The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR"). Upon the publication of this announcement via Regulatory Information Service ("RIS"), this inside information is now considered to be in the public domain.

24 October 2018

**U and I Group PLC**

Interim Results for the six months ended 31 August 2018

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

U+I (LSE:UAI), the specialist regeneration developer and investor, announces its interim results for the six months ended 31 August 2018.

**On track to deliver target of £45-50 million of development and trading gains in FY19**

- £12.8 million of gains delivered in H1, in line with target
- Further progress post period end, including resolution to grant planning at Kensington Church Street
- Good visibility on the projects that will deliver gains in H2, including Preston Barracks, Harwell, Curzon Park and Hendy Wind Farm

**Continued progress against our stated FY19 key objectives**

- Growing pipeline with Cambridge Northern Fringe East win, exclusive negotiations on a new PPP project in London City Region, and three new trading opportunities under offer
- Investment portfolio repositioning continues with £11.3 million acquisition; £0.7 million secured and £2.8 million under offer towards our target of £5 million added value through asset management initiatives. Capital values in H1 down 2.6% on a like for like basis, including joint ventures, mainly due to negative sentiment in the retail sector
- Advisors appointed to identify capital partner(s) to fund three major pipeline projects

**Interim dividend of 2.4 pence per share declared (H1 2018: 2.4 pence per share) – consistent with the Board's previously stated policy**

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

*"We have made good progress in the first six months of the year, realising £12.8 million of development and trading gains in the period to 31 August 2018, in line with our H1 target. We are confident that we have the strategy, team and pipeline to meet our £45-50 million development and trading target for the full year and we remain well placed to benefit from the shortfall of quality mixed-use schemes, which continue to drive strong demand in our key, high-growth, geographies of London City Region, Manchester and Dublin.*

*We are seeing a growing number of opportunities to deliver value through our public private partnerships, trading and investment activities, as evidenced by our Cambridge win, exclusive negotiations for a new PPP project, three new trading projects under offer, and our acquisition in Bournemouth. We are committed to delivering value for both our investors and the communities in which we work through our purpose driven performance and look forward to demonstrating this over the next six months and beyond."*

**Financial summary (unaudited for the six months ended 31 August 2018 and 31 August 2017)**

| | **31 Aug 2018** | 31 Aug 2017 | 28 Feb 2018 |
|---|---|---|---|
| Development and trading gains* | **£12.8 million** | £7.2 million | £68.3 million |
| (Loss) / profit before tax | **(£4.2) million** | (£3.3) million | £48.2 million |
| Basic NAV | **£356.2 million** | £336.8 million | £379.3 million |
| Basic NAV per share | **284p** | 269p | 303p |
| Basic (loss) / earnings per share | **(3.5)p** | (3.2)p | 32.2p |
| Dividend per share (in respect of period reported) | **2.4p** | 2.4p | 5.9p |
| Supplemental dividend per share declared | **-** | - | 12.0p |
| Net debt | **£118.7 million** | £159.4 million | £119.1 million |
| Gearing | **33.3%** | 47.3% | 31.4% |

***non-GAAP measure (refer to note 19)**

**Conference call for analysts and investors**
The Company will hold an audiocast for sell-side analysts and investors at 9am today hosted by: Matthew Weiner, 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:**
https://www.investis-live.com/uandi/5b97eaca7fa26e1000f5ce18/uiui

**Participant dial-in numbers**

| | |
|---|---|
| United Kingdom | 020 3936 2999 |
| All other locations | +44 20 3936 2999 |
| Access code | 961073 - please quote **U+I** for access to the conference |

**Replay information**

| | |
|---|---|
| United Kingdom | 020 3936 3001 |
| All other locations | + 44 20 3936 3001 |
| Replay code: | 697621 |

**Forthcoming announcement dates:**
As previously announced, the Company will report its full year results for the thirteen months to 31 March 2019 in May 2019.

**For further information, please contact:**
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**About U+I**

U+I is a specialist regeneration developer and investor.

With a c.£9.5 billion portfolio of complex, mixed-use, community-focused regeneration projects including a £145.7 million investment portfolio, we are unlocking urban sites bristling with potential in the London City Region (within one hour's commute from Central London), Manchester and Dublin. We exist to create long-term socio-economic benefit for the communities in which we work, delivering sustainable returns to our shareholders.

To find out more, visit www.uandiplc.com or follow us @uandiplc

# Chief Executive's Statement

I am pleased to report positive progress in the first half of the year, such that we remain on track to achieve our £45-50 million development and trading gains target for the full year, whilst extending our pipeline visibility.

Consistent with our previously stated policy, the Board has declared an unchanged interim dividend of 2.4 pence per share, which will be payable on 30 November 2018 to Shareholders on the register on 2 November 2018.

**Development and trading portfolio – delivering gains in line with H1 target**

Our development and trading portfolio comprises both long-term, large scale public private partnership (“PPP”) projects and shorter-term trading opportunities and is founded on our ability to secure land well and add value, primarily through the planning process. In the year to date we have realised a total of £12.8 million of gains from a number of development and trading opportunities and we see strong momentum going into the second half of the year.

In June, we completed the sale of our retail-led, mixed-use scheme in Bicester (previously identified as Mixed-Use Scheme A) to Value Retail, delivering development and trading gains towards the top end of guidance. The decision to sell instead of obtaining planning and developing out the scheme was taken as part of our focus on fewer, larger mixed-use projects.

Also in June, we exchanged contracts for the sale of Bryn Blaen Wind Farm and expect to complete the sale in January 2019; this has enabled us to book £5.0 million of gains in the period. We are hopeful of achieving planning consent for Hendy Wind Farm imminently and are ready to commence construction of the project to realise £5-7 million of gains in this financial year. Delays in securing planning consent at Rhoscrowther, our remaining wind farm project, mean we have missed the subsidy window and we now expect to deliver a lower than previously identified level of gains in FY20. This delay will not impact achieving our overall FY19 £45-50 million development and trading gains target.

Post period end, we have secured a resolution to grant planning for our joint venture mixed-use scheme in the Royal Borough of Kensington and Chelsea (announced on 25 September). We have also exchanged on the sale of our share of the joint venture of the residential units at Circus Street in Brighton.

At our retail project in Lichfield we have taken a £3.4 million write off as we were unable to deliver a viable project prior to the longstop date in the PPP agreement; we will not incur any other costs.

We made further progress at St Mark’s Square in Bromley, with practical completion of the retail and leisure elements as well as two of the five residential blocks occurring since the period end. The remaining three residential blocks will complete by the end of January, following which we will launch the residential sales campaign, where we have, to date, already pre-sold 129 of the 200 units. Post the opening of the leisure element of the scheme in January, we have agreed with our funding partners Hermes Investment Management (“Hermes”) to market the leisure asset for sale. Present indications are that the asset, which is 92% pre-let and comprises a nine screen Vue cinema, a 130 bed Premier Inn hotel and nine restaurant units, together with an underground car park, is worth in excess of £39 million. Under the arrangement, U+I will participate in sale proceeds received in excess of this figure. Whilst we do not anticipate such circumstances arising, in the event that the asset is not sold, Hermes can elect for U+I to acquire the asset for £39 million.

**Growing GDV and increased pipeline visibility**

Our focus on the three core geographies of London City Region, Manchester and Dublin, where there is a significant shortfall in quality mixed-use schemes, is opening up new opportunities for us as the public sector looks to improve the socio-economic productivity of its land holdings. Our creative approach and trusted reputation for delivery has led to us being awarded a major PPP project in Cambridge in July. In our role as masterplanner and promoter of the Cambridge Northern Fringe East site, we will transform the current water recycling centre into a major, residential-led, mixed-use urban quarter.

We have also entered into exclusive negotiations for a new PPP project in the London City Region and remain shortlisted for a major PPP opportunity in Dublin, where we believe a final selection decision will be reached in H2. These two projects would add over £2.0 billion to our pipeline gross development value.

Supporting our strategic objective to continue to grow our pipeline, we were pleased to be selected onto the GLA’s London Development Panel (“LDP”) in August. We are part of a small group of housing associations, developers and contractors with whom public bodies in London can work to transform underused public land into the mixed-use accommodation so urgently needed. We believe the LDP will be used to procure and bring forward up to £20 billion worth of development land over the next four years, creating exciting new business opportunities for us.

**Investment portfolio – future proofing through income sustainability**
Capital value in the investment portfolio was down £4.5 million, representing a 2.6% decline on a like for like basis in the first six months, when including our share of joint ventures. The overall negative performance mainly reflects current market sentiment towards UK secondary retail which is putting upward pressure on cap rates, irrespective of the quality or functionality of the asset. Positively, rents in our investment portfolio have remained largely unchanged (down 1%) and we have 98% occupancy by lettable space at our six shopping centres. The convenience and community nature of our schemes should allow us to deliver sustainable income returns (7.6% after expiry of rent free periods) from these assets, which provide the right retail experience, to the relevant customer, while at the same time being affordable to occupiers.

As we target £50 million of new acquisitions for the full year, we were pleased to acquire a 98,000 sq. ft. mixed-use scheme in Bournemouth for £11.3 million in the period. Part of the thriving St Peter's Quarter, the asset has the right occupier mix to cater for the town's population of students and retirees, both of whom are above averagely represented. We see potential in the asset and believe it will achieve a >10% total return, through a solid and growing income return, with 56% of the rent subject to fixed or RPI uplifts.

This new acquisition is in line with our focus on income sustainable assets with asset management potential and optionality for change of use. Bournemouth is expected to continue to see above average population growth over the next ten years, with retail footfall up 13.9% year on year, and there is an undersupply of student accommodation. Post the period end, we have agreed terms to acquire a further convenience asset aligned to its local catchment area in the London City Region. The asset has a strong income return and potential to add value through lease restructurings.

We are also making progress in meeting our disposals target. Subject to planning, we expect to exchange for the sale of our vacant Belsize Park asset in excess of £5.0 million. We expect the planning consent to be secured on or around the financial year end. We have identified other potential sales within the portfolio where we believe it is the right time to sell and aim to deliver on our £25 million sales objective – albeit we will only sell assets at the right price and to minimise any interest drag from the Aviva debt facility.

Asset management initiatives remain key to enhancing and capturing value in our portfolio. At Caxton Works, we are making strong progress in securing lettings, achieving a £0.7 million valuation uplift (c.30% increase) in the half year period. We have already identified c.£4 million for the full year – putting us on track for our £5 million target. In addition to the expected Belsize Park disposal, we are in legals to re-gear the occupational lease at Gemini Building at Harwell to deliver further capital value uplift. As we continue to retain assets where we see long-term potential from our development and trading portfolio, we expect to transfer three units at The Old Vinyl Factory into our investment portfolio in the second half of the year – two of these units are pre-let.

**Specialist platforms – developing our capital partner relationships**
In line with our key objective outlined in our Report and Accounts, we see a clear opportunity to bring about transformational change by extending our strategic platforms and capital partner relationships. This would provide a number of benefits and efficiencies to the business and allow our partners to share in the success of our major PPP schemes. Our significant £9.5 billion pipeline and scale compared to when we were formed in 2014, along with the relationships, trust and reputation we have developed within the public sector, will allow us to target additional capital partners with an attractive long-term proposition. We have appointed advisors to identify capital partner(s) to fund three of our major pipeline PPP projects; we will provide an update on progress at the full year.

During the first half, we have been very active in Dublin. In August, we completed the refurbishment of Donnybrook House, increasing the net lettable office area by 37%, and launched this landmark six-level office development, to the occupational market. Construction is also underway at The Hive (rebranded in October from Ballymoss House) in Sandyford where we are fully refurbishing and extending this building, to meet the shortfall of quality office space in the area. Furthermore, we aim to achieve full planning approval and commence construction at Carrisbrook House in H2. All these assets are held in joint venture with Colony Capital.

In the London City Region, we completed the sale of Charlton Riverside securing further profit of £3.3 million from that previously reported. The asset was held in joint venture with Proprium Capital Partners.

**Creating opportunity through operational improvements**

One of our objectives for this financial year was to implement further business efficiencies to drive greater consistency across the business. I am pleased with the progress we have made putting new processes in place to improve our finance and management systems. We have revised the structure of our Acquisitions team, to put an even greater focus on trading opportunities. This has led to us securing three new trading projects since the half year, which have the potential to deliver substantial gains within our five-year guidance period. We have created a Development Director role in Dublin to support our growth in this important region. We are also reviewing all aspects of our cost base and will provide greater detail on the progress within our efficiencies programme at the full year.

**Outlook – good momentum going into H2**

We look forward to delivering further development and trading gains in the second half through Kensington Church Street, Preston Barracks, Harwell, Curzon Park and our Hendy Wind Farm project, in line with our guidance. Important milestone planning applications (eight projects) will also be a strong feature of the second half of the year, helping to improve visibility of future gains (albeit none will contribute to FY19 gains), as we continue to target 12% average post tax total return. These will include our major PPP projects at 8 Albert Embankment and Landmark Court.

As a business we are at the heart of the major market trends. There is cross-party support and demand for quality mixed-use spaces, incorporating offices and housing in high-growth regions where access to talent, tolerance, transport and tourism is strong. We have great visibility over our pipeline for the next ten years and continue to target new business opportunities to develop this further, supported by our role on the LDP and TfL panels which give us privileged access to exciting new public sector opportunities. Notwithstanding Brexit and wider market uncertainty, I remain confident in our outlook for the second half of the year as we continue to realise value through successful urban regeneration.

**Matthew Weiner, Chief Executive**

23 October 2018

# Financial review

Net assets attributable to shareholders decreased by £23.1 million to £356.2 million (28 February 2018: £379.3 million) reflecting the result for the period and the payment of £19.4 million of dividends declared in respect of the previous financial year (£15.0 million supplemental dividend and £4.4 million final dividend).

The result for the six months to 31 August 2018 was a loss before tax of £4.2 million (31 August 2017: £3.3 million loss).

Our guidance for development and trading gains for the financial year has been reconfirmed as a range of £45-50 million, following the delivery of £12.8 million of gains in the first half of the year.

As at 31 August 2018 our net debt stood at £118.7 million representing gearing of 33.3% (28 February 2018: £119.1 million and 31.4%). Since 31 August, the Group has fully repaid £26.9 million of debt following the completion of sales of residential units at our Ilford scheme, giving a current gearing level of 25.8%.

Overall, the weighted average maturity of our debt is 6.0 years with a weighted average interest rate of 4.8%, excluding joint ventures.

The Group continues to monitor its risk profile on a regular basis. The main business risks continue to be construction and planning risk with an increasing element of market/political risk as the Government continues its Brexit related negotiations. 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 2018 Annual Report.

# Portfolio analysis

**Tenant profile – gross rental income**

| | | |
|---|---|---|
| 1 | FTSE 100 | 4.0% |
| 2 | Government | 1.6% |
| 3 | PLC/Nationals | 48.8% |
| 4 | Regional Multiples | 6.3% |
| 5 | Local Traders | 39.3% |

**Location profile – capital value**

| | | |
|---|---|---|
| 1 | London | 19.5% |
| 2 | South East | 23.3% |
| 3 | South West | 29.0% |
| 4 | Midlands | 3.1% |
| 5 | North | 15.1% |
| 6 | Wales | 4.8% |
| 7 | Ireland | 5.2% |

**Lease profile – gross rental income**

| | | |
|---|---|---|
| 1 | 0-5 years | 56.3% |
| 2 | 5-10 years | 25.9% |
| 3 | 10-15 years | 12.8% |
| 4 | 15-20 years | 3.2% |
| 5 | 20 years+ | 1.8% |

**Analysis by sector – capital value**

| | | |
|---|---|---|
| 1 | Food store anchored retail | 60.0% |
| 2 | Other retail | 19.4% |
| 3 | Office | 12.8% |
| 4 | Leisure | 7.8% |

*Income generating properties as at 31 August 2018*

| **Top five occupiers** | | **31 August 2018** |
|---|---|---|
| | Annual rent £'m | % of contracted rent |
| Matalan | 0.5 | 4.4 |
| J Sainsbury Plc | 0.5 | 3.9 |
| Ricardo-Aea Ltd | 0.4 | 3.1 |
| JD Wetherspoon PLC | 0.3 | 2.3 |
| Wilkinson | 0.3 | 2.3 |

| **Top five occupiers** | | 28 February 2018 |
|---|---|---|
| | Annual rent £'m | % of contracted rent |
| Matalan | 0.5 | 6.1 |
| J Sainsbury Plc | 0.5 | 5.5 |
| Ricardo-Aea Ltd | 0.4 | 4.4 |
| Wilkinson | 0.3 | 3.2 |
| Specsavers | 0.2 | 2.3 |

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

| | | | | **31 August 2018** |
|---|---|---|---|---|
| | Properties owned throughout the period £ million | Acquisitions £ million | Disposals £ million | Total net rental income £ million |
| Investment properties | 4.6 | 1.5 | – | 6.1 |
| Development and trading properties | 0.9 | – | – | 0.9 |
| Joint ventures | 1.7 | 0.2 | 0.1 | 2.0 |
| | **7.2** | **1.7** | **0.1** | **9.0** |

| | | | | **31 August 2017** |
|---|---|---|---|---|
| | Properties owned throughout the period £ million | Acquisitions £ million | Disposals £ million | Total net rental income £ million |
| Investment properties | 4.8 | – | 1.3 | 6.1 |
| Development and trading properties | 0.9 | – | 0.5 | 1.4 |
| Joint ventures | 1.3 | 0.1 | 0.2 | 1.6 |
| | **7.0** | **0.1** | **2.0** | **9.1** |

**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 % |
|---|---|---|---|---|---|---|---|---|
| **31 August 2018** | **145.7** | **12.5** | **17** | **£1.14m/148 sq.ft.** | **6.6** | **8.1** | **8.9** | **91.2** |
| 28 February 2018 | 139.5 | 8.9 | 16 | £0.5m/22 sq.ft. | 6.2 | 8.3 | 7.9 | 99.8 |
| 31 August 2017 | 173.0 | 12.6 | 17 | £0.4m/17 sq.ft. | 6.9 | 7.5 | 6.0 | 99.4 |

** Based on the core investment property assets only.*

# Consolidated statement of comprehensive income unaudited for the six months ended 31 August 2018

| | Notes | **Six months to 31 August 2018 unaudited £ million** | Six months to 31 August 2017 unaudited £ million | Year ended 28 February 2018 audited £ million |
|---|---|---|---|---|
| **Revenue** | 2 | **54.0** | 42.1 | 173.7 |
| Direct costs | 2 | **(48.8)** | (32.4) | (117.5) |
| **Gross profit** | 2 | **5.2** | 9.7 | 56.2 |
| Operating costs | 2 | **(11.0)** | (10.0) | (24.2) |
| (Loss)/gain on disposal of investment properties | 2 | **(0.1)** | 1.5 | 3.3 |
| Loss on revaluation of property portfolio | 2 | **(6.2)** | (0.8) | (2.4) |
| **Operating (loss)/profit** | | **(12.1)** | 0.4 | 32.9 |
| Other income | 2 | **1.4** | 1.0 | 2.1 |
| Share of post-tax profits of joint ventures and associates | 10 | **5.4** | 2.7 | 16.2 |
| Profit on sale of investment | 2 | **4.4** | – | 6.7 |
| **(Loss)/profit before interest and income tax** | 2 | **(0.9)** | 4.1 | 57.9 |
| Finance income | 3 | **0.1** | – | 0.1 |
| Finance costs | 3 | **(3.4)** | (7.4) | (9.8) |
| **(Loss)/profit before income tax** | | **(4.2)** | (3.3) | 48.2 |
| Income tax | 4 | **(0.3)** | (0.7) | (7.9) |
| **(Loss)/profit after income tax for the period attributable to owners of the parent** | | **(4.5)** | (4.0) | 40.3 |
| | | | | |
| **Other comprehensive income:** | | | | |
| **(Loss)/profit for the period** | | **(4.5)** | (4.0) | 40.3 |
| **Items that will be reclassified subsequently to profit or loss:** | | | | |
| Currency translation differences | | **0.2** | 0.7 | 0.3 |
| **Total comprehensive income for the period attributable to owners of the parent** | | **(4.3)** | (3.3) | 40.6 |
| | | | | |
| **Basic (loss)/earnings per share** | 6 | **(3.5)p** | (3.2)p | 32.2p |
| **Diluted (loss)/earnings per share** | 6 | **(3.5)p** | (3.2)p | 32.2p |

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

Notes 1 to 19 form an integral part of these condensed consolidated interim financial statements

# Consolidated balance sheet
# unaudited as at 31 August 2018

| | Notes | **31 August 2018 unaudited £ million** | 31 August 2017 unaudited £ million | 28 February 2018 audited £ million |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| **Direct real estate interests** | | | | |
| Investment properties | 7 | **145.7** | 173.0 | 139.5 |
| Operating property | | **0.8** | 0.8 | 0.8 |
| Trade and other receivables | | **8.7** | 3.0 | 2.5 |
| | | **155.2** | 176.8 | 142.8 |
| **Indirect real estate interests** | | | | |
| Investments in associates | 10 | **5.3** | 4.3 | – |
| Investments in joint ventures | 10 | **86.9** | 57.4 | 92.8 |
| Intangible assets – goodwill | 8 | **2.3** | 2.3 | 2.3 |
| Loans to joint operations and other real estate businesses at fair value through profit or loss | 17 | **8.0** | – | – |
| Loans to joint operations and other real estate businesses available-for-sale | 17 | – | 14.5 | 15.8 |
| Financial assets at fair value through other comprehensive income | 17 | **1.3** | – | – |
| | | **103.8** | 78.5 | 110.9 |
| **Other non-current assets** | | | | |
| Other plant and equipment | | **4.2** | 5.8 | 4.3 |
| Deferred income tax assets | | **1.3** | 1.2 | 1.2 |
| | | **5.5** | 7.0 | 5.5 |
| **Total non-current assets** | | **264.5** | 262.3 | 259.2 |
| **Current assets** | | | | |
| Inventory – development and trading properties | 9 | **206.3** | 247.5 | 216.4 |
| Other financial assets at amortised cost | 17 | **8.9** | 8.8 | 8.9 |
| Other financial assets available-for-sale | 17 | – | 10.0 | 7.9 |
| Other financial assets at fair value through profit or loss | 17 | **11.9** | – | – |
| Trade and other receivables | | **64.9** | 51.9 | 119.6 |
| Monies held in restricted accounts and deposits | | **15.7** | 29.2 | 11.5 |
| Cash and cash equivalents | | **44.1** | 13.8 | 40.6 |
| | | **351.8** | 361.2 | 404.9 |
| **Total assets** | | **616.3** | 623.5 | 664.1 |
| **Current liabilities** | | | | |
| Trade and other payables | | **(70.9)** | (61.0) | (99.7) |
| Current income tax liabilities | | **(5.8)** | (1.5) | (7.7) |
| Borrowings | 11 | **(70.4)** | (50.2) | (63.2) |
| Provisions for other liabilities and charges | 12 | **(1.0)** | (1.9) | (2.5) |
| | | **(148.1)** | (114.6) | (173.1) |
| **Non-current liabilities** | | | | |
| Trade and other payables | | – | (16.7) | – |
| Borrowings | 11 | **(108.1)** | (152.2) | (108.0) |
| Deferred income tax liabilities | | **(3.5)** | (2.8) | (3.3) |
| Provisions for other liabilities and charges | 12 | **(0.4)** | (0.4) | (0.4) |
| | | **(112.0)** | (172.1) | (111.7) |
| **Total liabilities** | | **(260.1)** | (286.7) | (284.8) |
| **Net assets** | | **356.2** | 336.8 | 379.3 |
| **Equity** | | | | |
| Share capital | 13 | **62.7** | 62.6 | 62.7 |
| Other reserves | | **161.9** | 160.0 | 161.1 |
| Retained earnings | | **131.6** | 114.2 | 155.5 |
| **Total equity** | | **356.2** | 336.8 | 379.3 |
| **Basic/diluted net assets per share attributable to owners of the Parent** | 6 | **284p/284p** | 269p/269p | 303p/303p |

Notes 1 to 19 form an integral part of these condensed consolidated interim financial statements.

# Consolidated statement of changes in equity unaudited as at 31 August 2018

| | Share capital £ million | Other reserves £ million | Retained earnings £ million | Total £ million |
|---|---|---|---|---|
| **Balance at 1 March 2017** | 62.6 | 158.9 | 126.1 | 347.6 |
| Loss for the six months ended 31 August 2017 | – | – | (4.0) | (4.0) |
| Other comprehensive income: | | | | |
| Currency translation differences - Group | – | 0.7 | – | 0.7 |
| **Total comprehensive income for the six month period ended 31 August 2017** | – | 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) |
| **Total contributions by and distributions to owners of the Company** | – | 0.4 | (7.9) | (7.5) |
| **Balance at 31 August 2017** | **62.6** | **160.0** | **114.2** | **336.8** |
| Profit for the six months ended 28 February 2018 | – | – | 44.3 | 44.3 |
| Other comprehensive income: | | | | |
| Currency translation differences - Group | – | (0.4) | – | (0.4) |
| **Total comprehensive income for the six month period ended 28 February 2018** | – | (0.4) | 44.3 | 43.9 |
| Issue of Ordinary shares | 0.1 | 0.1 | – | 0.2 |
| Share based payments | | 1.4 | – | 1.4 |
| Interim dividend 2018 | – | – | (3.0) | (3.0) |
| **Total contributions by and distributions to owners of the Company** | 0.1 | 1.5 | (3.0) | (1.4) |
| **Balance at 28 February 2018** | **62.7** | **161.1** | **155.5** | **379.3** |
| Loss for the six months ended 31 August 2018 | – | – | (4.5) | (4.5) |
| Other comprehensive income: | | | | |
| Currency translation differences - Group | – | 0.2 | – | 0.2 |
| **Total comprehensive income for the six month period ended 31 August 2018** | – | 0.2 | (4.5) | (4.3) |
| Issue of Ordinary shares | – | 0.2 | – | 0.2 |
| Share based payments | – | 0.2 | – | 0.2 |
| Utilisation of treasury shares | – | 0.2 | – | 0.2 |
| Final dividend relating to 2018 | – | – | (4.4) | (4.4) |
| Supplemental dividend 2018 | – | – | (15.0) | (15.0) |
| **Total contributions by and distributions to owners of the Company** | – | 0.6 | (19.4) | (18.8) |
| **Balance at 31 August 2018** | **62.7** | **161.9** | **131.6** | **356.2** |

Notes 1 to 19 form an integral part of these condensed consolidated interim financial statements.

# Consolidated cash flow statement
# unaudited for the six months ended 31 August 2018

| | Notes | Six months to 31 August 2018 unaudited £ million | Six months to 31 August 2017 unaudited £ million | Year ended 28 February 2018 audited £ million |
|---|---|---|---|---|
| **Cash flows from operations** | | | | |
| Cash flows generated from/(used in) operating activities | 14 | **25.8** | (31.6) | (0.2) |
| Interest paid | | **(2.6)** | (4.4) | (9.1) |
| Income tax (paid)/received | | **(2.0)** | 0.1 | (0.3) |
| **Net cash generated from/(used in) operating activities** | | **21.2** | (35.9) | (9.6) |
| **Cash flows from investing activities:** | | | | |
| Interest received | | **0.1** | 3.7 | 3.8 |
| Proceeds on disposal of investment properties | | **–** | 7.3 | 39.2 |
| Purchase of other plant and equipment | | **(0.4)** | (0.2) | (0.8) |
| Purchase of investment properties | | **(12.4)** | (0.4) | (2.4) |
| Investment in joint ventures and associates | | **(16.0)** | (10.0) | (31.5) |
| Proceeds from sale of subsidiary | | **3.5** | – | – |
| Cash inflow from joint ventures and associates – fees and distributions | | **23.3** | 6.5 | 11.4 |
| Cash outflow for financial asset loan | | **(0.2)** | (3.6) | (5.7) |
| Cash inflow from financial assets – loans repaid by other real estate businesses | | **2.7** | 5.0 | 10.5 |
| **Net cash generated from/(used in) investing activities** | | **0.6** | 8.3 | 24.5 |
| **Cash flows from financing activities:** | | | | |
| Dividends paid | | **(19.4)** | (7.9) | (10.9) |
| Issue of new shares | | **0.2** | – | 0.2 |
| Repayments of borrowings | | **(0.6)** | (12.1) | (120.6) |
| New bank loans raised | | **5.7** | 39.6 | 118.1 |
| Transaction costs associated with borrowings | | **–** | (0.3) | (0.9) |
| Cash released from restricted accounts | | **13.6** | – | 27.4 |
| Cash retained by restricted accounts | | **(17.8)** | (1.7) | (11.4) |
| **Net cash (used in)/generated from financing activities** | | **(18.3)** | 17.6 | 1.9 |
| **Net increase/(decrease) in cash and cash equivalents** | | **3.5** | (10.0) | 16.8 |
| Cash and cash equivalents at the beginning of the period | | **40.6** | 23.8 | 23.8 |
| **Cash and cash equivalents at the end of the period** | | **44.1** | 13.8 | 40.6 |
| **Cash and cash equivalents comprise:** | | | | |
| Cash at bank and in hand | | **44.1** | 13.8 | 40.6 |
| **Cash and cash equivalents at the end of the period** | | **44.1** | 13.8 | 40.6 |

| | Notes | Six months to 31 August 2018 unaudited £ million | Six months to 31 August 2017 unaudited £ million | Year ended 28 February 2018 Audited £ million |
|---|---|---|---|---|
| **Net debt comprises:** | | | | |
| Monies held in restricted accounts and deposits | | **15.7** | 29.2 | 11.5 |
| Cash and cash equivalents | | **44.1** | 13.8 | 40.6 |
| Financial liabilities: | | | | |
| Current borrowings | 11 | **(70.4)** | (50.2) | (63.2) |
| Non-current borrowings | 11 | **(108.1)** | (152.2) | (108.0) |
| **Net debt** | | **(118.7)** | (159.4) | (119.1) |

Notes 1 to 19 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 2018

## 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 2018 comprise the results of the Company and its subsidiaries and were authorised by the Board for issue on 24 October 2018.

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 2018, 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 2018 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 2018 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', as adopted by the European Union. The condensed consolidated interim financial statements should be read in conjunction with the Group's annual financial statements for the year ended 28 February 2018, 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. Having assessed the principal risks facing the Group, the Directors considered it appropriate to 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 acquired an investment property asset for £11.3 million, net of costs, during the period (note 7).
- Development and trading activity continued to be strong with a high level of construction work (£31.5 million) and disposals (£35.3 million) in the period (note 9).
- The Group disposed of its interest in Bicester via a corporate disposal in the period, realising a gain of £4.5 million.
- The Group has written down two trading and development projects to net realisable value in the period. This has resulted in a net write down of £3.9 million.

### 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 2018.

**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 2018, as described in those financial statements other than stated below (refer note 17).

A number of new standards and amendments to standards have been issued and from 1 March 2018. The most significant of these are set out below:

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments

The impact of adoption of these standards and the new accounting policies have been assessed and details are disclosed in note 17.

In addition, the following standards were also issued, effective from 1 March 2018. These standards did not have any impact on the Groups accounting policies.

- IFRS 2 Share based payments
- IAS 40 Investment Property

The following new standards has been issued and is effective from 1 April 2019:

- IFRS 16 Leases

The Group is in the process of assessing the impact of the standard on the Group's results and a complete assessment of the impact of the pronouncements referred to above which are effective from 1 April 2019 will be disclosed in the 2019 Annual Report.

**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 2018.

Uncertainty surrounding the United Kingdom's exit from the European Union continues to be an area of risk for the Group, especially as the exit deadline moves closer. The Group continues to monitor the Brexit negotiations and their potential impact. Otherwise, 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**

The Directors closely monitor the Group's exposure to Euro denominated assets and liabilities. During the period, the Group has maintained investments in the Republic of Ireland and has increased it Euro denominated cash deposits, as property assets have been disposed of, in order to limit exposure to exchange rate fluctuations. The Board will enter into foreign currency hedging instruments to limit exposure if deemed 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 2018:

| | Level 1<br>£ million | Level 2<br>£ million | Level 3<br>£ million | Total<br>£ million |
|---|---|---|---|---|
| **Assets** | | | | |
| Investment properties | – | – | 145.7 | 145.7 |
| Financial assets at fair value through other comprehensive income (FVOCI) | – | – | 1.3 | 1.3 |
| Financial assets at fair value through profit or loss (FVPL) | | | 19.9 | 19.9 |
| **Total assets** | **–** | **–** | **166.9** | **166.9** |

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

| | Level 1 £ million | Level 2 £ million | Level 3 £ million | Total £ million |
|---|---|---|---|---|
| **Assets** | | | | |
| Investment properties | – | – | 173.0 | 173.0 |
| Available-for-sale financial assets | – | – | 24.5 | 24.5 |
| **Total assets** | **–** | **–** | **197.5** | **197.5** |

The following table presents the Group's assets that are measured at fair value at 28 February 2018:

| | Level 1 £ million | Level 2 £ million | Level 3 £ million | Total £ million |
|---|---|---|---|---|
| **Assets** | | | | |
| Investment properties | – | – | 139.5 | 139.5 |
| Available-for-sale financial assets | – | – | 23.7 | 23.7 |
| **Total assets** | **–** | **–** | **163.2** | **163.2** |

Derivative financial instruments at fair value through profit or loss of £nil million loss (31 August 2017: loss of £0.1 million and 28 February 2018: loss of £0.2 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.

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

| | Financial assets at fair value through other comprehensive income £ million | Financial assets at fair value through profit and loss £ million |
|---|---|---|
| **At 1 March 2017** | – | 29.6 |
| Loans advanced | – | 3.8 |
| Settlements | – | (8.9) |
| **At 31 August 2017** | – | 24.5 |
| Loans advanced | – | 1.8 |
| Settlements | – | (1.6) |
| Impairments | – | (1.0) |
| **At 28 February 2018** | – | 23.7 |
| Loans advanced | – | 0.2 |
| Settlements | – | (2.7) |
| Transfer to financial assets at fair value through other comprehensive income (FVOCI) | 1.3 | (1.3) |
| **At 31 August 2018** | **1.3** | **19.9** |

| | |
|---|---|
| Total unrealised losses for the period included in profit or loss for assets held at 31 August 2018 | – |
| Total unrealised losses for the period included in profit or loss for assets held at 28 February 2018 | – |
| Total unrealised losses for the period included in profit or loss for assets held at 31 August 2017 | – |

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 which are recognised at FVPL where the loan amount is not the best evidence of fair value. For those assets valued at FVOCI, the Board takes in to account future cashflows and risk adjusted discount rates.

**Contingent consideration in a business combination**

The Group had no contingent consideration liabilities at 31 August 2018, 31 August 2017 or 28 February 2018.

**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 | 2.64% - 10.50% |
| 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 2018.

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.

**h) Capital commitments**

As at 31 August 2018, the Group had no contracted capital expenditure or commitments for loans to its associates (31 August 2017 and 28 February 2018: £nil).

**2. SEGMENTAL ANALYSIS**

Following the decision to scale down its serviced office business the Group has reassessed its operating divisions. From 1 March 2018, for management purposes, the Group is now organised into two 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; and |
| 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. |

The remaining elements of the service office operation will now be reported under the investment division. Operating segmental information for the period ending 31 August 2017 and 28 February 2018 are reported below. Operating revenue was received from serviced office operations and was principally received from short-term licence agreements. During the period, the operating segments would have reported a break even result.

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 2018 (unaudited) | | |
|---|---|---|---|
| | Investment £ million | Development and trading £ million | Total £ million |
| **Segment revenue** | **7.5** | **46.5** | **54.0** |
| Direct costs | **(3.6)** | **(45.2)** | **(48.8)** |
| **Segment result** | **3.9** | **1.3** | **5.2** |
| Operating costs | **(1.2)** | **(9.8)** | **(11.0)** |
| Gain on disposal of investment properties | **(0.1)** | **–** | **(0.1)** |
| Loss on revaluation of investment property portfolio | **(6.2)** | **–** | **(6.2)** |
| **Operating loss** | **(3.6)** | **(8.5)** | **(12.1)** |
| Other income | **0.3** | **1.1** | **1.4** |
| Share of post-tax (loss)/profit of joint ventures | **(1.7)** | **7.1** | **5.4** |
| Profit on sale of investment | **–** | **4.4** | **4.4** |
| **(Loss)/profit before interest and income tax** | **(5.0)** | **4.1** | **(0.9)** |
| Finance income | **0.1** | **–** | **0.1** |
| Finance costs | **(1.1)** | **(2.3)** | **(3.4)** |
| **(Loss)/profit before income tax** | **(6.0)** | **1.8** | **(4.2)** |
| Income tax | | | **(0.3)** |
| **Loss after income tax** | | | **(4.5)** |

| | | | |
|---|---|---|---|
| **Assets and liabilities** | | | |
| Segment assets | **171.1** | **394.3** | **565.4** |
| Unallocated assets | | | **50.9** |
| **Total assets** | | | **616.3** |
| | | | |
| Segment liabilities | **(73.5)** | **(174.5)** | **(248.0)** |
| Unallocated liabilities | | | **(12.1)** |
| **Total liabilities** | | | **(260.1)** |
| | | | |
| **Revenue** | | | |
| Rental income | **6.1** | **0.9** | **7.0** |
| Serviced office income | **1.3** | **–** | **1.3** |
| Project management fees | **–** | **0.2** | **0.2** |
| Trading property sales | **–** | **4.7** | **4.7** |
| Development proceeds | **–** | **38.4** | **38.4** |
| Other income | **0.1** | **2.3** | **2.4** |
| | **7.5** | **46.5** | **54.0** |

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

| | Year ended 28 February 2018 (audited) | | | |
|---|---|---|---|---|
| | Investment £ million | Development and trading £ million | Operating £ million | Total £ million |
| **Segment revenue** | 12.1 | 157.5 | 4.1 | 173.7 |
| Direct costs | (3.7) | (109.0) | (4.8) | (117.5) |
| **Segment result** | 8.4 | 48.5 | (0.7) | 56.2 |
| Operating costs | (3.5) | (20.7) | – | (24.2) |
| Gain on disposal of investment properties | 3.3 | – | – | 3.3 |
| Loss on revaluation of investment property portfolio | (2.4) | – | – | (2.4) |
| **Operating profit** | 5.8 | 27.8 | (0.7) | 32.9 |
| Other income | 0.5 | 1.6 | – | 2.1 |
| Share of post-tax profit of joint ventures and associates | 3.2 | 13.0 | – | 16.2 |
| (Loss)/profit on sale of investment | (0.1) | 6.8 | – | 6.7 |
| **Profit/(loss) before interest and income tax** | 9.4 | 49.2 | (0.7) | 57.9 |
| Finance income | – | 0.1 | – | 0.1 |
| Finance costs | (4.9) | (4.9) | – | (9.8) |
| **Profit/(loss) before income tax** | 4.5 | 44.4 | (0.7) | 48.2 |
| Income tax | | | | (7.9) |
| **Profit after income tax** | | | | 40.3 |
| | | | | |
| **Assets and liabilities** | | | | |
| Segment assets | 175.4 | 444.8 | 2.4 | 622.6 |
| Unallocated assets | | | | 41.5 |
| **Total assets** | | | | 664.1 |
| | | | | |
| Segment liabilities | (74.2) | (192.5) | (4.0) | (270.7) |
| Unallocated liabilities | | | | (14.1) |
| **Total liabilities** | | | | (284.8) |
| | | | | |
| **Revenue** | | | | |
| Rental income | 12.0 | 2.1 | – | 14.1 |
| Serviced office income | – | – | 4.1 | 4.1 |
| Project management fees | – | 0.4 | – | 0.4 |
| Trading property sales | – | 21.0 | – | 21.0 |
| Other trading property income | – | 2.7 | – | 2.7 |
| Development proceeds | – | 131.3 | – | 131.3 |
| Other income | 0.1 | – | – | 0.1 |
| | 12.1 | 157.5 | 4.1 | 173.7 |

**3. FINANCE INCOME AND COSTS**

| | Six months to 31 August 2018 unaudited £ million | Six months to 31 August 2017 unaudited £ million | Year ended 28 February 2018 audited £ million |
|---|---|---|---|
| **Finance income** | | | |
| Interest receivable | **0.1** | – | 0.1 |
| **Total finance income** | **0.1** | – | 0.1 |
| | | | |
| **Finance costs** | | | |
| Interest on bank loans and other borrowings | **(4.1)** | (4.6) | (8.5) |
| Fair value loss on financial instruments – interest rate swaps, caps and collars | **–** | (0.1) | (0.2) |
| Amortisation of transaction costs | **(0.2)** | (0.4) | (1.4) |
| Net foreign currency differences arising on retranslation of cash and cash equivalents | **(0.6)** | (3.2) | (1.4) |
| | **(4.9)** | (8.3) | (11.5) |
| Capitalised interest on development and trading properties | **1.5** | 0.9 | 1.7 |
| **Total finance costs** | **(3.4)** | (7.4) | (9.8) |
| | | | |
| **Net finance costs** | **(3.3)** | (7.4) | (9.7) |
| **Net finance costs before foreign currency differences** | **(2.7)** | (4.2) | (8.3) |

## 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 period to 31 March 2019 is 19.0% (the estimated tax rate for 28 February 2018 was 19.1%).

| | Six months to 31 August 2018 unaudited £ million | Six months to 31 August 2017 unaudited £ million | Year ended 28 February 2018 Audited £ million |
|---|---|---|---|
| Current tax charge | **0.1** | 1.4 | 8.1 |
| Deferred tax (credit)/charge | **0.2** | (0.7) | (0.2) |
| Total income tax | **0.3** | 0.7 | 7.9 |

## 5. DIVIDENDS

| | Six months to 31 August 2018 unaudited | Six months to 31 August 2017 unaudited | Year ended 28 February 2018 Audited |
|---|---|---|---|
| Amounts recognised as distributions to equity holders in the period | **19.4** | 7.9 | 10.9 |
| Proposed dividend | **3.0** | 3.5 | 4.4 |
| Supplemental dividend declared | – | – | 15.0 |
| | Pence | Pence | Pence |
| Interim dividend per share | **2.40** | 2.40 | 2.40 |
| Final dividend per share | – | – | 3.50 |
| Supplemental dividend | – | – | 12.00 |

The £15.0 million supplemental dividend, approved on 25 April 2018, was paid on 15 June 2018. The final dividend of £4.4 million for the year to 28 February 2018 was paid on 17 August 2018.

An interim dividend was declared by the Board on 23 October 2018 and has not been included as a liability or deducted from retained earnings as at 31 August 2018. The interim dividend is payable on 30 November 2018 to Ordinary shareholders on the register at the close of business on 2 November 2018. The interim dividend in respect of the six-month period to 31 August 2018 will be recorded in the financial statements for the year ending 28 February 2019.

## 6. (LOSS)/EARNINGS 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 earnings/(loss) per share is based on the following data:

| | Six months to 31 August 2018 unaudited | Six months to 31 August 2017 unaudited | Year ended 28 February 2018 audited |
|---|---|---|---|
| **Loss** | | | |
| (Loss)/earnings for the purposes of basic and diluted earnings per share (£ million) | **(4.5)** | (4.0) | 40.3 |
| Revaluation loss/(surplus) (including share of joint venture revaluation surplus) | **3.8** | (1.4) | (13.5) |
| Loss/(gain) on disposal of investment properties | **0.1** | (1.5) | (3.3) |
| Net impairment of development and trading properties | **3.9** | – | 8.4 |
| Impairment of financial assets | – | – | 1.0 |
| Mark-to-market adjustment on interest rate swaps, caps and collars (including share of joint venture mark-to-market adjustment) | **–** | (0.2) | 0.1 |
| **EPRA adjusted earnings/(loss) from continuing activities attributable to owners of the Company** | **3.3** | (7.1) | 33.0 |
| **Number of shares (million)** | | | |
| Weighted average number of Ordinary shares for the purposes of basic earnings per share | **125.4** | 125.1 | 125.2 |
| Effect of dilutive potential Ordinary shares: | | | |
| – Share options | **0.1** | – | 0.1 |
| Weighted average number of Ordinary shares for the purpose of diluted earnings per share | **125.5** | 125.1 | 125.3 |
| **Basic (loss)/earnings per share (pence)** | **(3.5)p** | (3.2)p | 32.2p |
| **Diluted (loss)/earnings per share (pence)** | **(3.5)p** | (3.2)p | 32.2p |
| **EPRA adjusted earnings/(loss) per share (pence)** | **2.7p** | (5.6)p | 26.4p |
| **EPRA adjusted diluted earnings/(loss) per share (pence)** | **2.7p** | (5.6)p | 26.4p |

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 2018 unaudited | Six months to 31 August 2017 unaudited | Year ended 28 February 2017 audited |
|---|---|---|---|
| **Net assets (£ million):** | | | |
| **Basic net assets per share attributable to the owners** | **356.2** | 336.8 | 379.3 |
| Cumulative mark-to-market adjustment on interest rate swaps | – | (0.1) | – |
| **EPRA adjusted net assets** | **356.2** | 336.7 | 379.3 |
| Cumulative mark-to-market adjustment on interest rate swaps | – | 0.1 | – |
| Fair value of debt | **(10.6)** | (13.9) | (9.5) |
| **EPRA adjusted triple net assets** | **345.6** | 322.9 | 369.8 |
| Effect of dilutive potential Ordinary shares | **0.6** | 0.4 | 0.6 |
| **Diluted net assets** | **356.8** | 337.2 | 379.9 |
| **EPRA adjusted diluted net assets** | **356.8** | 337.1 | 379.9 |
| **EPRA adjusted diluted triple net assets** | **346.2** | 323.3 | 370.4 |
| | | | |
| **Number of shares (million):** | | | |
| **Number of shares in issue at the balance sheet date** | **125.4** | 125.2 | 125.3 |
| Effect of dilutive potential Ordinary shares | **0.3** | 0.2 | 0.5 |
| **Diluted number of shares in issue at the balance sheet date** | **125.7** | 125.4 | 125.8 |
| | | | |
| **Basic net assets per share (pence)** | **284p** | 269p | 303p |
| **Diluted net assets per share (pence)** | **284p** | 269p | 303p |
| **EPRA adjusted net assets per share (pence)** | **284p** | 269p | 303p |
| **EPRA adjusted diluted net assets per share (pence)** | **284p** | 269p | 303p |
| **EPRA adjusted triple net assets per share (pence)** | **276p** | 258p | 295p |
| **EPRA diluted triple net assets per share (pence)** | **275p** | 258p | 295p |

**7. INVESTMENT PROPERTIES**

| | Freehold £ million | Long leasehold £ million | Total £ million |
|---|---|---|---|
| **At valuation 1 March 2017** | 136.9 | 42.3 | 179.2 |
| Additions: | | | |
| – capital expenditure | 0.4 | – | 0.4 |
| Disposals | (4.3) | (1.5) | (5.8) |
| Loss on revaluation | (0.7) | (0.1) | (0.8) |
| **At valuation 31 August 2017** | 132.3 | 40.7 | 173.0 |
| Additions: | | | |
| – acquisitions | – | 1.6 | 1.6 |
| – capital expenditure | 0.1 | 0.3 | 0.4 |
| Transfer from development and trading assets | 13.0 | 0.5 | 13.5 |
| Disposals | (47.4) | – | (47.4) |
| Loss on revaluation | (0.6) | (1.0) | (1.6) |
| **At valuation 28 February 2018** | 97.4 | 42.1 | 139.5 |
| Additions: | | | |
| – acquisitions | 11.3 | – | 11.3 |
| – capital expenditure | 0.7 | 0.4 | 1.1 |
| Loss on revaluation | (4.5) | (1.7) | (6.2) |
| **At valuation 31 August 2018** | **104.9** | **40.8** | **145.7** |

The Group's investment properties have been valued at 31 August 2018 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 £130.5 million (31 August 2017: £157.8 million, 28 February 2018: £124.3 million).

Included within investment properties are freehold land and buildings representing investment properties under development, amounting to £15.2 million (31 August 2017: £15.2 million, 28 February 2018: £15.2 million), which have been valued by the Directors. Of this, £8.1 million (31 August 2017: £8.1 million, 28 February 2018: £8.1 million) comprise buildings and landholdings adjacent to retail properties within the Group's portfolio, acquired for the purpose of extending existing shopping centres. The balance of £7.1 million relates to strategic land held for the future development of 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 and hence has been estimated by the Directors at cost as an approximation to fair value.

## 8. INTANGIBLE ASSETS - GOODWILL

| | £ million |
|---|---|
| **Goodwill** | |
| **At 1 March 2017, 31 August 2017, 28 February 2018 and 31 August 2018** | **2.3** |

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 |
|---|---|---|---|
| **At 1 March 2017** | 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 |
| **At 31 August 2017** | 212.4 | 35.1 | 247.5 |
| Additions: | | | |
| – acquisitions | 1.6 | – | 1.6 |
| – development expenditure | 74.9 | – | 74.9 |
| Transfer to investment assets | (0.5) | (13.0) | (13.5) |
| Disposals | (78.4) | (7.4) | (85.8) |
| Foreign currency differences | – | (0.9) | (0.9) |
| Write-down of trading properties to net realisable value | (7.4) | – | (7.4) |
| **At 28 February 2018** | 202.6 | 13.8 | 216.4 |
| Additions: | | | |
| – development expenditure | 31.2 | 0.3 | 31.5 |
| Disposals | (31.2) | (4.1) | (35.3) |
| Foreign currency differences | – | 0.1 | 0.1 |
| Write-down of trading properties to net realisable value | (5.9) | (0.5) | (6.4) |
| **At 31 August 2018** | **196.7** | **9.6** | **206.3** |

Included in the above amounts are projects stated at net realisable value, being development and trading properties of £89.3 million (31 August 2017: £5.3 million, 28 February 2018: £79.6 million).

## 10. INVESTMENTS

| | Investments in associates £ million | Investments in joint ventures £ million |
|---|---|---|
| **At 1 March 2017** | 8.4 | 46.1 |
| Additions | – | 9.9 |
| Share of loss of 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) |
| **At 31 August 2017** | 4.3 | 57.4 |
| Additions | – | 21.6 |
| Share of profit/(loss) of associate or joint venture | (0.3) | (2.4) |
| Share of revaluation surplus of joint venture | – | 16.1 |
| Share of mark-to-market adjustment on interest rate swaps | – | 0.1 |
| Share of results of joint ventures | (0.3) | 13.8 |
| Foreign currency differences | (0.1) | – |
| Transfer to subsidiaries | (1.5) | – |
| Disposal of joint venture | (2.5) | – |
| Capital distribution | 0.1 | – |
| **At 28 February 2018** | – | 92.8 |
| Additions | 5.3 | 10.6 |
| Share of profit of associate or joint venture | – | 3.0 |
| Share of revaluation surplus of joint venture | – | 2.4 |
| Share of results of joint ventures | – | 5.4 |
| Capital distribution | – | (21.9) |
| **At 31 August 2018** | **5.3** | **86.9** |

On disposal of Mill Green, Cannock in February 2018, the Group retained a 12.5% interest in Cannock Designer Outlet Limited Partnership. This holding is accounted for as an Investment in associate.

**11. BORROWINGS**

| | 31 August 2018 unaudited £ million | 31 August 2017 unaudited £ million | 28 February 2018 audited £ million |
|---|---|---|---|
| Non – current | **108.1** | 152.2 | 108.0 |
| Current | **70.4** | 50.2 | 63.2 |
| | **178.5** | 202.4 | 171.2 |

| **Movements in loans and borrowings are analysed as follows:** | £ million |
|---|---|
| **At 1 March 2017** | 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 |
| **At 31 August 2017** | 202.4 |
| New borrowings drawn down | 78.2 |
| Repayment of borrowings | (107.5) |
| Foreign currency movement of Euro denominated loans | (2.0) |
| Movement in unamortised transaction costs | 0.1 |
| **At 28 February 2018** | 171.2 |
| New borrowings drawn down | 7.1 |
| Repayment of borrowings | (0.6) |
| Foreign currency movement of Euro denominated loans | 0.6 |
| Movement in unamortised transaction costs | 0.2 |
| **At 31 August 2018** | **178.5** |

Bank loans, loan notes and overdrafts comprise:

| | Maturity | 31 August 2018 unaudited £ million | 31 August 2017 unaudited £ million | 28 February 2018 audited £ million |
|---|---|---|---|---|
| Overdraft facility | On demand | **–** | 3.0 | – |
| £6.0 million variable rate loan | 31 Oct 2017 | **–** | 6.0 | – |
| £4.5 million variable rate loan | 14 Jun 2018 | **–** | 3.0 | – |
| £2.8 million variable rate loan | 19 Jul 2018 | **–** | 1.8 | – |
| €24.3 million variable rate loan | 1 Aug 2018 | **–** | – | – |
| £30.8 million fixed rate loan | 25 Nov 2018 | **26.9** | 8.7 | 20.4 |
| £28.0 million variable rate loan | 16 Dec 2018 | **–** | 28.0 | – |
| £12.0 million variable rate loan | 5 Jan 2019 | **6.3** | 6.3 | 6.3 |
| £12.7 million variable rate loan | 31 Jan 2019 | **10.3** | 12.7 | 10.2 |
| £26.1 million variable rate loan | 31 Jan 2019 | **26.1** | 21.7 | 25.7 |
| £2.8 million variable rate loan | 22 May 2020 | **1.9** | 2.2 | 2.1 |
| €47.0 million variable rate loan notes | 24 Apr 2021 | **42.1** | 43.4 | 41.5 |
| £57.6 million fixed rate loan | 12 Mar 2025 | **–** | 48.3 | – |
| £22.5 million fixed rate loan | 12 Mar 2025 | **–** | 18.9 | – |
| £66.7 million fixed rate loan | 5 Dec 2032 | **66.2** | – | 66.5 |
| | | **179.8** | 204.0 | 172.7 |
| Unamortised transaction costs | | **(1.3)** | (1.6) | (1.5) |
| | | **178.5** | 202.4 | 171.2 |

The Group remains in compliance with its various banking covenants as at 31 August 2018.

a) Cash balances shown on the Balance sheet at 31 August 2018 include £15.7 million (31 August 2017: £29.2 million, 28 February 2018: £11.5 million) of cash held as security against borrowings.

b) At 31 August 2018, 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 2018 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 2018 is analysed below:

| | 31 August 2018 | | 31 August 2017 | | 28 February 2018 | |
|---|---|---|---|---|---|---|
| | Book value £ million | Fair value £ million | Book value £ million | Fair value £ million | Book value £ million | Fair value £ million |
| Fixed rate term loan due 2025 | – | – | 48.3 | 58.8 | – | – |
| Fixed rate term loan due 2025 | – | – | 18.9 | 22.3 | – | – |
| Fixed rate term loan due 2032 | 66.2 | 76.8 | – | – | 66.5 | 76.1 |
| | **66.2** | **76.8** | 67.2 | 81.1 | 66.5 | 76.1 |

The fair value difference of £10.6 million (31 August 2017: £13.9 million, 28 February 2018: £9.6 million) represents approximately 15.9% of gross, fixed rate borrowings (31 August 2017: 20.6%, 28 February 2018: 14.3%). The effect on net assets per share after tax of this adjustment would be a decrease of 6.8 pence after tax (31 August 2017: 8.9 pence, 28 February 2018: 6.1 pence).

A further £42.1 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 |
|---|---|---|
| **31 August 2018** | **+50** | **(202)** |
| | **-50** | **202** |
| 28 February 2018 | +50 | (229) |
| | -50 | 229 |
| 31 August 2017 | +50 | (379) |
| | -50 | 379 |

**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 |
|---|---|---|
| **31 August 2018** | **+10%** | **3,829** |
| | **-10%** | **(4,679)** |
| 28 February 2018 | +10% | 3,771 |
| | -10% | (4,609) |
| 31 August 2017 | +10% | 3,942 |
| | -10% | (4,818) |

**12. PROVISIONS FOR OTHER LIABILITIES AND CHARGES**

| | £ million |
|---|---|
| **At 1 March 2017** | 2.7 |
| Credited to profit or loss in the period | (0.4) |
| **At 31 August 2017** | **2.3** |
| Charged to profit or loss in the period | 1.1 |
| Credited to profit or loss in the period | (0.5) |
| **At 28 February 2018** | **2.9** |
| Credited to profit or loss in the period | (1.5) |
| **At 31 August 2018** | **1.4** |

| | 31 August 2018 unaudited £ million | 31 August 2017 unaudited £ million | 28 February 2018 audited £ million |
|---|---|---|---|
| **Analysis of provisions:** | | | |
| Non-current | **0.4** | 0.4 | 0.4 |
| Current | **1.0** | 1.9 | 2.5 |
| | **1.4** | 2.3 | 2.9 |

A provision of £1.0 million remains in place in respect of the Group's service office business to cover closure costs 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 2018 unaudited £ million | 31 August 2017 unaudited £ million | 28 February 2018 audited £ million |
|---|---|---|---|
| **Issued, called up and fully paid:** | | | |
| 125,431,713 Ordinary shares of 50 pence (31 August 2017: 125,226,740 and 28 February 2018: 125,342,726 Ordinary shares of 50 pence) | **62.7** | 62.6 | 62.7 |

During the period, the Company utilised the 118,792 Treasury shares to satisfy the employee Long Term Incentive Plan.

**14. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT**

| | Six months to 31 August 2018 unaudited £ million | Six months to 31 August 2017 unaudited £ million | Year ended 28 February 2018 audited £ million |
|---|---|---|---|
| **Loss before income tax** | **(4.2)** | (3.3) | 48.2 |
| **Adjustments for:** | | | |
| Loss/(profit) on disposal of investment properties | **0.1** | (1.5) | (3.3) |
| Net loss on revaluation of property portfolio | **6.2** | 0.8 | 2.4 |
| Other income | **(1.4)** | (1.0) | (2.1) |
| Share of post-tax profits of joint ventures and associates | **(5.4)** | (2.7) | (16.2) |
| Profit on sale of investment | **(4.4)** | – | (6.7) |
| Finance income | **(0.1)** | – | (0.1) |
| Finance costs | **3.4** | 7.4 | 9.8 |
| Depreciation of property, plant and equipment | **0.4** | 0.5 | 1.0 |
| **Operating cash flows before movements in working capital** | **(5.4)** | 0.2 | 33.0 |
| Decrease/(increase) in development and trading properties | **2.1** | (38.7) | (10.0) |
| Decrease/(increase) in receivables | **52.8** | (3.2) | (57.0) |
| (Decrease)/increase in payables | **(23.7)** | 10.1 | 33.8 |
| **Cash flow generated from/(used in) operating activities** | **25.8** | (31.6) | (0.2) |

**15. CONTINGENT LIABILITIES**

Performance bonds given on behalf of Group companies are guaranteed by banks in favour of third parties for a total of £5.5 million (31 August 2017: £6.9 million, 28 February 2018: £5.5 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 2018, 31 August 2017 and 28 February 2018 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 2018 are set out in the Remuneration report on pages 99 to 111 of the 2018 Annual Report.

| | Finance income from related parties £ million | Amounts owed by related parties £ million | Amounts owed to related parties £ million |
|---|---|---|---|
| **Joint ventures** | | | |
| **31 August 2018** | **1.4** | **71.1** | **(3.3)** |
| 31 August 2017 | 1.0 | 40.5 | (4.0) |
| 28 February 2018 | 2.1 | 62.0 | – |
| **Associates** | | | |
| **31 August 2018** | – | **17.2** | – |
| 31 August 2017 | – | 20.3 | – |
| 28 February 2018 | – | 19.9 | – |

**17. CHANGES IN ACCOUNTING POLICIES**

This note provides a summary of the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

i. IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

*Classification and measurement*

The Group has reviewed its financial assets as at 1 March 2018 and has assessed which business models apply in order to classify them into the appropriate IFRS 9 categories.

| | FVPL £ million | FVOCI (Available-for-sale 2018) £' million | Amortised cost (receivables 2018) £ million |
|---|---|---|---|
| Closing balance 28 February 2018 | – | 23.7 | 175.7 |
| Reclassify development loans from available-for-sale to FVPL | 22.4 | (22.4) | – |
| | 22.4 | 1.3 | 175.7 |

*Reclassification from available-for-sale to FVPL*
The Group holds a number of development loans to other real estate business classified as available-for-sale financial assets. The loans are being held in order to collect the principal loan amount and associated interest. The reclassification to FVPL is as a result of the Group being exposed to greater risk than a standard lender. This reclassification does not give rise to any impact on Group equity.

*Impairment of financial assets*
The Group has the following types of financial assets that are subject to IFRS 9's new expected credit loss model:

- Trade receivables for sales of inventory and investment assets
- Trade receivables for investment property tenants
- Loan notes and loans and receivables from other real estate businesses

Under IFRS 9, the Group is required to revise its impairment methodology for the class of financial assets above.

Cash and cash equivalents are subject to an impairment review however the impairment is immaterial.

*Trade receivables for sales of inventory and investment assets and investment property tenants*
IFRS 9 requires the Group to measure the expected loss of all trade receivables using the simplified approach as permitted by IFRS 9. The Group has classified trade and receivables into two categories as the transaction type and vales vary significantly.

Trade receivables for sales of inventory and investment assets are only recorded once significant negotiations, due diligence and legal contracts have been completed. The receivable is recorded once contracts have been exchanged and there is a firm completion date set. The recoverability of the receivable will be reviewed at the reporting date and adjusted on a contract by contract basis as necessary.

Trade receivables for investment property tenants are demanded and collected by third party managing agents acting for the Group. Balances are closely monitored and legal action is taken if payments are overdue where no alternative payment plan has been put in place. The Group operates a diversified portfolio with a mix of office, retail and residential assets with over 400 tenants. The Group's maximum exposure to a single entity is limited approximately 5% of the annual rent roll. Due diligence is carried out on new tenants and nearly 65% of the rental income comes from PLCs, national retailers, FTSE100 or the Government. It is assumed that if a tenant defaults the recovery will be zero.

To measure the expected credit loss of trade receivables, the Group has reviewed aged balances on a portfolio basis. The Group has based its assessment on previous bad debts, current trading conditions of the tenant portfolio in the different sectors they operate and future expectations.

The loss allowance for trade receivables would have been £0.2 million as at 28 February 2018. The Group has adopted IFRS 9 on a prospective basis resulting in a loss allowance of £0.1 million being provided as at 31 August 2018.

*Loan notes and loans and receivables from other real estate businesses*
The Group has financial assets consisting of loan notes and loans to other real estate businesses. These balances are held to collect. The balances consist of a loan principal and interest accruing on those balances. Over the period that the Group has held these receivables, interest has accrued and in the case of the Northpoint asset, has also been provided as non-recoverable. Management do not consider any further loss allowance is required as the credit risk related to these loans has not changed since the last assessment.

*IFRS 9 Accounting policies applied from 1 March 2018*

**Investments and other financial assets**
*Classification*
From 1 January 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

*Measurement*
At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

*Debt Instruments*
Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

*Equity Instruments*
The group subsequently measures all equity investments (excluding joint ventures and associates) at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

*Impairment*
From 1 March 2018, the group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

ii. IFRS 15 Revenue from Contract with Customers

*Impact of adoption*
The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 March 2018 and as a result has reviewed its income streams to establish whether the policy changes have resulted in adjustments to the amounts recognised in the 28 February 2018 financial statements.

During the review, the Group was not required to make any adjustments to the reported revenue in the 28 February 2018 financial statements.

*IFRS 15 Accounting policies applied from 1 March 2018*
The Group's accounting policies under IFRS 15 are largely unchanged from those reported as at 28 February 2018.

- Sales of property classified as Inventory. Revenue is recognised when the risks and rewards of ownership have been transferred to the purchaser, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all of the significant conditions are satisfied.
- Development revenue and profits. The Group also reviews all contracts in accordance with IFRS 15 and IFRIC 15 'Agreements for the Construction of Real Estate'. Where only the construction risk remains, the revenue and profit on the development are recognised so as to match the proportion of development work completed on a percentage completion basis as determined by consultant monitoring surveyors or using a suitable method particular to the contract concerned. Management review each contract for classification and profits are only recognised where the outcome can be determined with reasonable certainty. Full provision is made for losses as soon as such losses are foreseen. Where revenue and profit are recognised under IFRS 15, disposals are recognised where the risks and rewards of ownership are considered to have been transferred to the purchaser. Profits are recognised within the development and trading segment.

**18. EVENTS OCCURRING AFTER THE REPORTING PERIOD**

As at 31 August 2018, the Group had exchanged unconditional contracts to sell a number of residential units. These sales have since successfully completed and the associated loan of £26.9 million has been fully repaid.

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

## 19. 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.

Development and trading gains: gains from directly owned inventory, development proceeds, the Group's share of profits from joint ventures, profits on sale of investments and other income which fall within the development and trading segment. This is a non-GAAP measure.

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 2018. A list of the current Directors is maintained on the U and I Group PLC website: 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
23 October 2018

## INDEPENDENT REVIEW REPORT TO U AND I GROUP PLC

## REPORT ON THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### Our conclusion

We have reviewed U and I Group PLC's 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 2018. 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 2018;
- 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 explanatory notes to the interim financial statements.

The interim financial statements included in the interim results 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 1 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, is 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.

PricewaterhouseCoopers LLP
Chartered Accountants
London
23 October 2018