3
Other	0.2	–	–	0.2
	6.6	46.3	2.0	54.9

	Year ended 28 February 2017 (audited)			
	Investment £ million	Development and trading £ million	Operating £ million	Total £ million
<b>Segment revenue</b>	12.9	106.9	4.1	123.9
Direct costs	(3.4)	(78.4)	(5.0)	(86.8)
<b>Segment result</b>	9.5	28.5	(0.9)	37.1
Operating costs	(5.0)	(17.1)	–	(22.1)
Loss on disposal of investment properties	(2.3)	–	–	(2.3)
Deficit on revaluation of investment property portfolio	(9.5)	–	–	(9.5)
<b>Operating (loss)/profit before exceptional item</b>	(7.3)	11.4	(0.9)	3.2
Exceptional impairment of operating segment	–	–	(2.1)	(2.1)
<b>Operating (loss)/profit after exceptional item</b>	(7.3)	11.4	(3.0)	1.1
Other income	0.7	0.6	–	1.3
Share of post-tax profit of joint ventures and associates	3.1	3.0	–	6.1
Profit on sale of investment	–	0.6	–	0.6
<b>(Loss)/profit before interest and income tax</b>	(3.5)	15.6	(3.0)	9.1
Finance income	0.5	0.2	–	0.7
Finance costs	(6.7)	(4.8)	–	(11.5)
<b>(Loss)/profit before income tax</b>	(9.7)	11.0	(3.0)	(1.7)
Income tax	–	–	–	(1.3)
<b>Loss after income tax</b>	–	–	–	(3.0)
<b>Assets and liabilities</b>				
Segment assets	226.0	334.6	2.4	563.0
Unallocated assets	–	–	–	30.8
<b>Total assets</b>	–	–	–	593.8
Segment liabilities	(104.1)	(132.4)	(3.8)	(240.3)
Unallocated liabilities	–	–	–	(5.9)
<b>Total liabilities</b>	–	–	–	(246.2)

<b>Revenue</b>				
Rental income	12.7	3.3	–	16.0
Serviced office income	–	–	4.1	4.1
Project management fees	–	1.1	–	1.1
Trading property sales	–	34.9	–	34.9
Other trading property income	–	2.8	–	2.8
Development proceeds	–	64.8	–	64.8
Other income	0.2	–	–	0.2
	12.9	106.9	4.1	123.9

### 3. FINANCE INCOME AND COSTS

	Six months to 31 August 2017 unaudited £ million	Six months to 31 August 2016 unaudited £ million	Year ended 28 February 2017 audited £ million
<b>Finance income</b>			
Interest receivable	–	0.8	0.7
Fair value gain on financial instruments – interest rate swaps, caps and collars	–	0.2	–
<b>Total finance income</b>	–	1.0	0.7
<b>Finance costs</b>			
Interest on bank loans and other borrowings	(4.6)	(4.7)	(9.1)
Fair value loss on financial instruments – interest rate swaps, caps and collars	(0.1)	–	(0.1)
Amortisation of transaction costs	(0.4)	(0.5)	(1.1)
Net foreign currency differences arising on retranslation of cash and cash equivalents	(3.2)	(3.4)	(3.4)
	(8.3)	(8.6)	(13.7)
Capitalised interest on development and trading properties	0.9	1.0	2.2
<b>Total finance costs</b>	(7.4)	(7.6)	(11.5)
<b>Net finance costs</b>	(7.4)	(6.6)	(10.8)
<b>Net finance costs before foreign currency differences</b>	(4.2)	(3.2)	(7.4)

### 4. INCOME TAX

Income tax charge is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 28 February 2018 is 19.1% (the estimated tax rate for 28 February 2017 was 20.0%).

	Six months to 31 August 2017 unaudited £ million	Six months to 31 August 2016 unaudited £ million	Year ended 28 February 2017 Audited £ million
Current tax charge	1.4	0.4	1.3
Deferred tax (credit)/charge	(0.7)	0.2	–
<b>Total income tax</b>	<b>0.7</b>	<b>0.6</b>	<b>1.3</b>

### 5. DIVIDENDS

	Six months to 31 August 2017 unaudited	Six months to 31 August 2016 unaudited	Year ended 28 February 2017 Audited
Amounts recognised as distributions to equity holders in the period	7.9	14.4	17.4
Proposed dividend	3.5	3.0	4.4
Supplemental dividend declared	–	–	3.5
	Pence	Pence	Pence
Interim dividend per share	2.40	2.40	2.40
Final dividend per share	–	–	3.50
Supplemental dividend	–	–	2.80

The £3.5 million supplemental dividend, approved on 25 April 2017, was paid on 16 June 2017. The final dividend of £4.4 million for the year to 28 February 2017 was paid on 17 August 2017.

An interim dividend was declared by the Board on 17 October 2017 and has not been included as a liability or deducted from retained earnings as at 31 August 2017. The interim dividend is payable on 24 November 2017 to Ordinary shareholders on the register at the close of business on 27 October 2017. The interim dividend in respect of the six-month period to 31 August 2017 will be recorded in the financial statements for the year ending 28 February 2018.

## 6. LOSS PER SHARE AND NET ASSETS PER SHARE

Management has chosen to disclose the European Public Real Estate Association (EPRA) adjusted net assets per share and earnings per share from continuing activities in order to provide an indication of the Group's underlying business performance and to assist comparison between European property companies.

The calculation of basic and diluted (loss)/earnings per share and EPRA adjusted (loss)/earnings per share is based on the following data:

	Six months to 31 August 2017 unaudited	Six months to 31 August 2016 unaudited	Year ended 28 February 2017 audited
<b>Loss</b>			
Loss for the purposes of basic and diluted earnings per share (£ million)	<b>(4.0)</b>	(12.3)	(3.0)
Revaluation (surplus)/deficit (including share of joint venture revaluation surplus)	<b>(1.4)</b>	7.9	6.8
(Gain)/loss on disposal of investment properties	<b>(1.5)</b>	2.3	2.3
Net impairment of development and trading properties	–	–	0.2
Exceptional impairment of operating segment	–	–	2.1
Mark-to-market adjustment on interest rate swaps, caps and collars (including share of joint venture mark-to-market adjustment)	<b>(0.2)</b>	(0.2)	–
<b>EPRA adjusted (loss)/earnings from continuing activities attributable to owners of the Company</b>	<b>(7.1)</b>	(2.3)	8.4
<b>Number of shares (million)</b>			
Weighted average number of Ordinary shares for the purposes of basic earnings per share	<b>125.1</b>	125.0	125.1
Effect of dilutive potential Ordinary shares: – Share options	–	–	–
Weighted average number of Ordinary shares for the purpose of diluted earnings per share	<b>125.1</b>	125.0	125.1
<b>Basic loss per share (pence)</b>	<b>(3.2)p</b>	(9.9)p	(2.4)p
<b>Diluted loss per share (pence)</b>	<b>(3.2)p</b>	(9.9)p	(2.4)p
<b>EPRA adjusted (loss)/earnings per share (pence)</b>	<b>(5.6)p</b>	(1.8)p	6.7p
<b>EPRA adjusted diluted (loss)/earnings per share (pence)</b>	<b>(5.6)p</b>	(1.8)p	6.7p

The Directors consider the acquisition and disposal of trading assets to be part of the core business of the Group and therefore have not adjusted profit for the gain on disposal when calculating EPRA adjusted earnings per share.

Basic and diluted net assets per share and EPRA adjusted basic, diluted and triple net assets per share have been calculated as follows:

	Six months to 31 August 2017 unaudited	Six months to 31 August 2016 unaudited	Year ended 28 February 2017 audited
<b>Net assets (£ million):</b>			
<b>Basic net assets per share attributable to the owners</b>	<b>336.8</b>	340.5	347.6
Fair value of development and trading assets*	–	–	15.5
Fair value of joint venture assets*	–	–	(2.4)
Cumulative mark-to-market adjustment on interest rate swaps	<b>(0.1)</b>	0.3	0.1
<b>EPRA adjusted net assets</b>	<b>336.7</b>	340.8	360.8
Cumulative mark-to-market adjustment on interest rate swaps	<b>0.1</b>	(0.3)	(0.1)
Fair value of debt	<b>(13.9)</b>	(17.5)	(14.3)
<b>EPRA adjusted triple net assets</b>	<b>322.9</b>	323.0	346.4
Effect of dilutive potential Ordinary shares	<b>0.4</b>	0.5	0.5
<b>Diluted net assets</b>	<b>337.2</b>	341.0	348.1
<b>EPRA adjusted diluted net assets</b>	<b>337.1</b>	341.3	361.3
<b>EPRA adjusted diluted triple net assets</b>	<b>323.3</b>	323.5	346.9
<b>Number of shares (million):</b>			
<b>Number of shares in issue at the balance sheet date</b>	<b>125.2</b>	125.2	125.2
Effect of dilutive potential Ordinary shares	<b>0.2</b>	0.3	0.2
<b>Diluted number of shares in issue at the balance sheet date</b>	<b>125.4</b>	125.5	125.4
<b>Basic net assets per share (pence)</b>	<b>269p</b>	272p	278p
<b>Diluted net assets per share (pence)</b>	<b>269p</b>	272p	277p
<b>EPRA adjusted net assets per share (pence)</b>	<b>269p</b>	272p	288p
<b>EPRA adjusted diluted net assets per share (pence)</b>	<b>269p</b>	272p	288p
<b>EPRA adjusted triple net assets per share (pence)</b>	<b>258p</b>	258p	277p
<b>EPRA diluted triple net assets per share (pence)*</b>	<b>258p</b>	258p	276p

\*In calculating EPRA adjusted net assets per share at 28 February 2017 the Directors included an estimate of the fair value of the direct and indirectly held development and trading assets. This valuation exercise has not been carried out for the six month period ended 31 August 2017 or 31 August 2016. The Directors will consider whether they will instruct valuers to carry out a fair value valuation of the development and trading portfolio for the year ending 28 February 2018 in due course.

## 7. INVESTMENT PROPERTIES

	Freehold £ million	Long leasehold £ million	Total £ million
<b>At valuation 1 March 2016</b>	159.3	44.0	203.3
Additions:			
– capital expenditure	1.9	0.5	2.4
Disposals	(17.0)	–	(17.0)
Deficit on revaluation	(6.8)	(1.8)	(8.6)
<b>At valuation 31 August 2016</b>	137.4	42.7	180.1
– capital expenditure	0.7	0.3	1.0
Disposals	(1.0)	–	(1.0)
Surplus on revaluation	(0.2)	(0.7)	(0.9)
<b>At valuation 28 February 2017</b>	136.9	42.3	179.2
Additions:			
– capital expenditure	0.4	–	0.4
Disposals	(4.3)	(1.5)	(5.8)
Deficit on revaluation	(0.7)	(0.1)	(0.8)
<b>At valuation 31 August 2017</b>	<b>132.3</b>	<b>40.7</b>	<b>173.0</b>

The Group's investment properties have been valued at 31 August 2017 by independent valuers and by the Directors on the basis of market value in accordance with the Appraisal and Valuation Standards of the Royal Institute of Chartered Surveyors. Completed investment properties have been valued by CBRE Ltd at a value of £157.8 million (31 August 2016: £164.4 million, 28 February 2017: £164.1 million).

Included within investment properties are freehold land and buildings representing investment properties under development, amounting to £15.1 million (31 August 2016: £15.7 million, 28 February 2017: £15.1 million), which have been valued by the Directors. These properties comprise buildings and land holdings for current or future development as investment properties. This approach has been taken because the value of these properties is dependent on a detailed knowledge of the planning status, the competitive position of these assets and a range of complex project development appraisals.

Investment properties under development include £8.1 million (31 August 2016: £8.1 million, 28 February 2017: £8.1 million) of landholdings adjacent to retail properties within the Group's portfolio, acquired for the purpose of extending the existing shopping centres. The fair value of these properties rests in the planned extensions, and is difficult to estimate pending confirmation of designs and planning permission, and hence has been estimated by the Directors at cost as an approximation to fair value.

## 8. INTANGIBLE ASSETS - GOODWILL

£ million

<b>Goodwill</b>	
<b>At 1 March 2016, 31 August 2016, 28 February 2017 and 31 August 2017</b>	<b>2.3</b>

Goodwill has been reviewed for impairment at the reporting date with no impairment deemed necessary.

## 9. INVENTORY – DEVELOPMENT AND TRADING PROPERTIES

	Development properties £ million	Trading properties £ million	Total £ million
<b>At 1 March 2016</b>	148.0	51.8	199.8
Additions:			
– acquisitions	4.6	0.5	5.1
– development expenditure	24.9	0.8	25.7
Disposals	(19.4)	(0.8)	(20.2)
Foreign currency differences	1.0	1.9	2.9
<b>At 31 August 2016</b>	159.1	54.2	213.3
Additions:			
– acquisitions	1.8	10.8	12.6
– development expenditure	40.5	0.5	41.0
Disposals	(35.5)	(22.8)	(58.3)
Foreign currency differences	(0.1)	–	(0.1)
Write-down of trading properties to net realisable value	(0.2)	–	(0.2)
<b>At 28 February 2017</b>	165.6	42.7	208.3
Additions:			
– acquisitions	1.5	–	1.5
– development expenditure	57.3	2.5	59.8
Disposals	(12.0)	(11.6)	(23.6)
Foreign currency differences	–	1.5	1.5
<b>At 31 August 2017</b>	<b>212.4</b>	<b>35.1</b>	<b>247.5</b>

Included in the above amounts are projects stated at net realisable value, being development and trading properties of £5.3 million (31 August 2016: £4.7 million, 28 February 2017: £5.5 million).

## 10. INVESTMENTS

	Investments in associates £ million	Investments in joint ventures £ million
<b>At 1 March 2016</b>	4.3	46.8
Additions	0.1	4.8
Share of loss of joint venture	–	(0.7)
Share of revaluation surplus of joint venture	–	0.7
Share of results of joint ventures	–	–
Foreign currency differences	–	0.1
Capital distribution	–	(19.5)
<b>At 31 August 2016</b>	4.4	32.2
Additions	0.1	14.5
Share of profit/(loss) of associate or joint venture	4.3	(0.2)
Share of revaluation surplus of joint venture	–	2.0
Share of results of joint ventures	4.3	1.8
Foreign currency differences	–	(0.1)
Disposal of joint venture	–	(0.1)
Capital distribution	(0.4)	(2.2)
<b>At 28 February 2017</b>	8.4	46.1
Additions	–	9.9
Share of profit of associate or joint venture	0.3	1.8
Share of revaluation surplus of joint venture	–	0.6
Share of results of joint ventures	0.3	2.4
Foreign currency differences	0.1	–
Capital distribution	(4.5)	(1.0)
<b>At 31 August 2017</b>	<b>4.3</b>	<b>57.4</b>

In December 2016, the Group acquired 50% of the share capital in Mayfield Development (General Partner) Limited with its partner, Mayfield Partnership LP, holding the remaining 50%. The Company is registered and incorporated in the United Kingdom.

## 11. BORROWINGS

	31 August 2017 unaudited £ million	31 August 2016 unaudited £ million	28 February 2017 audited £ million
Non – current	152.2	139.0	167.6
Current	50.2	38.3	4.5
	<b>202.4</b>	<b>177.3</b>	<b>172.1</b>

**Movements in loans and borrowings are analysed as follows:**

	£ million
<b>At 1 March 2016</b>	213.3
New borrowings drawn down	1.1
Repayment of borrowings	(42.4)
Foreign currency movement of Euro denominated loans	4.8
Movement in unamortised transaction costs	0.5
<b>At 31 August 2016</b>	177.3
New borrowings drawn down	33.5
Repayment of borrowings	(39.3)
Foreign currency movement of Euro denominated loans	0.3
Movement in unamortised transaction costs	0.3
<b>At 28 February 2017</b>	172.1
New borrowings drawn down	39.9
Repayment of borrowings	(13.5)
Foreign currency movement of Euro denominated loans	3.5
Movement in unamortised transaction costs	0.4
<b>At 31 August 2017</b>	<b>202.4</b>

Bank loans, loan notes and overdrafts comprise:

	Maturity	31 August 2017 unaudited £ million	31 August 2016 unaudited £ million	28 February 2017 audited £ million
Overdraft facility	On demand	<b>3.0</b>	–	–
£38.0 million variable rate loan	16 Dec 2016	–	27.9	–
€20.0 million variable rate loan	20 Apr 2017	–	8.3	2.6
£6.0 million variable rate loan	31 Oct 2017	<b>6.0</b>	–	–
£12.7 million variable rate loan	31 Mar 2018	<b>12.7</b>	11.8	12.3
£4.5 million variable rate loan	14 Jun 2018	<b>3.0</b>	–	1.3
£2.8 million variable rate loan	19 Jul 2018	<b>1.8</b>	–	0.2
€24.3 million variable rate loan	1 Aug 2018	–	5.5	3.1
£30.8 million fixed rate loan	25 Nov 2018	<b>8.7</b>	5.4	4.0
£28.0 million variable rate loan	16 Dec 2018	<b>28.0</b>	–	28.0
£12.0 million variable rate loan	5 Jan 2019	<b>6.3</b>	8.7	11.8
£24.5 million variable rate loan	31 Jan 2019	<b>21.7</b>	–	–
£2.8 million variable rate loan	22 May 2020	<b>2.2</b>	2.5	2.3
€47.0 million variable rate loan notes	24 Apr 2021	<b>43.4</b>	40.0	40.1
£57.6 million fixed rate loan	12 Mar 2025	<b>48.3</b>	49.9	49.1
£22.5 million fixed rate loan	12 Mar 2025	<b>18.9</b>	19.6	19.3
		<b>204.0</b>	179.6	174.1
Unamortised transaction costs		<b>(1.6)</b>	(2.3)	(2.0)
		<b>202.4</b>	177.3	172.1

The Group remains in compliance with its various banking covenants as at 31 August 2017.

a) Cash balances shown on the Balance sheet at 31 August 2017 include £29.2 million (31 August 2016: £20.5 million, 28 February 2017: £27.5 million) of cash held as security against borrowings.

b) At 31 August 2017, an external valuation, undertaken by J C Rathbone Associates Limited, appraised the market value of the Group's fixed rate debt on a replacement basis, taking into account the difference between fixed interest rates for the Group's borrowings and the market value and prevailing interest rates of appropriate debt instruments. Whilst the replacement basis provides a consistent method for valuation of fixed rate debt, such financing facilities are in place to provide continuing funding for the Group's activities. The valuation is therefore only an indication of a notional effect on the net asset value of the Group as at 31 August 2017 and may be subject to daily fluctuations in line with money market movements.

The fair value compared to the carrying amounts of the Group's fixed rate financial liabilities as at 31 August 2017 is analysed below:

	31 August 2017		31 August 2016		28 February 2017	
	Book value £ million	Fair value £ million	Book value £ million	Fair value £ million	Book value £ million	Fair value £ million
Fixed rate term loan due 2025	<b>48.3</b>	<b>58.8</b>	49.9	63.2	49.1	60.1
Fixed rate term loan due 2025	<b>18.9</b>	<b>22.3</b>	19.6	23.8	19.3	22.7
	<b>67.2</b>	<b>81.1</b>	69.5	87.0	68.4	82.8

The fair value difference of £13.9 million (31 August 2016: £17.5 million, 28 February 2017: £14.4 million) represents approximately 20.6% of gross, fixed rate borrowings (31 August 2016: 25.1%, 28 February 2017: 21.0%). The effect on net assets per share after tax of this adjustment would be a decrease of 8.9 pence after tax (31 August 2016: 11.0 pence, 28 February 2017: 9.2 pence).

A further £42.0 million of borrowings have appropriate swaps or caps in place providing certainty over future interest obligations. These instruments are marked to market at each balance sheet date with any gain or loss reflected in profit or loss.

Management consider a movement of 50 basis points to be a reasonable guide to interest rate sensitivity. The table below demonstrates the sensitivity in respect of variable rate debt obligations to a change in interest rates and the effect on profit before tax, with all other variables held constant.

	Increase/decrease in interest rate in basis points	Effect on profit before tax £'000
<b>31 August 2017</b>	<b>+50</b>	<b>(379)</b>
	<b>-50</b>	<b>379</b>
28 February 2017	+50	(382)
	-50	382
31 August 2016	+50	(278)
	-50	278

### Foreign currency risk

Management review the movement of Sterling against the Euro and consider 10% to be a prudent measure of exchange rate sensitivity. The following table demonstrates the possible effect of changes in Sterling and Euro exchange rates on loan balances.

	Increase/decrease in exchange rate	Effect on loan balances £'000
<b>31 August 2017</b>	<b>+10%</b>	<b>3,942</b>
	<b>-10%</b>	<b>(4,818)</b>
28 February 2017	+10%	4,160
	-10%	(5,086)
31 August 2016	+10%	4,891
	-10%	(5,978)

## 12. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	£ million
<b>At 1 March 2016</b>	<b>1.8</b>
Credited to profit or loss in the period	(0.1)
<b>At 31 August 2016</b>	<b>1.7</b>
Charged to profit or loss in the period	2.2
Credited to profit or loss in the period	(1.2)
<b>At 28 February 2017</b>	<b>2.7</b>
Credited to profit or loss in the period	(0.4)
<b>At 31 August 2017</b>	<b>2.3</b>

	31 August 2017 unaudited £ million	31 August 2016 unaudited £ million	28 February 2017 audited £ million
<b>Analysis of provisions:</b>			
Non-current	<b>0.4</b>	1.7	1.3
Current	<b>1.9</b>	–	1.4
	<b>2.3</b>	1.7	2.7

A provision of £1.9 million has been made in respect of the Group's service office business to cover closure costs of two centres and future obligations at the remaining centres.

Two further onerous lease provisions of £0.4 million relate to obligations entered into in 1974 and 2009.

## 13. SHARE CAPITAL

	31 August 2017 unaudited £ million	31 August 2016 unaudited £ million	28 February 2017 audited £ million
<b>Issued, called up and fully paid:</b>			
125,226,740 Ordinary shares of 50 pence (31 August 2016 and 28 February 2017: 125,226,740 Ordinary shares of 50 pence)	<b>62.6</b>	62.6	62.6

The Company currently holds 118,792 Treasury shares and has the right to re-issue these shares at a later date. All shares are fully paid.

## 14. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

	Six months to 31 August 2017 unaudited £ million	Six months to 31 August 2016 unaudited £ million	Year ended 28 February 2017 audited £ million
<b>Loss before income tax</b>	<b>(3.3)</b>	(11.7)	(1.7)
<b>Adjustments for:</b>			
(Profit)/loss on disposal of investment properties	(1.5)	2.3	2.3
Net deficit on revaluation of property portfolio	0.8	8.6	9.5
Other income	(1.0)	(0.4)	(1.3)
Share of post-tax profits of joint ventures and associates	(2.7)	–	(6.1)
Profit on sale of investment	–	–	(0.6)
Exceptional impairment of operating segment	–	–	2.1
Finance income	–	(1.0)	(0.7)
Finance costs	7.4	7.6	11.5
Depreciation of property, plant and equipment	0.5	0.5	1.0
<b>Operating cash flows before movements in working capital</b>	<b>0.2</b>	5.9	16.0
Increase in development and trading properties	(38.7)	(9.6)	(3.6)
(Increase)/decrease in receivables	(3.2)	39.1	37.0
Increase/(decrease) in payables	10.1	(5.1)	7.5
<b>Cash flow (used in)/generated from operating activities</b>	<b>(31.6)</b>	30.3	56.9

## 15. CONTINGENT LIABILITIES

Performance bonds given on behalf of Group companies are guaranteed by banks in favour of third parties for a total of £6.9 million (31 August 2016: £6.9 million, 28 February 2017: £6.9 million).

The Group has also guaranteed its share of interest up to a maximum of £0.6 million in respect of the £26.0 million loan in Notting Hill Gate KCS Limited.

## 16. RELATED PARTIES

During the period, the Group entered into transactions, in the ordinary course of business, with related parties.

Transactions entered into and balances outstanding at 31 August 2017, 31 August 2016 and 28 February 2017 with related parties are set out below. Only Directors are considered to be key management personnel. There were no transactions with Directors other than remuneration. Details of remuneration for the year ended 28 February 2017 are set out in the Remuneration report on pages 80 to 104 of the 2017 Annual Report.

	Finance income from related parties £ million	Amounts owed by related parties £ million	Amounts owed to related parties £ million
<b>Joint ventures</b>			
<b>31 August 2017</b>	<b>1.0</b>	<b>40.5</b>	<b>(4.0)</b>
31 August 2016	0.4	32.2	–
28 February 2017	1.3	43.2	–
<b>Associates</b>			
<b>31 August 2017</b>	–	<b>20.3</b>	–
31 August 2016	–	20.3	–
28 February 2017	–	20.1	–

## 17. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Details of the interim dividend proposed are given in note 5.

As at 31 August 2017, the Group had exchanged contracts to sell a number of property assets. These sales have since completed. In addition, two investment property assets have been sold at valuation.

## 18. GLOSSARY

Operating profit: stated after (loss)/gain on disposal of investment properties and the revaluation of the Investment property portfolio and before the results of associates, jointly controlled entities and finance income and costs.

IPD Index and Total Portfolio Return: total return from the completed investment property portfolio, comprising net rental income or expenditure, capital gains or losses from disposals and revaluation surpluses or deficits, divided by the average capital employed during the financial period, as defined and measured by Investment Property Databank Limited, a company that produces independent benchmarks of property returns.

Total Shareholder Return: movement in share price over the period plus dividends paid as a percentage of the opening share price.

Net debt: total debt less cash and short-term deposits, including cash held in restricted accounts.

Gearing: expressed as a percentage, is measured as net debt divided by total shareholders' funds.

Loan to value gearing: expressed as a percentage of net debt as a proportion of total property assets, including shares of properties and net debt in all projects in partnership.

Basic earnings/(loss) per share: calculated by dividing the profit/(loss) for the period attributable to equity shareholders of the Parent by the weighted average number of Ordinary shares outstanding during the period.

Diluted earnings/(loss) per share: calculated by dividing the profit/(loss) attributable to equity shareholders of the Parent by the weighted average number of Ordinary shares outstanding during the period plus the weighted average number of Ordinary shares that would be issued on the conversion of all the dilutive potential Ordinary shares into Ordinary shares.

Basic net assets per share: calculated by dividing net assets by the number of Ordinary shares in issue at the balance sheet date.

Diluted net assets per share: calculated by dividing net assets by the number of Ordinary shares in issue at the balance sheet date plus the number of Ordinary shares that would be issued on the conversion of all the dilutive potential Ordinary shares into Ordinary shares.

EPRA: European Public Real Estate Association.

EPRA adjusted earnings: profit after taxation excluding investment property revaluations (including revaluations of joint venture investment properties), (losses)/gains on disposals of investment properties, impairment of development and trading properties and mark-to-market movements of derivative financial instruments (including those of joint ventures) and intangible asset movements and their related taxation.

EPRA adjusted net assets (EPRA NAV): Balance Sheet net assets excluding the mark-to-market adjustment on effective cash flow hedges and related debt adjustments and deferred taxation on revaluations, and diluting for the effect of those shares potentially issuable under employee share schemes.

EPRA NAV per share: EPRA NAV divided by the number of Ordinary shares at the balance sheet date.

EPRA adjusted triple net assets: EPRA NAV adjusted to reflect the fair value of debt and derivatives and to include deferred taxation on revaluations.

Dividends per share: expressed as an amount in pence per share, is defined as the total dividend declared by the Directors divided by the number of equity shares qualifying for such dividend.

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors' confirm that these condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- An indication of important events that have occurred during the first six months and their impact on the condensed consolidated set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related-party transactions in the first six months any material changes in the related-party transactions described in the last Annual Report;

The Directors of U and I Group PLC are listed in the U and I Group PLC Annual Report of 28 February 2017. A list of the current Directors is maintained on the U and I Group PLC website: [www.uandiplc.com](http://www.uandiplc.com).

The maintenance and integrity of the U and I Group PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**M S Weiner**  
Chief Executive  
18 October 2017

# INDEPENDENT REVIEW REPORT TO U AND I GROUP PLC

## REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### Our conclusion

We have reviewed U and I Group PLC's condensed consolidated interim financial statements (the "interim financial statements") in the Interim Results of U and I Group PLC for the six month period ended 31 August 2017. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

### What we have reviewed

The interim financial statements comprise:

- the Consolidated balance sheet as at 31 August 2017;
- the Consolidated statement of comprehensive income for the period then ended;
- the Consolidated statement of changes in equity for the period then ended;
- the Consolidated cash flow statement for the period then ended; and
- the notes to the interim financial information.

The interim financial statements included in the Interim Results report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1b to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

## RESPONSIBILITIES FOR THE INTERIM FINANCIAL STATEMENTS AND THE REVIEW

### Our responsibilities and those of the Directors

The Interim Results, including the interim financial statements, are the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Results based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### What a review of interim financial statements involves

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 Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, 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.

We have read the other information contained in the Interim Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.