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

Results for the year ended 28 February 2018

Record financial performance; significant supplemental dividend; positive outlook

Record year of profits and progress

- £68.3 million of development and trading gains (2017: £35.0 million) delivered at top end of FY18 guidance
- 12.2% post tax total return driven by increase in basic net asset value ("NAV") to 303 pence per share (2017: 278 pence per share)
- Significant progress on repositioning investment portfolio; total return of 10.1% achieved: £53.2 million of assets sold at or above book value; £6.5 million of value created through asset management initiatives
- £2.1 million in net management fees earned

106% increase in dividend as a result of strong cash flows

- Total dividends of 17.9 pence per share (2017: 8.7 pence per share)
- Includes interim dividend of 2.4 pence per share (2017: 2.4 pence per share), final dividend of 3.5 pence per share (2017: 3.5 pence per share) and supplemental dividend of 12.0 pence per share (2017: 2.8 pence per share)

Positive outlook for future growth and shareholder returns

- Clear and focused strategy aligned with political and social trends in regions with strong growth potential – London City Region*, Manchester and Dublin
- Continue to target 12% post tax total return per annum, including £125-150 million of development and trading gains to end of FY21, through existing pipeline; £15.0 million of added value from investment activity and enhanced operational efficiency
- £7 billion+ gross development value pipeline and visibility on delivery of gains for next ten years
- Targeting 10% per annum total return in investment portfolio, driven from asset management initiatives and reinvestment, including the retention of certain of our own development assets

* *Within one hour's commute from London*

Matthew Weiner, Chief Executive, said:
"These results are an endorsement of the ambition that we set ourselves when we established U+I: to create a strong business with a clear focus on regeneration and a commitment to delivering sustainable value for shareholders and the communities in which we operate. Financially, this is expressed in our ambition to consistently deliver total returns of 12% post tax and we are pleased to have met this target this financial year. This strong performance has enabled us to declare a supplemental dividend of 12.0 pence per share, taking our total dividend to 17.9 pence per share, a 106% increase on the prior year.

Stepping back to look at our market, our strategy is such that we will continue to benefit from the long-term socio-political trends driving the need for mixed-use regeneration. The longstanding relationships we have nurtured have made us a public sector partner of choice, often giving us unique access to major Public Private Partnership opportunities. We are currently shortlisted for two major projects with a gross development value of more than £1.5 billion and expect the number of opportunities to increase as both the public and private sectors face pressures to release value from their real estate assets. The trust we have built has enabled us to create a treasury of activity through the property cycle, where our existing pipeline alone provides our three-year £125-150 million development and trading gains target. We have further visibility for the next ten years with a pipeline of existing projects with a gross development value in excess of £7 billion and we continue to identify new opportunities to build this pipeline further."

Financial summary:

	28 Feb 2018	28 Feb 2017
Development and trading gains	**£68.3m**	£35.0m
Profit before tax	**£48.2m**	£0.4m*
Basic NAV	**£379.3m**	£347.6m
Basic NAV per share	**303p**	278p
Basic earnings/(loss) per share	**32.2p**	(2.4)p
Total declared dividends per share including supplemental dividend	**17.9p**	8.7p
Net debt	**£119.1m**	£120.9m
Gearing	**31.4%**	34.8%

*Before exceptional items of £2.1 million relating to impairment of serviced office business

Conference call for analysts and investors

The management team will present to equity analysts and investors today at 9.30am at U+I's offices at 7A Howick Place, London, SW1P 1DZ. The live audio webcast and presentation materials can be accessed via the following link: http://www.investis-live.com/uandi/5aa7b37c80a67515002a61ab/bmnb with conference call details as below. A recording of the conference call and archive version will be made available later today.

Conference Call details:

United Kingdom	020 3936 2999
All other locations	+ 44 20 3936 2999

Joining your call:

Participant Password:	593540

Replay information:

United Kingdom	020 3936 3001
United States	+ 1 845 709 8569
All other locations	+ 44 20 3936 3001

Joining the replay:

Replay password:	230946

Forthcoming announcement dates

The Company intends to hold its Annual General Meeting on 5 July 2018. The Company will change its year end from 28 February to 31 March to align with its market peers. It will report the next set of results for the six months ending 31 August 2018 in October 2018 and its full year results for the thirteen months to 31 March 2019 in May 2019.

For further information, please contact:

U and I Group PLC

Matthew Weiner, CEO Tel: +44 20 7828 4777

Richard Upton, Deputy CEO	Email	ir@uandiplc.com
Marcus Shepherd, CFO		
Nicola Krafft, Financial and Investor Communications Manager		

Camarco (Financial PR adviser)

Geoffrey Pelham-Lane / Hazel Stevenson	Tel:	+44 20 3757 4996
	E-mail:	uandi@camarco.co.uk

This announcement contains inside information as defined in Article 7 of the Market Abuse Regulation No. 596/2014 and is disclosed in accordance with the Company's obligations under Article 17 of those Regulations.

LEI Number: 213800HTEQQEIOGR5A58

Chief Executive Officer's Statement

Delivering on our strategy

We set out a clear financial objective when U+I was formed in 2015: to deliver, as consistently as possible, 12% post tax total returns per annum. We estimated that we would first achieve this objective by February 2018. So, it is particularly pleasing to report that this is the year in which we have produced record results – £68.3 million of development and trading gains, compared with £35.0 million in 2017. Our profit before tax is £48.2 million (2017: £0.4 million before exceptional items) and, most importantly, we have increased basic net asset value (NAV) by 9.1% to 303 pence per share (2017: 278 pence per share). We are also pleased with the progress being made to realign our investment portfolio. This delivered a 10.1% total return for the year, with £6.5 million of value added through asset management initiatives. This included the disposal of over £50 million of non-core assets, in line with our target.

Our focus on delivering fewer but larger profit-making projects is supporting our financial performance as just under £60 million of our gains came from seven projects, each delivering £5.0 million or more of gains.

These results endorse the ambition that we set ourselves from the start: to create a strong business with a unique culture, a clear focus on regeneration and – above all – a commitment to delivering consistent long-term value for shareholders and the communities in which we operate. These results provide us with strong foundations for growth as we continue this momentum into FY19.

Notable development gains

Among our notable successes during the financial year, we achieved planning consent for a £130 million mixed-use regeneration project at the Equipment Works, Blackhorse Road in Walthamstow, London. This site was subsequently sold to a housebuilder in December 2017 crystallising a significant gain, with the entire project taking two and a half years from inception to exit.

At 12 Hammersmith Grove in West London, we leased up the entire building over the course of the year and, in December 2017, we passed the 90% letting profit trigger. The building was subsequently sold by our funding partner Aberdeen Standard Investments in January 2018 for £170 million.

We made significant progress and gains at Preston Barracks, Brighton in the year by securing planning for this major £200 million gross development value project. This consent set in motion one of the city's biggest ever mixed-use regeneration schemes and we subsequently completed the sale of the student accommodation element in February 2018 allowing the scheme to commence onsite.

These three projects alone delivered more than £33.0 million in profit for U+I.

We were pleased to have delivered £68.3 million of development and trading gains for the year, notwithstanding the setting aside of a full £7.5 million provision in respect of our St Mark's Square project in Bromley. This provision recognises the delays caused by the size and complexity of the basement and façade works and the inevitable extension to the construction programme.

The full breakdown of projects which underpin this year's gains is provided within the Portfolio Review and demonstrates the range and depth of skills within the business and the optionality that we have in monetising projects as they progress.

We also continued to focus on our business efficiency and balance sheet management during the year, achieving £2.1 million of net management fee income as well as reducing complexity within our business.

Further progress across our investment portfolio and specialist platforms
The alignment of our investment portfolio with our focus on regeneration, is moving apace. We made £53.2 million of disposals during the year, exceeding our target of £50 million non-core asset sales. These sales were ahead of valuation and are part of our progress as we achieved our target 10% per annum total return from the portfolio. Within this total return, we generated £6.5 million from asset management initiatives, including; change of use, sub-division of units, lettings and exploiting the arbitrage between long and short lease values.

For the first time, our investment in Harwell, held in joint venture, delivered a capital gain (£4.1 million) this year and has become a core element of our portfolio as capital invested has increased.

We will continue to progress with the disposal of non-core assets from the investment portfolio, targeting an initial tranche of £25.0 million in the coming financial year, optimising the value of the assets we are retaining and targeting reinvestment in new assets that maximise our regeneration expertise. We estimate that we are approximately a third of the way through the transformation of our investment portfolio.

Where we are involved in transformative regeneration projects, we are increasingly choosing to retain elements to transfer into our investment portfolio where we see further value in the longer-term. Following on from our success with Deptford Market Yard, we transferred Caxton Works in Canning Town (£2.1 million) into the portfolio during the year and agreed that the commercial elements of the residential projects at the Machine Store and Boiler House at The Old Vinyl Factory in Hayes will be returned to us by the housebuilders on completion. We also transferred Airport House in Croydon (£13.0 million) from trading assets to our investment portfolio, releasing a trading gain of £0.9 million. When we acquired Airport House for £7.8 million in 2010, it was at 54% occupancy. We have undertaken a comprehensive refurbishment over the last three years and occupancy was close to 95% at transfer. The asset produces an income return of 7.5% and targets the growing SME occupier base in Croydon.

In the same vein, we were particularly pleased that our joint venture with McArthurGlen at Mill Green, Cannock, near Birmingham, has now gone unconditional and that we have secured the option to retain a 12.5% stake in the development on completion, which we expect to become one of the top six outlet shopping sites in the UK. This structure is one that we will consider for other assets going forward as our unique access to high quality projects should allow us to drive further value through retaining a stake in our investment portfolio.

We are also making further progress across the specialist platforms we established last year with majority capital partners, Colony NorthStar and Proprium Capital Partners. These platforms now comprise six assets, as we made a further purchase of Carrisbrook House in Dublin through the joint venture with Colony NorthStar during the year. Our appointment of a director of joint ventures in February 2018 will enable us to accelerate the growth of our specialist platforms, allowing us to do more with our balance sheet capital and leveraging our intellectual capital.

Most notably, we have seen the first material results from our specialist platforms with the gain in the year of £7.5 million at Charlton Riverside, resulting from an operational gain and valuation uplift following the adoption of the Charlton Riverside Masterplan, which allocated the area as suitable for residential-led development. Post year-end we have exchanged contracts to sell the site to a Housing Association for £58 million, at the top end of FY19 guidance for the asset.

Increased supplemental dividend

Our dividend policy comprises an ordinary dividend, including an interim and final dividend of 2.4 pence and 3.5 pence per share respectively, and a supplemental dividend related to the net free level of cash flow generated during the financial year. In line with this policy, the Company has already paid an interim dividend of 2.4 pence per share and is recommending a final dividend payment of 3.5 pence per share, bringing the ordinary dividend for the financial year to 5.9 pence per share. In addition, having delivered on our commitments and given the strength of our net cash position, we are pleased to recommend a significantly increased supplemental dividend of 12.0 pence per share (2017: 2.8 pence per share). This will be the fourth successive supplemental dividend paid to shareholders and underlines our confidence in our continued ability to generate strong surplus cash flows from our development and trading activities and our commitment to aligning shareholders with the success of the business.

We continue to review the method by which capital is returned to shareholders and, after consultation with our top twelve shareholders, the Board has concluded that a supplemental dividend currently remains the preferred option of return. This will be reviewed again by the Board over the course of the coming year.

Balanced business model to deliver across the property cycle

The majority of our value creation comes from management-led initiatives. We acquire opportunities in unloved and overlooked areas, where prices fail to represent underlying potential. We add value through planning, development and asset management. We then realise that value through sale, development or, on occasion, by transferring a developed asset into our investment portfolio, allowing us to capture further value as the asset matures.

We mainly operate in the dynamic markets of the London City Region (within one hour's commute from London), Manchester and Dublin. These places share certain characteristics. Demand is strong and growing; there is an urgent, unmet need for new homes and mixed-use spaces that will stimulate local economies; and supply is constrained by political impasse or a lack of expertise. We also feel these areas will be less impacted by the ultimate conclusion of the Brexit process.

These fast-moving times require agility, a hallmark of U+I. We benefit from optionality, both in the varied routes that we pursue to create value and in the schemes that we deliver. As mixed-use, regeneration specialists, we create assets where communities can live, work, play and study. This breadth allows us to flex the mix of our projects, in line with socio-economic trends.

Growing pipeline and market opportunity to deliver sustainable returns

Over the past three years, we have put the foundations in place to deliver against a set of demanding financial targets – aiming for consistent, annual total returns of 12.0% post tax. Over the three-year period to the end of FY21, we aim to achieve this through targeting £125-150 million of development and trading gains from existing projects, £15.0 million of added value from investment activity and enhanced operational efficiency.

We have a rich treasury of activity to draw on and take forward: a pipeline of over thirty projects for the next ten years, with a gross development value of in excess of £7 billion that can generate returns in good times and in bad. We negotiate transaction structures that enable us to respond flexibly to market conditions: in the various routes that we pursue to create value, in the mix of uses that we deliver and in the timing of exit, through direct development or trading consented land. We will also extract further value from repositioning our investment portfolio, as we move towards our target to achieve a consistent 10% annual return (2018: 10.1%).

We believe the strong partnership network we have built with key public-sector partners over many years will create a barrier to entry to others and open up further Public Private Partnership opportunities. We are recognised for our success in providing quality mixed-use environments, incorporating new homes helping to solve the UK's housing crisis and new workspaces to meet the changing needs of corporate occupiers. This was the case at Landmark Court, where we were selected from TfL's Property Partnership Framework to bring forward what will be a major £200 million+ gross development value mixed-use scheme within walking distance of Borough Market.

Critically, our strategy is aligned with major political and social trends as both central and local government recognise the importance of regeneration. Against this background, the number of opportunities available to us continues to grow. Looking ahead, we are on two shortlists for major partnership projects with a gross development value of more than £1.5 billion.

People have always been at the heart of what we do: the communities, partners and stakeholders with whom we work, and of course our employees. In recognition of this we have formalised ‘people first’ as one of the five key strategic drivers of our business. We are committed to nurturing our talent so we can retain the best people. I want to thank everyone at U+I for their hard work and commitment over the last year, without which our record performance would not have been possible.

We have had a fantastic year and we are determined to keep on delivering, demonstrating that our business model, our brand and our superb team can continue to generate excellent returns for our shareholders and deliver positive, sustainable change in the areas in which we operate. Our commitment to purpose, which combines shareholder returns with the creation of long-term, sustainable, socio-economic benefit, inspires trust among our public-sector stakeholders, ultimately allowing us to nurture close, longstanding partnerships that give us our licence to operate. Our culture, our track record and our passion for change mean we are well positioned for the future.

Matthew Weiner
Chief Executive Officer
26 April 2018

Risk review

Risk management structure

The Group’s risk profile is maintained under continual review by its Audit and Risk Committee and by the Board. In addition, the Group has a Risk Management Committee, which oversees the Group’s risk register and risk control processes on behalf of the Audit and Risk Committee. The Risk Management Committee is comprised of senior employees from across the Group, covering all areas of the Group’s operations.

Mapping our risks

The Group categorises risks according to the likelihood of occurrence and the potential impact on the Group. The Directors consider the following to be the principal risks and uncertainties facing the Group.

These risks have been grouped as either:

- External risks – whose occurrence is beyond the control of the Group; or
- Business risks – which the Directors choose to manage as part of the Group’s operations.

External risks

RISK	IMPACT	MITIGATION	RISK EXPOSURE CHANGE YEAR ON YEAR
a. Market risk The real estate market is directly linked to the health of the local and national economies. Lack of economic growth, recessionary conditions or economic uncertainty can translate into the negative sentiment towards, and performance of, real estate.	• Lack of liquidity in the market may delay the ability to realise planned disposals or reduce prices, leading to significantly reduced cash inflows. • Higher occupier risk, leading to significantly reduced values. • Lack of occupier demand, resulting in inability to realise gains.	• Risk-averse property development strategy, whereby projects are pre-funded, pre-let, or pre-sold where appropriate. • Long maturities of debt finance facilities. • Moderate level of gearing. • Regular meetings with economic forecasters to gauge economic trends.	↑ The UK economy remains supportive of our activities. However, continuing political uncertainty as the formal Brexit date approaches, together with escalating geopolitical risks, continue to overshadow the market.
b. Scarcity of viable investment and development opportunities	• Inability to source new deals leads to decline in development and trading profits in future years.	• Flexible approach to market opportunities, seeking out sectors where value can be generated and seeking funding partners with	→ Opportunities continue to be sourced for development, trading and investment, which satisfy Group underwriting criteria, albeit that the

The Group's business is predominantly transactional and requires a flow of PPP, trading and investment opportunities to generate consistent returns. The risk is that the flow of suitably priced opportunities either reduces or stops.	• Higher pricing of acquisition opportunities leads to reduced ability to add value.	different return requirements. • Stringent deal underwriting procedures with minimum return hurdles. • Maintaining broad industry contacts for acquisitions rather than being dependent on a single source of opportunity. • Use of PPP model to secure regeneration opportunities in an innovative way.	market is running late cycle with yields and house prices at record levels.
c. Counterparty risk Transaction counterparties, be they joint venture partners, purchasers under sale contracts or banks in respect of cash deposits or derivative arrangements, may suffer or fail financially.	• Failure of sales transaction counterparties may lead to an inability to produce trading profits. • Failure of financial counterparties may impact effectiveness of hedging or recoverability of deposits.	• Proof of funding required prior to agreeing sales contracts. • The Board regularly assesses the creditworthiness of financial counterparties prior to placing deposits and hedging transactions. • Substantial deposits are required for pre-sold residential developments.	→ The Group continues to have exposure to the private residential market through the development of pre-sold residential units both on and off balance sheet. The risk of purchasers failing to complete has not changed to any material extent during the year.
d. Bank funding risk The pressure on a large number of traditional real estate lending banks to reduce their exposure to real estate reduces the capacity and liquidity within the lending market and can impact upon the availability of debt to deliver business plans.	• Inability to secure funding for new opportunities. • Inability to refinance existing facilities, leading to disposals at the wrong time in business plans and failure to maximise profits. • Unpredictability of cash flows.	• The Group maintains relationships with a wide range of both bank and non-bank lenders, reducing over-reliance on any one partner. • The Group is constantly seeking to widen its range of funding sources and liaises regularly with new entrants into the real estate lending market.	→ The lending market continues to see new entrants. Competitive pressures have led to a reduction in margins and an increase in maturities available. Through the year there has been a gradual reduction in lenders' appetite for development risk, particularly on a speculative basis, as the Brexit date approaches.
<u>Business risks</u>			
e. Construction risk There is a risk of being unable to secure a viable construction contract, post receipt of planning permission. Real estate construction is subject to the risk of cost overruns, delay and the financial failure of an appointed contractor.	• Reduced profitability or potential loss on individual projects and/or guarantees being called. • Construction work ceasing whilst a suitable replacement contractor is found, leading to delays in project completion and a reduction in profit.	• The Group retains in-house experienced project managers throughout the life of individual projects, to ensure that costs are appropriately budgeted, timetables are adhered to - hence the impact of these risks is minimised. • The Group performs appropriate pre-contract due diligence on the capabilities and financial security of its material contractors and key sub-contractors. • The Group continually monitors the financial position of key contractors to anticipate financial difficulties. • If issues arise with contractors, the Group uses its professional teams and in-house expertise to mitigate the impact.	→ There continues to be an increase in construction material prices. At the same time, uncertainty over the status of EU nationals working in the UK post any deal between the UK and the EU is leading to the anticipation of construction workforce shortages and increasing labour costs. These are both impacting upon pricing and making the placement of construction contracts more difficult in terms of cost certainty and hence margin. As a result, contractors are increasing pricing on new tenders so as to build in additional contingencies for the losses they have suffered in the last two to three years. This can also lead to a lengthening of tender periods and the need for more detailed design before a viable construction contract can be agreed. The complexity of our projects requires even greater rigour in delivery.

		• The Group requires detailed design and specification throughout the tender process to enable it to maximise the risk transfer to contractors. • The Group requires that all construction contracts include provisions for liquidated ascertained damages in the case of performance failures by contractors and that contractors provide performance bonds, typically to a level of 100% of the contract sum.	
f. Planning risk Procuring appropriate and valuable planning consents is often a key element of value creation through property development. Securing planning permission in a changing political and regulatory environment is a complex and uncertain process, with applications subject to objection from a wide range of potential stakeholders, and hence prone to delay, modification and rejection.	• Failure to secure planning consent can either cause delay or render a project unviable/unprofitable and lead to the write-off of considerable costs or reduced profit potential.	• The Group retains a team with strong track record of achieving planning consents and extensive local knowledge, supplemented by advisors and sector specialist partners, to maximise the chance of success and reduce the risks and costs of failure. • An alternative exit strategy is always considered in case of planning failure. • The Group's PPP model seeks to build partnerships with local statutory and planning authorities as a way of mitigating risk.	↑ The ability to obtain clear planning decisions is potentially compromised as key political events, such as elections, approach. The May local elections could see the further fracturing of the political landscape and planning decisions could become the battleground on which these disagreements play out. The financial strain on local authorities is manifesting itself in under-resourcing of planning departments. Taken against a backdrop of ever increasing complexity in both projects and planning regulations, especially in respect of mixed-use schemes with greater density, there is an urgent need to professionalise planning departments. This has been ignored by the 2017 White Paper.

Portfolio review

A year of achievement
We are on a journey that has taken us from merger, to integration, to delivery of the financial performance that we promised our shareholders.

Today's results demonstrate the first fruits of that endeavour. Now we want to continue in the same vein – and we are confident that we will.

Matthew and I are intensely focused on building a great company for the long-term. That means a Company with purpose; a Company aware of its wider socio-economic responsibilities; and a Company that inspires confidence among its people and its stakeholders internally and externally. That is what gets me out of bed with a spring in my step every morning.

Trusted partnerships driving delivery
Experience and track record provide the strongest of foundations for our future because they have enabled us to build close partnerships with Government, local authorities, landowners and the industry in which we operate. We have deep-rooted personal and corporate relationships everywhere we work.

Such partnerships are not born overnight. They are unique, they are developed over time and they rely on trust – a trust that is earned through the quality of our projects where we deliver positive change and long-term legacies for the communities we work with.

We are **intelligent**, we are **imaginative** and we can be **audacious**, when we need to be. These are our core values. They inform our approach and are ingrained within U+I's culture. We want to be the best at what we do and we know that we can be. Our people are bound together in a shared purpose – to deliver great regeneration projects that generate excellent financial returns for our shareholders and strong societal benefits.

We are determined to keep improving, with consistency at our core – consistent 12% post tax total returns per annum, consistent delivery and consistent quality.

Operating in a growing market
The opportunity is huge. More than 300,000 new homes are needed each year to repair the housing market's gaping supply/demand deficit. Local authorities are under intense pressure to drive productivity from their land assets and U+I is starting to stand out in the industry as best in class. Bricks and mortar are not enough. The built environment needs to support and nurture communities and meet the rapidly evolving lifestyles of today's world.

The need is particularly acute in urban areas, such as London City Region, Manchester and Dublin, our three core regions of focus. The developable land is there, as are the unused buildings, steeped in history and tradition. But we need to unlock their potential through exciting, inspirational mixed-use spaces, created in partnerships and secured through trust, hard work, creativity and passion.

Preston Barracks in Brighton exemplifies the power of this approach. Originally owned by the Ministry of Defence, it lay dormant for over twenty years before we approached Brighton & Hove City Council with an idea. Inspired by another of our projects – The Old Vinyl Factory in Hayes – we suggested the creation of an extensive live, work, play, and study environment, enhanced by a focus on entrepreneurs and start-ups.

After five years of negotiation, consultation and partnership, this incredible regeneration project started on site in March 2018 and will deliver hundreds of new homes, student accommodation and an innovation hub for young businesses. The architecture, public realm and landscaping will be astonishing. The project has and will deliver significant profits for the Group. The City Council wins; the community wins, as the site will drive huge socio-economic growth; and shareholders win, as U+I delivers its forecast gains. Everyone wins. That is our model; it is different and it works.

The team, passion, drive and pipeline to keep delivering

Our industry is too often associated with minimising social gain and maximising financial returns. That is not U+I's approach. Our strategy has been forged in the belief that we need to deliver positive outcomes for everyone we touch, if we are to achieve our ambition – to be the best property regeneration developer and investor in the UK. We have an excellent and committed team and a network of great partners to help us achieve this.

Having secured some of the most exciting regeneration projects in our chosen areas, we have a strong pipeline ahead of us. The opportunities for our Company have never been better and I look forward to continuing to deliver them with the help of all our stakeholders.

Richard Upton
Deputy Chief Executive Officer
26 April 2018

Our portfolio – everything is connected
The U+I portfolio is strategically balanced between longer-term development projects, shorter-term trading opportunities and our investment portfolio. This three-pillar approach is one of U+I's core strengths, providing multiple routes to creating value and a more diverse earnings stream, helping us to mitigate risk through the property cycle.

Our aim is simple but ambitious. We intend to be the best property regeneration developer and investor in the UK, delivering real socio-economic benefit to the communities in which we work and consistent returns for our shareholders.

Each part of the business reflects our core focus on regeneration.

Development and trading

- **Development**: Long-term, large-scale mixed-use regeneration projects that are significant drivers of profit. Often structured as Public Private Partnerships (PPP), these comprise 19% of gross assets, delivering multi-year profit flows.
- **Trading**: Short-term trading opportunities where we buy land and add value through enhanced planning consents and/or asset management. These comprise 49% of gross assets, delivering one to three-year profit flows.

Investment: Provides recurring income to anchor our development and trading activities and added value potential. This comprises 32% of gross assets.

Value creation is at the core of everything we do
Importantly, the whole is greater than the sum of the parts. We harness our ability to buy land well and secure opportunities in areas with a regeneration need. We add value through obtaining planning consents, aligned with active asset management. We then realise value through land disposals and development, mainly for sale but, increasingly, with an element retained within our investment portfolio. This interlinked approach is designed to maximise risk-adjusted returns and deliver consistent, sustainable returns.

We adopt a creative attitude to regeneration, underpinned by our core values of intelligence, imagination and audacity. We concentrate on building a pipeline of fewer, larger projects, where our skills can have the most impact, and we focus on three core regions, where we see the greatest potential: London City Region (places within one hour's commute of London), Manchester and Dublin. The demand is there, the undervalued sites are there and we have the vision, expertise and appetite to transform them into vibrant mixed-use places that will help local communities to thrive.

Development and trading portfolio – delivering a record year
We made significant progress across our development and trading portfolio, achieving record gains of £68.3 million in 2018. This is towards the top end of our guidance of £65-70 million, underlining the year as a period of delivery and growth.

Within our development portfolio our efforts are yielding tangible results, as we realise value from some of our pipeline and advance more recent PPP project wins.

In Brighton, we are making a real contribution to the urban environment. In December 2017, we secured planning consent and in February 2018 completed the purchase of the Preston Barracks site, a crucial step for a project that will allow us to deliver one of the largest mixed-use regeneration schemes in the city. With £200 million of gross development value, our project will create 369 homes, 534 student beds and a 50,000 sq. ft. innovation hub for start-up businesses. The scheme will create over 1,500 new jobs and bring more than £280 million into Brighton & Hove's economy over the next ten years. The sale of the student element of the scheme in February 2018 allowed the project to come forward and site preparation works are now well underway.

We have also begun construction at Circus Street in Brighton, having secured funding for this £130 million regeneration project, which will turn a derelict former market into an exciting new destination in the heart of the city. With 142 new homes, 450 student bedrooms, 30,000 sq. ft. of new office space and workshops for creative new businesses, the scheme will inject £200 million into the local economy over the next decade.

At 12 Hammersmith Grove, London, we delivered gains of £11.3 million, having successfully let 100% of this modern, flexible, 170,000 sq. ft. Grade A office space. Highlighting the appeal of this development, the building was sold by our partners, Aberdeen Standard Investments, in January 2018.

In Manchester, we are making encouraging progress with our plans at Mayfield, transforming this former rail depot into a new urban neighbourhood in the city, through an ambitious and extensive mixed-use regeneration scheme. The public consultation undertaken for the proposed amendments to the existing Strategic Regeneration Framework has demonstrated wide support for our plans and the scope of the project has increased, such that its gross development value has risen from £850 million at the outset to £1.1 billion now.

At Harwell, we realised £6.3 million of gains, as we delivered and let 160,000 sq. ft. of space on this internationally renowned science campus. Harwell exemplifies the benefits that can be gained when the public and private sectors work in true partnership. Spread over more than 700 acres, the site is a commercial and research cluster, grounded by more than £2 billion of world-leading scientific infrastructure.

Working with two Government-backed agencies, U+I is driving the next stage of development at Harwell, through the creation of new office space, laboratories and other state-of-the-art facilities. We also benefited from an investment gain of £4.1 million, as earlier phases of development were revalued to reflect the increased critical mass of the scheme. We expect Harwell to be a continued driver of gains as the next phases of development are brought forward.

Our industry is dynamic and timings can change, depending on a wide range of factors and the actions of key stakeholders. In recognition of this, our business model is to remain agile and flexible so that we can maximise opportunities as and when they arise. In 2018, for example, we realised a material gain from the sale of our investment in a regional, strategic land business, Barwood Development Securities Limited. Whilst the business could have produced a steady flow of gains over several years, we felt that an immediate sale of our holding, generating a £5.0 million gain, more than offset the potential gains over the longer term.

At St Mark's Square in Bromley we set aside a full £7.5 million provision in the year due to delays resulting from the size and complexity of the basement and façade works, all of which inevitably extended the construction programme. Once completed later this year, St Mark's Square will regenerate and transform a major part of Bromley town centre.

We remain committed to building our PPP pipeline, with a clear focus on substantial, high quality, value-enhancing projects. There is no shortage of opportunities. Both public and private-sector landowners are looking for ways to realise value by making their, often urban, real estate work harder. The resultant trend towards higher density mixed-use living plays to our core regeneration strengths.

We are currently pursuing a number of exciting prospects in Dublin and London City Region and are on two shortlists, with a combined gross development value of more than £1.5 billion.

This PPP approach has significant attractions. It is equity efficient as our partners typically seed projects with land, while we apply our planning and development expertise. This allows us to spread our risk across projects at various stages of the development, committing a maximum of £20 million to any one project. In a further evolution of our business, we are increasingly able to charge management fees on larger regeneration projects such as Mayfield. This helps to cover our overhead commitment to a project ahead of development activity taking place.

Trading pipeline provides shorter-term gains

To balance our major regeneration opportunities, we maintain a shorter-term trading pipeline. This gives us a more tactical focus as we buy land well and add value through planning and/or asset management. In the year, we generated gains of more than £45 million in this area.

At Blackhorse Road in Walthamstow, London, we made a significant disposal, after securing planning permission, delivering £10.3 million in gains, using just £2.1 million of equity in two and a half years.

In Ashford, we have secured planning for a significant mixed-use development on a brownfield site. This will inject renewed life and vigour into this strategically located town and realise gains of £2.8 million on disposal of the site to a housebuilder.

As part of our focus and commitment to Ashford, in January 2018 we purchased the Kent Wool Growers site, and we will now seek planning for 250 homes, to further cement our reputation in this vibrant commuter location. This transaction underlines our ability to buy well in locations adjacent to our existing developments, capitalising on the trust and reputation earned in an area.

At The Old Vinyl Factory in Hayes, the sale of the residential plot at The Machine Store and the Group's retained interest in The Cabinet Building realised a combined gain of £3.4 million.

In terms of other trading projects, our joint venture project at Kensington Church Street in the Royal Borough of Kensington and Chelsea did not obtain planning consent at a Planning Committee meeting in January 2018. This was notwithstanding an officer's recommendation for approval and strong support from the GLA through a Stage 1 sign-off. The recent call-in of the scheme by the GLA underlines the quality of the project and the sizeable regeneration benefits it would bring. We look forward to the Mayor of London's assessment of the scheme later this year.

Our exit from Bryn Blaen Wind Farm has progressed. We made a strategic decision not to sell the project during the year, in the strong belief that we could realise more value by extending our timeline, having built out the site during the year and submitted the requisite paperwork to secure valuable subsidies. We also expect to realise profits from this and our two other wind farms, Rhoscrowther and Hendy, in the coming financial year. Although wind farms are not core to our future strategy, they leverage our planning and development experience and will enable us to make a significant margin on an equity efficient basis.

A summary of our realised gains and losses in 2018 can be found below:

Project Name	**Value Trigger**	**Previous guidance**	**Realised gains**
Preston Barracks, Brighton (Makerfield)	Planning approved in December 2017. Completed sale of student accommodation element of £200 million gross development value regeneration scheme.	£8-10m	£11.5m
12 Hammersmith Grove, Hammersmith	Secured 100% lettings, triggering profit.	£9-11m	£11.3m
Blackhorse Road, Walthamstow	Secured planning in October 2017 and subsequently sold for a £130 million mixed-use regeneration project in December.	£7-10m	£10.3m

Charlton Riverside, Greenwich*	Operational gain and valuation uplift following planning re-designation.	N/A for FY18	£7.5m
Mill Green, Cannock	Joint venture with McArthurGlen consortium to fund the development of this £160 million 26,500 sq. m. designer outlet centre. Transaction includes the option for U+I to retain a 12.5% stake in the development on completion.	£5-6m	£7.4m
Harwell, Oxfordshire*	Development and letting of 160,000 sq. ft. of accommodation.	N/A for FY18	£6.3m
Barwood Development Securities Limited	Sold regional land promotion business.	£4-5m	£5.0m
The Old Vinyl Factory, Hayes	Sale of a retained interest in The Cabinet Building and sale of residential site at The Machine Store.	£2-3m	£3.4m
HCA, Ashford	Having already secured planning permission, site sold for major regeneration scheme in Ashford town centre.	£3-4m	£2.8m
Other (12 projects), various	Planned sale of smaller legacy projects <£2.5m each in value.	£15m	£10.3m
St Mark's Square, Bromley	A full provision due to delays resulting from the size and complexity of the basement and façade works and the inevitable extension to the construction programme.	N/A	(£7.5m)
Wind Farm Projects*	Bryn Blaen project delayed. Expected to realise in FY19.	£6-8m	N/A for FY18
Kensington Church Street, London*	Planning consent not obtained. GLA has called in scheme for Mayor of London's assessment.	£6-10m	N/A for FY18

* Held in joint venture

The major projects for FY19 supporting our targeted £45-50 million development and trading gains include those listed below. We have the agility in our portfolio to flex this mix of projects where appropriate.

Project Name	**Value Trigger**	**Targeted gains**
Bryn Blaen Wind Farm, Wales*	Trading: Surplus arising from disposal.	£6-8m
Charlton Riverside, London*	Trading: Completion of sale.	£2-4m
Curzon Park, Birmingham*	Trading: Vesting of land under CPO.	£4-7m
Harwell, Oxford*	PPP: Profits from further phases of development.	£4-6m
Kensington Church Street, London*	Trading: Surplus arising from either development of the site (post planning) or from sale of our interest.	£5-7m
Mixed-Use Scheme A, London City Region	Trading: Post planning consent being obtained, funding or sale of retail-led mixed-use scheme.	£3-5m
Preston Barracks (Makerfield), Brighton	PPP: Surplus arising from either development or disposal of the residential element of the site.	£2-3m
Wind Farm Projects	Trading: Post-planning consent being obtained, funding or sale of Rhoscrowther and Hendy wind farms.	£10-12m

Other (8 projects)	Various smaller projects individually contributing <£3.0 million.	£9-12m

* Held in joint venture

Investment portfolio – continuing to deliver transformation

Regeneration is at the core of our business and, as we have previously stated, we are realigning our investment portfolio in accordance with that focus. At the beginning of the year, therefore, we set a target of £50 million from the disposal of non-core assets, which do not have a regeneration focus. We exceeded that target, achieving sales of £53.2 million and an average premium above book value of 6.3%. Our disposals were largely made up of legacy or mature assets, as we moved to create a more dynamic portfolio. At the year end, the investment portfolio was valued at £139.5 million (2017: £179.2m). We are targeting an initial further £25.0 million of non-core disposals in FY19.

During the year, we disposed of our holding in Kingsland Shopping Centre in Thatcham through two transactions: selling the Waitrose anchor store to long-term capital and the remaining retail units to a specialist retail asset manager. By splitting the asset, it allowed us to realise greater value, securing a combined sale price above book value at a blended yield of 5.9%.

We also sold the Waitrose anchor store at Ringwood but retained the associated units at this popular, convenience-led shopping centre. This will allow us to realise further value through future asset management potential, while continuing to benefit from the footfall from the Waitrose store.

As part of our core strategy, the proceeds from these disposals will be reinvested into assets with a regeneration focus, supporting our wider development and trading portfolio and maximising value creation.

Closer portfolio alignment – capturing further value from regeneration

We are driving through the transition of our investment portfolio from a more passive, sector investment, which historically delivered 5-8% returns, towards alignment with our regeneration expertise and total returns targeted at 10% plus per annum. This has started with our investments at Caxton Works, Canning Town; Airport House, Croydon; as well as the option to retain a stake in the completed development at Mill Green, Cannock.

Mill Green in Cannock highlights the advantages of forging closer connections across our business. Our planning and regeneration expertise, combined with our collaboration with the local community, helped us to secure planning consent to develop a 35-acre greenfield site and deliver a 26,500 sq. m. designer outlet village. During the year, we entered into a joint venture funding agreement to partner this project with retail outlet expert, McArthurGlen.

The scheme is expected to be a top six UK asset in its class. Located in an underserved catchment close to Birmingham, it is expected to prove extremely popular as a local and destination attraction. As part of the transaction, we secured the option to retain a 12.5% stake in the development on completion within our investment portfolio – a unique opportunity, with material value-generation potential.

We have pursued a similar longer-term, value-enhancing model at Caxton Works in Canning Town, where we expect to see further gains as the scheme leases up over the course of the next twelve months. During the year, we also transferred our co-working office building at Airport House in Croydon into our investment portfolio. We acquired this asset for £7.8 million in 2010 as a trading deal. Through refurbishment and further asset management initiatives, we have increased the occupancy from 54% at the time of acquisition to 95%, as well as driving up rents. The building was valued at £13.0 million on 28 February 2018. We have chosen to retain Airport House in our investment portfolio as we expect to see further value from this well-located asset, alongside a high running income yield (7.5%). These two assets equate to £15.1 million of value and Cannock would represent a further circa £6-8 million of investment which will be held at cost until practical completion.

Acquisitions and disposals – at the right time

We continue to monitor suitable acquisition opportunities with a focus on regeneration, where we can add value through proactive asset management, refurbishment and development. This is an integral part of our investment strategy and is subject to disciplined investment criteria. In the current environment, we believe it is in shareholders' interests to remain true to our underwriting criteria and delay further open market investment acquisitions until pricing becomes more favourable. We are targeting £50.0 million of new assets in FY19, including retained assets from our development portfolio.

Our disposals and larger gains from asset management initiatives in FY18 are outlined below:

Project Name	Overview	Valuation
Atlantic Village, Bideford	Outlet centre anchored by Nike, M&S and Gap.	Sold for £13.0 million, 2.4% above valuation; yield of 8.25%
Denmark Street, Altrincham	Sale of cinema and two restaurants.	Sold for £4.4 million, 9.0% above valuation; yield of 7.45%
Kingsland Shopping Centre, Thatcham	Sold Waitrose anchor retail outlet in two elements.	Sold for combined £16.1 million, 1.6% above valuation; blended yield of 5.86%
Killingworth Centre, Newcastle	Sale of McDonald's and KFC at auction. Sub-division of Matalan unit to create space re-let to Home Bargains.	Sold for £1.9 million, 18.8% above valuation; yield of 6.03%, generating £0.4 million of added value. £2.3 million asset management gain from sub-division.
Furlong Shopping Centre, Ringwood	Sold Waitrose retail store. Upsizing retailers and re-letting activity.	Sold for £17.3 million, 10.14% above valuation; yield of 4.99%, generating £1.6 million of added value. £0.3 million asset management gain
Harwell	Rent review at Element 6 and letting at Genesis Building.	£1.7 million asset management gain
Vicus, Manchester	Removal of break clause in restaurant lease.	£0.3 million asset management gain

Key statistics	**2018**	2017
Portfolio value	**£139.5m**	£179.2m
Valuation change	**£(2.4)m**	£(9.5)m
Number of assets held	**16**	18
Value of disposals	**£(53.2)m**	£(18.0)m
Initial yield in the period	**6.2%**	6.6%
Contracted rental value	**£8.9m**	£12.7m
Estimated rental value	**£10.7m**	£13.7m
Voids	**7.9%**	4.7%
Equivalent yield	**8.3%**	7.5%

Specialist platforms
Our specialist platforms are currently focused on two areas of the market, where we believe that we can add substantial value: office refurbishments in partnership with Colony NorthStar and strategic land in partnership with Proprium Capital Partners. There are six projects in total across the platforms: The Record Store (The Old Vinyl Factory, Hayes), Ballymoss House (Dublin), Carrisbrook House (Dublin) and Donnybrook House (Dublin)

with Colony NorthStar; and Charlton Riverside (Greenwich) and the Mecca Bingo unit in Wood Green with Proprium Capital Partners.

At Charlton Riverside, the value of our assets increased by £6.9 million following the adoption of the Charlton Riverside Masterplan, thereby allocating the area as suitable for residential-led development. Since the year end we have crystallised further gains at the top end of guidance through the sale of the site to a Housing Association.

We acquired Carrisbrook House in Ballsbridge, Dublin, in August 2017. Well located in the heart of Dublin 4, the property has been neglected in recent years and has significant upside potential. A planning application has been submitted and we intend to realise value through transformation of the building.

At Ballymoss House and Donnybrook House, work is underway to refurbish the buildings. We aim to complete Donnybrook House in June 2018, with Ballymoss House following in 2019. Combined, these three buildings will give us c.150,000 sq. ft. of refurbished office space coming to market over the next 12-18 months. Dublin remains an undersupplied market benefiting from both US and UK demand as well as its indigenous market.

Our appointment of Eoin Condren to lead our joint venture offering underlines our determination to realise value in this area. Having spent a decade in the real estate investment industry, Eoin will drive our joint venture partnerships, as we seek to source and execute acquisitions in our core geographies. He will look to expand our capital partner relationships, assessing where we might aggregate elements of our existing pipeline to further capitalise on our operational leverage and maximise funding efficiency.

Top five occupiers as at 28 February 2018

	Annual rent £m	% of contracted rent
1. Matalan	0.54	6.1
2. J Sainsbury	0.49	5.5
3. Ricardo-Aea Limited	0.39	4.4
4. Wilkinson	0.28	3.2
5. Specsavers	0.20	2.3

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

Year ended 28 February 2018	**Property owned throughout the year £'000**	**Acquisitions £'000**	**Disposals £'000**	**Total rental income £'000**
Investment	7,484	755	3,773	12,012
Development and trading	1,632	-	437	2,069
Joint ventures	2,473	289	-	2,762
	11,589	1,044	4,210	16,843
Year ended 28 February 2017				
Investment	8,025	-	4,711	12,736
Development and trading	2,003	17	1,341	3,361
Joint ventures	2,342	139	403	2,884
	12,370	156	6,455	18,981

Core investment portfolio – 28 February 2018

Gross rental income – tenant profile
1. PLC/nationals – 56.8%
2. Local traders – 28.7%
3. Regional multiples – 6.7%
4. FTSE 100 – 5.6%
5. Government – 2.2%

Gross rental income – lease term profile
1. 0 - <5 years – 56.9%
2. 5 - <10 years – 34.1%
3. 10 - <15 years – 4.4%
4. 15 - <20 years – 2.5%
5. 20 years+ – 2.1%

Capital value – location profile
1. South East – 28.4%
2. South West – 25.3%
3. North – 20.9%
4. London – 9.1%
5. Wales – 6.3%
6. Northern Ireland – 6.4%
7. Midlands – 3.6%

Financial review

Results for the year

During the year the Group focused on its aim of delivering a record level of development and trading gains whilst at the same time continuing to rationalise the number of smaller, inefficient projects it is involved in and restructuring its investment portfolio.

As can be seen below we have successfully achieved what we promised.

	2018	2017
Development and trading gains	**£68.3m**	£35.0m
Basic net asset value (NAV)	**£379.3m**	£347.6m
Basic NAV per share	**303p**	278p
Total declared dividends per share	**17.9p**	8.7p
Profit/(loss) before tax	**£48.2m**	£(1.7)m*
Total return	**12.2%**	0.2%
Balance sheet gearing	**31.4%**	34.8%

* After exceptional loss of £2.1million

The profit before tax for the year to February 2018 was £48.2 million (2017: £1.7 million loss), after generating a record level of gains of £68.3 million, in line with our guidance.

In addition, we also achieved our target capital return on our investment portfolio of £5.0 million, as well as disposing of £53.2 million of non-core assets. We are now actively seeking opportunities to reinvest in assets which are focused on our expertise in regeneration and planning.

Development and trading gains

During the year, we realised a total of £68.3 million of net development and trading gains. The key components of these gains are:

- £11.5 million – Preston Barracks: disposal of student accommodation scheme.
- £11.3 million – 12 Hammersmith Grove: profit share on letting of office building.
- £10.3 million – Blackhorse Road: sale of consented residential scheme.
- £7.5 million* – Charlton Riverside: operational gain and uplift in value reflecting designation of the site as a strategic regeneration area and agreement to dispose of the site in April 2018.
- £7.4 million – Cannock: sale of consented designer outlet village.
- £6.3 million* – Harwell: operational gain and uplift in values following the completion and letting of three buildings.
- £5.0 million – Barwood: profit on disposal of interest in regional land promotion business.
- £3.4 million – The Old Vinyl Factory: disposal of The Machine Store consented residential scheme and interest in the Cabinet Building.
- £2.8 million – Ashford: disposal of consented residential scheme.
- £2.2 million – Avid Building: disposal of consented residential scheme in Dublin.
- £1.9 million – Telegraph Works: disposal of ten townhouses.
- £1.8 million – Southwark: disposal of vacant office building and five flats.

* These gains represent U+I's share of gains on assets held in joint venture arrangements with significant capital partners

In addition to the above, approximately £4.4 million of gains were realised from a number of smaller projects as we continued our policy of rationalising the number of projects we have.

In total the Group has delivered project gains of approximately £75.8 million during the year before provisions.

In respect of our project at Bromley, we set aside a full £7.5 million provision in the year due to delays resulting from the size and complexity of the basement and facade works all of which inevitably extended the construction programme. The provision comprises of the following components:

- £3.1 million+ – allocated fair value uplift of the scheme as part of the acquisition of the Cathedral Group in 2014.
- £4.4 million – anticipated irrecoverable costs.

Once completed later this year, St Mark's Square will regenerate and transform a major part of Bromley.

+ The total fair value adjustment on acquisition of the Cathedral Group was allocated across all of the acquired schemes in 2014 based upon the anticipated profitability and risk of each scheme at that point in time. Other schemes acquired, such as Telegraph Works and Preston Barracks, have generated profits significantly in excess of those projected at the time of acquisition

Development and trading gains can be analysed as follows:

	2018 **£m**	2017 £m
Included in segmental analysis:		
Development and trading segment result	**48.4**	28.5
Share of results of joint ventures	**13.0**	3.0
Sale of investments	**6.8**	0.6
Other income	**0.1**	0.7
Included in net finance costs:		
Interest from financial asset	**–**	1.1
Other asset realisations	**–**	1.1
	68.3	35.0

Overheads

During 2018 we succeeded in our aim of realising savings of £2.0 million in our net recurring overheads from a combination of cost efficiencies and the generation of management fees from specialist platforms.

During the year, fees from our specialist platforms with Colony NorthStar and Proprium Capital Partners were the major contributors to delivering the fee target and we continue to look at ways to drive efficiencies across the business, focusing particularly on simplifying our corporate structure, reducing the number of corporate entities and leveraging our intellectual capital.

The overheads during 2018 comprised:

	2018 **£m**
Group overheads	**24.2**
LTIP charge (net)	**(1.8)**
	22.4
Income from specialist platforms	**(2.1)**
Net recurring overheads	**20.3**

Net finance costs

Net finance costs for the year of £9.7 million (2017: £10.8 million) include a foreign exchange deficit of £1.4 million (2017: £3.4 million deficit) in respect of the retranslation of Euro-denominated loans and deposits.

For entities where the reporting currency is in Euros, retranslation differences are charged to reserves. The movement for 2018 was a gain of £0.3 million (2017: £3.0 million gain). The net impact of these movements on NAV during the year was £1.1 million loss (2017: £0.4 million loss).

Debt

We use debt finance to leverage the use of our equity in property transactions. We continue to borrow from a wide range of financial institutions, including UK clearing banks, insurance company-backed lenders, debt funds and financial institutions. The availability of debt finance has not impacted our ability to transact new property deals.

During the year, the major changes to our debt portfolio were as follows:

- Successful restructure of our long-term investment facility with Aviva, delivering a more flexible facility and an annualised saving in finance costs of circa £1.0 million.

- Following disposal of Kingsland Shopping Centre from our investment portfolio we have repaid the £28.0 million Lloyds Bank facility.
- Two Irish bank facilities were repaid following disposals of trading assets.
- To enable the build out of the Bryn Blaen wind farm, we entered into a £24.0 million joint venture loan facility with Close Brothers.

Details of our debt facilities are shown in the table below:

Group's bank facilities

							Principal financial highlights		
Facility type	Notes	Total facility	Utilised as at 28 February 2018 £'000		Interest rate	Maturity	Loan to value ratio	Interest[1] cover ratio	Minimum[1] net worth £'000
Loans financing longer-term assets									
Term loan		£12,000	6,276		Cap	05-Jan-19	50%	200%	–
Term loan	3	£10,580	10,580		Variable	10-Jan-20	73%	160%	–
Term loan		£2,795	2,105		Variable	22-May-20	–	–	–
Loan notes	2	€47,000	41,483	~	Cap	24-Apr-21	–	–	–
Term loan		£66,667	66,589		Fixed	5-Dec-32	75%	125%	–
Loans financing development and trading assets									
Term loan	3	£4,900	4,900		Fixed	16-Nov-18	–	–	–
Term loan		£30,750	20,398		Fixed	25-Nov-18	70%	–	–
Term loan	3	£24,113	22,901		Variable	13-Dec-18	–	–	–
Term loan	3	£26,000	25,250		Cap	31-Dec-18	60%	125%	100,000
Term loan	4	£9,500	10,167		Variable	31-Jan-19	–	–	–
Term loan	4	£26,000	25,692		Fixed	31-Jan-19	–	–	–
Term loan	3	£44,100	41,043		Fixed	24-Feb-19	–	–	–
Term loan	3	€22,045	8,502	~	Fixed	18-Nov-19	–	–	–
Term loan	3	€20,125	11,095	~	Fixed	06-Jan-20	–	–	–
Term loan	3	£11,300	11,300		Variable	28-Oct-20	55%	150%	–
Term loan	3	£5,610	5,440		Cap	31-Mar-21	60%	175%	–
Term loan	3	€14,000	12,357	~	Variable	08-Aug-21	–	–	–
Term loan	3	£40,025	31,917		SWAP	03-Apr-22	65%	175%	–

1. Interest cover ratios are specific to the loan and the relevant property. Minimum net worth refers to the net asset value of the Group per its latest Balance Sheet (28 February or 31 August)
2. These unsecured, variable rate loan notes are denominated in Euros, with a nominal value of €47 million. An interest rate cap is in place to limit the Group's exposure to movements in the EURIBOR rate
3. Loans relating to joint ventures represent the total loan facility and not the Group's share
4. This facility has the provision to allow interest to be rolled into the loan

~ Represents the amount of the Group's liability in Sterling as at the balance sheet date

Debt maturity profile

Our debt policy can be summarised as follows:

- Longer-term fixed rate facilities are used to fund longer-term income-producing assets. Target loan to value (LTV): 60-65%.
- Shorter-term asset-specific debt aligned to the business plan for shorter-term trading assets. Target LTV: 50-55%.
- Medium-term Euro-denominated corporate debt to support our investment into Euro-denominated assets in Dublin. No LTV target as this is corporate-level debt.
- The Group has no specific debt on non-income producing assets or investments into PPP schemes.
- Joint venture arrangements are designed to leverage both our operational expertise and our Balance Sheet. When acting with third party capital we deploy asset-specific debt, which is often at a higher LTV (65-75%), reflecting the risk appetite and cost of capital of our partners.

A summary of the Group's gearing is shown below:

	Target	**28 Feb 2018**	26 Apr 2018	28 Feb 2017
Gearing (excl. share of JVs)	40-50%	**31.4%**	23.8%	34.8%
Gearing (incl. share of JVs)	50-60%	**50.5%**	43.8%	47.4%

The greatest fluctuation in gearing occurs where we utilise debt to fund the build-out of pre-sold residential developments on our own Balance Sheet. This peaked at 59.2% during FY17.

Our overall gearing targets therefore act as a limit on the amount of development that we can undertake on our own Balance Sheet.

The Group maintains a mix of variable and fixed rate facilities to provide a degree of certainty whilst also benefiting from historically low interest rates. Longer-term facilities tend to be structured with fixed rates. A summary of the Group's interest rate exposure is shown below:

		2018	2017
Group net debt and gearing:			
Gross debt	£m	**(171.2)**	(172.1)
Cash and cash equivalents	£m	**52.1**	51.3
Net debt	£m	**(119.1)**	(120.8)
Net assets	£m	**379.3**	347.6
Gearing	%	**31.4**	34.8
Weighted average debt maturity	years	**7.0**	4.8
Weighted average interest rate	%	**4.7**	4.6
Including joint ventures:			
Share of net debt in joint ventures	£m	**(72.7)**	(44.0)
Gearing	%	**50.5**	47.4
Weighted average debt maturity	years	**5.4**	4.2
Weighted average interest rate	%	**5.2**	4.9

Joint venture arrangements
The Group has a policy of working in joint venture arrangements as a way of:

- Leveraging our equity so we can participate in projects that would otherwise be too large for our Balance Sheet;
- Accessing deals with specialist partners who have secured positions on projects but require further equity and the planning and structuring skills, which are a key part of our business.

During the year, the Group has created considerable value in two of its most important joint ventures:

- At Harwell we are partnered with the STFC and Harwell Oxford Partners on the 700-acre Harwell Campus, an internationally renowned science campus. During the year we have successfully completed the letting and development of three buildings and let over 160,000 sq. ft. of space to, amongst others, the Nuclear Decommissioning Authority and Oxford Space Systems. During the year this has generated both £6.3 million of development and trading gains and an investment valuation uplift of £4.1 million in respect of the Group's holding.
- At Charlton Riverside, we are partnered with Proprium Capital Partners. The designation of the sites as a strategic regeneration area during the year has resulted in a third party, independent valuation at the year-end of £50.0 million, delivering a revaluation gain to the Group of £6.9 million.

Taxation
Our tax strategy is aligned with our overall business strategy and is principled, transparent and sustainable for the long- term. The key components of this strategy are:

- A commitment to ensure full compliance with all statutory obligations, including full disclosure to all relevant tax authorities;

- Any tax planning strategy entered into is only implemented after full consideration of the risks and if necessary after prior consultation with the relevant tax authority. Those findings are recorded in any relevant structuring document;
- The maintenance of good relationships with tax authorities and a clear interaction between tax planning and the Group's wider corporate reputation and responsibility; and
- Management of tax affairs in a manner that seeks to maximise shareholder value whilst operating within the parameters of existing tax legislation.

For 2018 the underlying tax rate, including deferred taxes, was 16.51%. The Group's tax rate is sensitive to both geographical location of profits and business activity from which the profits are derived. It is anticipated that future years will see an increase in the effective tax rate following legislative changes announced in the 2017 Budget and the possible impact of interest deductions in line with OECD's Base Erosion Profit Shifting (BEPS) Action Point 4.

The Group has made a provision of £1.0 million relating to an open HMRC enquiry in to historic tax losses of the Group. The Group has not made any other provisions relating to prior-year events and will only do so when there is a high degree of certainty of an obligation to settle any liabilities.

The suitability of our tax strategy is kept under constant review to ensure compliance with both the fiscal needs of the Group and the constant evolution of tax legislation.

Dividends
Our dividend policy consists of two elements as follows:

- An Ordinary dividend, comprising interim and final at 2.4 pence and 3.5 pence per share respectively; and
- A supplemental dividend related to the net free level of cash flow generated from the financial year.

A final dividend of 3.5 pence per share will be recommended to shareholders at the Annual General Meeting (AGM) on 5 July 2018, to be paid on 17 August 2018 to shareholders on the register on 20 July 2018 (2017: 3.5 pence per share).

On 25 April 2018, the Board approved the payment of a supplemental dividend of 12.0 pence per share, to be paid on 15 June 2018 to shareholders on the register on 11 May 2018.

Foreign currency movements
The Group's operations are conducted primarily in the UK. However, as one of its three core regions is Dublin, the Group is exposed to movements in foreign exchange rates between Sterling and Euros.

The Group's principal exposure to foreign currency movements is in respect of its €47.0 million Euro-denominated loan notes, Euro-denominated bank loans and property assets.

At 28 February 2018, following the disposal of a number of Irish assets during the year, the Group had net Euro-denominated liabilities of €38.7 million (2017: €16.6 million).

During the year, the value of Sterling against the Euro has fluctuated reflecting economic uncertainty relating to the UK's decision to leave the EU. The impact on our NAV during the period was a reduction of £1.1 million, which is the net result of a loss of £1.4 million recorded in finance costs in the profit and loss account and a gain through reserves of £0.3 million.

European Public Real Estate Association (EPRA)
Unlike a traditional real estate investment business, a significant part of our regeneration business model seeks to optimise the use of our Balance Sheet by entering into either conditional purchase agreements, land option agreements or development management agreements where we incur the design costs and fees associated with obtaining a planning consent, without purchasing the land up front. These types of structures mean that for a significant part (57.1%) of our development portfolio, we are not able to produce a reliable fair value in accordance with EPRA guidelines until such time as planning consent is obtained and land becomes unconditionally owned.

We understand that EPRA NAV is the accepted valuation metric for real estate investment companies. However, U+I's business model and our preference for developing assets using third-party capital rather than our own, mean that EPRA NAV does not deliver a complete picture of the potential value within both our portfolio of assets and various contractual arrangements. We will continue to give guidance as to expected trading and development gains over the next three years as a more complete picture of the potential value within the Group's projects.

Five-year summary

		2018	2017	2016	2015	2014
Revenue	£m	**173.7**	123.9	242.3	203.7	79.3
Profit/(loss) before taxation	£m	**48.2**	(1.7)	25.8	34.8	19.5
Net assets	£m	**379.3**	347.6	363.3	346.4	320.3
Earnings/(loss) per share	Pence	**32.2**	(2.4)	17.5	26.8	14.9
Net assets per share	Pence	**303**	278	291	276	262

Marcus Shepherd
Chief Financial Officer
26 April 2018

Viability statement

Introduction
U+I's business model is to deliver returns through regeneration, realising profits by successfully transforming undervalued land and assets into new places that deliver social and economic value to a wide range of stakeholders.

The key drivers in delivering the model are as follows:

- Ability to source a regular supply of new business opportunities which can deliver profits in future years.
- Sourcing debt finance to leverage new business opportunities and refinance existing facilities where appropriate.
- Access to a wide range of capital partners to co-invest in larger schemes and forward fund larger speculative developments.
- Successfully delivering new planning permissions.
- A high-yielding investment portfolio generating a sustainable cash yield to support business activities and sustain corporate overheads.
- Maintaining a diversified portfolio of projects so as to reduce property specific risk across the overall portfolio.

Assessment period
The Group's business planning process consists of a five-year look forward. The rationale for this is that the main driver of success is the generation of development and trading gains from projects, with the exception of two outliers:

- Short-term pure trading; and
- Long-term land strategies.

The majority of projects have a duration of between two and five years from acquisition to exit. Therefore, from any starting point, over a five-year period the vast majority of projects will have moved through to exit. To plan for a period longer than five years would lead to the construction of a purely theoretical model in years 5+, rather than one underpinned by specific existing projects in the initial five-year period.

Therefore, for the purposes of this review, the business has been considered and stress tested over a five-year period.

Consideration of principal risks
The nature of the Group's business and the industry in which it operates expose it to a variety of risks. The principal risks and uncertainties facing the Group are detailed on pages [•] to [•]. The Board regularly reviews the principal risks and assesses the appropriate controls and mitigating actions required to manage the operations of the Group within an appropriate risk environment. The Board has further considered their impact within the context of the Group's viability with particular emphasis on construction and planning risk.

Assumptions
In assessing the long-term viability of the Group, the Board has made the following assumptions:

Property investment valuations continue to be broadly stable with no prolonged significant downwards movements.

- The Group continues to be able to deliver cash-backed development and trading gains from its existing portfolio of projects sufficient to meet its operational requirements, principally driven by securing new planning permissions.
- The Group continues to be able to source new business opportunities capable of delivering both short-term trading gains and longer-term development gains to replace existing projects as they are exited.
- The Group continues with its policy of having a mixture of long-term debt associated with its long-term investment portfolio and shorter-term stand-alone debt associated with its development and trading projects.
- The Group continues, as it did throughout the previous recession, to be able to source both replacement and new debt facilities as they are required from both existing and new lenders.
- The Group continues with its policy of maintaining a broad range of counterparties, including financial, contractor and purchaser, so as to mitigate the impact of potential counterparty failure.
- The Group continues its policy of de-risking developments by obtaining forward-funding for larger schemes and only carrying out limited on-balance sheet development.

- Construction contracts are entered into on a guaranteed maximum price basis where possible.

The Group maintains its current conservative gearing strategy.

In addition, the Group’s five-year business model was stress-tested to simulate either a deterioration in market conditions or a flexing of these assumptions, as detailed below. In particular, consideration was given to the following:

- Persistent valuation falls of 2.5%, 5.0% and 10.0% per annum for each of the next five years and the resultant impact upon NAV, gearing covenants and cash levels i.e. a fall of 25% in property values.
- Inability to win any new business opportunities over the next five years - hence the only profits that can be generated are from existing schemes.
- Debt facilities were stress-tested to see how much property valuations would need to fall before loan covenants would be breached and how much cash would be required to cure any loan covenant defaults.

Conclusion
As a result of the work performed above, including the consideration of the key assumptions and the subsequent stress testing, the Board believes that the Group’s strategy of maintaining a broad portfolio of development and trading projects, a core investment portfolio and a diverse range of financial and operational counterparties provides the Group with a strong platform on which to continue its business.

The Directors therefore have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period to February 2023.

Consolidated Statement of Comprehensive Income
For the year ended 28 February 2018

	Notes	**2018 Total £'000**	2017 Total £'000
Revenue	2	**173,684**	123,931
Direct costs	2	**(117,477)**	(86,863)
Gross profit	2	**56,207**	37,068
Operating costs	2	**(24,235)**	(22,061)
Gain/(loss) on disposal of investment properties	2	**3,324**	(2,273)
Loss on revaluation of property portfolio	6	**(2,417)**	(9,506)
Operating profit before exceptional item		**32,879**	3,228
Exceptional impairment of operating segment		**–**	(2,150)
Operating profit after exceptional item		**32,879**	1,078
Other income		**2,089**	1,320
Share of post-tax profits of joint ventures and associates	7	**16,175**	6,134
Profit from sale of investments	7(a)	**6,713**	567
Gain/(loss) on sale of other plant and equipment		**5**	(25)
Profit before interest and income tax		**57,861**	9,074
Finance income	3(a)	**94**	711
Finance costs	3(b)	**(9,783)**	(11,495)
Profit/(loss) before income tax		**48,172**	(1,710)
Income tax		**(7,916)**	(1,293)
Profit/(loss) for the year		**40,256**	(3,003)
OTHER COMPREHENSIVE INCOME			
Profit/(loss) for the year		**40,256**	(3,003)
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		**292**	2,958
Revaluation of operating property		**35**	–
Deferred income tax credit		**–**	127
Total comprehensive income for the year		**40,583**	82
Basic earnings/(loss) per share attributable to the Parent*	5	**32.2p**	(2.4)p
Diluted earnings/(loss) per share attributable to the Parent*	5	**32.2p**	(2.4)p

* Adjusted earnings per share from continuing activities is given in note 5

All amounts in the Consolidated Statement of Comprehensive Income relate to continuing operations.

Consolidated Balance Sheet
As at 28 February 2018

	Notes	£'000	2018 £'000	£'000	2017 £'000
NON-CURRENT ASSETS					
Direct real estate interests					
Investment properties	6	**139,506**		179,199	
Operating property		**775**		800	
Trade and other receivables	9(a)	**2,487**		2,858	
			142,768		182,857
Indirect real estate interests					
Investments in associates	7(a)	**–**		8,372	
Investments in joint ventures	7(b)	**92,806**		46,089	
Intangible assets – goodwill		**2,328**		2,328	
Loans to other real estate businesses	11(a)	**15,812**		19,859	
			110,946		76,648
Other non-current assets					
Other plant and equipment		**4,241**		5,770	
Derivative financial instruments		**10**		257	
Deferred income tax assets		**1,225**		1,359	
			5,476		7,386
Total non-current assets			**259,190**		266,891
CURRENT ASSETS					
Inventory – development and trading properties	8	**216,393**		208,342	
Other financial assets	11(a)	**16,837**		18,524	
Trade and other receivables	11(b)	**119,629**		48,720	
Current income tax asset		**–**		16	
Monies held in restricted accounts and deposits		**11,473**		27,486	
Cash and cash equivalents		**40,626**		23,785	
			404,958		326,873
Total assets			**664,148**		593,764
CURRENT LIABILITIES					
Trade and other payables	10(b)	**(99,716)**		(53,369)	
Current income tax liabilities		**(7,748)**		–	
Borrowings	11(b)	**(63,209)**		(4,508)	
Provisions	10(c)	**(2,513)**		(1,394)	
			(173,186)		(59,271)
NON-CURRENT LIABILITIES					
Trade and other payables	10(a)	**–**		(14,395)	
Borrowings	11(b)	**(107,975)**		(167,617)	
Deferred income tax liabilities		**(3,290)**		(3,568)	
Provisions	10(c)	**(416)**		(1,288)	
			(111,681)		(186,868)
Total liabilities			**(284,867)**		(246,139)
Net assets			**379,281**		347,625
EQUITY					
Share capital		**62,671**		62,613	
Share premium		**104,475**		104,325	
Other reserves		**56,628**		54,551	
Retained earnings		**155,507**		126,136	
Total equity			**379,281**		347,625
Basic/diluted net assets per share attributable to the owners of the Parent	5		**303p/303p**		278p/277p

Approved and authorised for issue by the Board of Directors on 26 April 2018 and signed on its behalf by:

M S Weiner
Director

Consolidated Statement of Changes in Equity
For the year ended 28 February 2018

	Notes	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 March 2016		62,537	104,113	51,861	144,814	363,325
Loss for the year ended 28 February 2017		–	–	–	(3,003)	(3,003)
Other comprehensive (expense)/income:						
– Revaluation of operating property		–	–	(1,073)	1,073	–
– Fair value adjustment realised		–	–	(630)	630	–
– Currency translation differences		–	–	2,958	–	2,958
– Deferred income tax credited directly to equity		–	–	127	–	127
Total comprehensive income/(expense) for the year ended 28 February 2017		–	–	1,382	(1,300)	82
Issue of Ordinary shares		76	212	–	–	288
Share-based payments		–	–	1,308	–	1,308
Final dividend 2016	4	–	–	–	(4,378)	(4,378)
Supplemental dividend 2016	4	–	–	–	(9,997)	(9,997)
Interim dividend 2017	4	–	–	–	(3,003)	(3,003)
Total contributions by and distributions to owners of the Company		76	212	1,308	(17,378)	(15,782)
Balance at 28 February 2017		62,613	104,325	54,551	126,136	347,625
Profit for the year ended 28 February 2018		–	–	–	40,256	40,256
Other comprehensive income:						
– Revaluation of operating property		–	–	35	–	35
– Currency translation differences		–	–	292	–	292
Total comprehensive income for the year ended 28 February 2018		**–**	**–**	**327**	**40,256**	**40,583**
Issue of Ordinary shares		58	150	–	–	208
Share-based payments		–	–	1,750	–	1,750
Final dividend 2017	4	–	–	–	(4,379)	(4,379)
Supplemental dividend 2017	4	–	–	–	(3,503)	(3,503)
Interim dividend 2018	4	–	–	–	(3,003)	(3,003)
Total contributions by and distributions to owners of the Company		58	150	1,750	(10,885)	(8,927)
Balance at 28 February 2018		**62,671**	**104,475**	**56,628**	**155,507**	**379,281**

Consolidated Cash Flow Statement
For the year ended 28 February 2018

	Notes	2018 £'000	2017 £'000
CASH (USED IN)/ GENERATED FROM OPERATIONS			
Cash flows (used in)/generated from operating activities	12	**(211)**	56,859
Interest paid		**(9,140)**	(7,774)
Income tax paid		**(296)**	(3,806)
Net cash (used in)/generated from operating activities		**(9,647)**	45,279
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**3,803**	443
Proceeds on disposal of other plant and equipment		**5**	11
Proceeds on disposal of investment properties		**39,253**	16,250
Purchase of other plant and equipment		**(822)**	(601)
Purchase of investment properties		**(2,432)**	(3,051)
Investment in joint ventures		**(31,535)**	(19,197)
Cash inflow from joint ventures and associates - fees and distributions		**11,454**	24,245
Cash outflow for financial asset loans		**(5,676)**	(518)
Cash inflow from financial assets - loans repaid by other real estate businesses		**10,455**	1,816
Net cash generated from investing activities		**24,505**	19,398
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(10,885)**	(17,378)
Issue of new shares		**208**	288
Repayments of borrowings		**(120,529)**	(81,677)
New bank loans raised		**118,110**	33,194
Transaction costs associated with borrowings		**(922)**	(339)
Cash released from restricted accounts		**27,434**	2,661
Cash retained by restricted accounts		(11,421)	(22,051)
Net cash generated from/(used in) financing activities		1,995	(85,302)
Net increase/(decrease) in cash and cash equivalents		**16,853**	(20,625)
Cash and cash equivalents at the beginning of the year		**23,785**	43,752
Exchange (loss)/gain on cash and cash equivalents		**(12)**	658
Cash and cash equivalents at the end of the year		**40,626**	23,785
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash at bank and in hand		**40,626**	23,785
Bank overdrafts	11(b)	**–**	–
Cash and cash equivalents at the end of the year		**40,626**	23,785
NET DEBT COMPRISES:			
Monies held in restricted accounts and deposits		**11,473**	27,486
Cash and cash equivalents		**40,626**	23,785
Financial liabilities:			
– Current borrowings	11(b)	**(63,209)**	(4,508)
– Non-current borrowings	11(b)	**(107,975)**	(167,617)
Net debt		**(119,085)**	(120,854)

An analysis of the movement in net debt is provided in note 12.

Notes to the Consolidated financial statements
For the year ended 28 February 2018

1 Basis of preparation and accounting policies

a)

(i) General information

The Consolidated financial statements of the Group for the year ended 28 February 2018 comprise the results of U and I Group PLC and its subsidiaries and were authorised by the Board for issue on 25 April 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.

(ii) Going concern

The Group meets its day to day working capital requirements through its cash reserves and bank facilities. The current economic conditions continue to create uncertainty. The Group produces regular forecasts and cash flow projections to confirm that it can continue to operate within the level of its existing banking facilities. The Group considers the risks and uncertainties highlighted in the Viability Statement when reviewing its projections. Following this review, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing its Consolidated financial statements.

b) Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRS Interpretations Committee (IFRSIC) interpretation as adopted by the European Union and with the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies which follow set out those policies which were applied consistently in preparing the financial statements for the years ended 28 February 2018 and 28 February 2017.

The Consolidated financial statements have been prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of investment property, operating property, available-for-sale financial assets, financial assets and liabilities and derivative instruments at fair value through profit and loss.

The financial information included in the preliminary announcement does not constitute statutory Consolidated financial statements of the Group for the years ended 28 February 2018 and 28 February 2017 but is derived from those Consolidated financial statements. Statutory Consolidated financial statements for 2017 have been delivered to the registrar of companies and those for 2018 will be delivered in due course. The auditors have reported on those financial statements; their reports were (i) unmodified, (ii) did not include a reference to any matters which the auditors drew attention by way of emphasis without modifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

c) Critical accounting judgements and estimates

When preparing the Group financial statements, management are required to make judgements, assumptions and estimates concerning the future. These judgements and assumptions are made at the time the financial statements are prepared and adopted based on the best information available. Actual outcomes may be different from initial estimates and are reflected in the financial statements as soon as they become apparent. Management believe that the underlying assumptions are appropriate. Areas requiring judgements or estimates are discussed in the following section.

Judgements other than estimates

1.1 Classification of directly owned property assets

The Group earns revenue from property development, trading and investment, and operating serviced offices.

Property development includes the entire development process from identification of an opportunity through to construction, letting and sale of a completed scheme. This activity is undertaken both on the Group's own Balance Sheet and in partnership with institutional investors, usually via a pre-sale of the completed development.

Property trading refers to participation in the development process, where the Group acquires an interest in land and enhances the potential development, for instance by procuring or changing planning permission, before selling on to a third party to complete the development.

Property investment represents the acquisition of income-generating real estate which is held for the purposes of income and capital gain, through active asset management.

In most cases the property interest is held directly by the Group and is classified either as investment property (refer note 6) or as inventory for development and trading properties (refer note 8).

The varied nature of the Group's properties is such that a number exhibit characteristics consistent with more than one classification; also, the Directors' strategy for an asset may change during its ownership. The Directors determine the status of each asset according to their intention on acquisition. A change in classification is made only in exceptional circumstances, where the strategy and use have demonstrably changed.

During the year the Group has reclassified two trading and development assets to investment properties. This reclassification is as a result of a change in strategy and use in respect of these assets whereby they are now being held for income and capital appreciation.

1.2 Classification of projects in partnership
In addition to its directly owned and managed activities, the Group participates in similar activities in partnership with others, typically to access expertise in different locations or market sectors. The Group's financial participation may be by way of equity investment or loan. In each case a judgement is required as to the status of the Group's interest, as an associate, a joint venture, a joint operation or a financial asset, typically focusing on the extent of control exercised by the Group.

The Group's share of control is governed and achieved by a mixture of rights set out in agreements and participation in the management of each business. The exercise of control in practice does not always follow the legal structure. The Directors have considered the position in respect of each venture, taking account of the operation in practice, and have determined the status of each accordingly.

These investments are reported under the relevant balance sheet headings, with a summary in note 14.

1.3 Acquisition of subsidiaries
The Group sometimes acquires properties through the purchase of entities which own real estate. At the time of acquisition, the Group considers whether the transaction represents the acquisition of a business. In cases where the entity is capable of being operated as a business, or an integrated set of activities is acquired in addition to the property, the Group accounts for the acquisition as a business combination. When the acquisition does not represent a business, it is accounted for as the purchase of a group of assets and liabilities. In making this distinction, the Group considers the number of items of land and buildings owned by the entity, the extent of ancillary services provided by the entity, and whether the entity has its own staff to manage the property (over and above the maintenance and security of the premises).

Estimates
1.4 Valuation of property assets
The key source of estimation uncertainty rests in the values of property assets, which affects several categories of asset in the Balance Sheet.

The investment portfolio (and the operating property) are stated at fair value, which requires a number of judgements and estimates in assessing the qualities of the Group's assets relative to market transactions.

The same uncertainties affect the determination of fair value of certain available-for-sale financial instruments with the further complexity that the value of these assets requires estimates of future construction costs, tenant demand and market yields.

The Group's development and trading properties are carried at the lower of cost and net realisable value. The determination of net realisable value relies upon similar estimates, with the added challenge, in some cases, of judgements about uncertain planning outcomes.

1.5 Impairment reviews
The Group's Curzon Park Limited joint venture owns a development site in Birmingham known as Curzon Street. The current proposal for the high speed train link between London and Birmingham (HS2) indicates that the planned route of HS2 passes through the site, including provision for part of the prospective station. In view of this, the ultimate value of the site is uncertain. It is not clear what impact HS2 will have on the development of the 10.5-

acre site. The Directors believe that the site will recover at least its carrying value in the books of the joint venture, although the interim and ultimate uses of the site and timing of its development remain unclear.

The Group continues to review the operations of its serviced office business as it looks to exit a number of the centres. Three will close during the year and the Group is looking at options of exiting two further centres. A further provision of £628,000 has been made during the year to cover closure costs.

1.6 Derivative financial instruments
The Group is party to a number of interest rate swap agreements which are accounted for as derivatives and measured at fair value. The estimation of this figure is based upon market assumptions about future movements in interest and exchange rates.

1.7 Group Long-Term Incentive Plan (LTIP)
During the year, the Group made awards to staff under the Group's LTIP. The awards vest according to a number of performance criteria, the primary measure being net asset value growth over a three-year period. In calculating the provision to accrue, management are required to estimate net asset growth over the vesting period. The estimate is reassessed at each reporting date.

2 Segmental analysis
a) The segmental information presented consistently follows the information provided to the Chief Operating Decision Maker (CODM) and reflects the three sectors in which the Group operates. The CODM, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee. The three operating divisions are:

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

Unallocated assets and liabilities comprise amounts that cannot be specifically allocated to operating segments; an analysis is provided below.

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, except assets of £30,004,000 (2017: £30,193,000) which are located in the Republic of Ireland. All revenue arises from continuing operations.

2018	Investment £'000	Development and trading £'000	Operating £'000	Total £'000
Segment revenue	**12,086**	**157,481**	**4,117**	**173,684**
Direct costs	**(3,656)**	**(109,037)**	**(4,784)**	**(117,477)**
Segment result	**8,430**	**48,444**	**(667)**	**56,207**
Operating costs	**(3,579)**	**(20,656)**	**–**	**(24,235)**
Gain on disposal of investment properties	**3,324**	**–**	**–**	**3,324**
Loss on revaluation of property portfolio	**(2,417)**	**–**	**–**	**(2,417)**
Operating profit	**5,758**	**27,788**	**(667)**	**32,879**
Other income	**483**	**1,606**	**–**	**2,089**
Share of post-tax profits of joint ventures and associates	**3,142**	**13,033**	**–**	**16,175**
(Loss)/profit on sale of investment	**(99)**	**6,812**	**–**	**6,713**
Unallocated gain on sale of other plant and equipment				**5**
Profit before interest and income tax				**57,861**
Finance income	**35**	**59**	**–**	**94**
Finance costs	**(4,942)**	**(4,841)**	**–**	**(9,783)**
Profit before income tax				**48,172**
Income tax				**(7,916)**

Profit for the year				**40,256**
ASSETS AND LIABILITIES				
Segment assets	**175,388**	**444,763**	**2,402**	**622,553**
Unallocated assets				**41,595**
Total assets				**664,148**
Segment liabilities	**(74,243)**	**(192,548)**	**(3,965)**	**(270,756)**
Unallocated liabilities				**(14,111)**
Total liabilities				**(284,867)**

A summary of unallocated assets and liabilities is shown below.

2018	**Investment £'000**	**Development and trading £'000**	**Operating £'000**	**Total £'000**
OTHER SEGMENT INFORMATION				
Capital expenditure	**3,038**	**–**	**22**	**3,060**
Unallocated capital expenditure				**194**
Impairment of assets	**–**	**(9,415)**	**–**	**(9,415)**
Depreciation	**173**	**–**	**63**	**236**
Unallocated depreciation				**724**
REVENUE				
Rental income	**12,012**	**2,069**	**–**	**14,081**
Serviced office income	**–**	**–**	**4,117**	**4,117**
Project management fees	**–**	**358**	**–**	**358**
Trading property sales	**–**	**20,985**	**–**	**20,985**
Other trading property income	**–**	**2,695**	**–**	**2,695**
Development proceeds	**–**	**131,374**	**–**	**131,374**
Other	**74**	**–**	**–**	**74**
	12,086	**157,481**	**4,117**	**173,684**

In the year ended 28 February 2018, one project with turnover totalling £23,250,000 generated in excess of 10.0% of total revenue and fell within the development and trading segment.

2017	Investment £'000	Development and trading £'000	Operating £'000	Total £'000
Segment revenue	12,934	106,939	4,058	123,931
Direct costs	(3,449)	(78,467)	(4,947)	(86,863)
Segment result	9,485	28,472	(889)	37,068
Operating costs	(5,031)	(17,030)	–	(22,061)
Loss on disposal of investment properties	(2,273)	–	–	(2,273)
Loss on revaluation of property portfolio	(9,506)	–	–	(9,506)
Operating (loss)/profit before exceptional item	(7,325)	11,442	(889)	3,228
Exceptional impairment of operating segment	–	–	(2,150)	(2,150)
Operating (loss)/profit after exceptional item	(7,325)	11,442	(3,039)	1,078
Other income	666	654	–	1,320
Share of post-tax profits of joint ventures and associates	3,144	2,990	–	6,134
Profit on sale of investment	–	567	–	567

Unallocated loss on sale of other plant and equipment				(25)
Profit before interest and income tax				9,074
Finance income	532	179	–	711
Finance costs	(6,714)	(4,781)	–	(11,495)
Loss before income tax				(1,710)
Income tax				(1,293)
Loss for the year				(3,003)
ASSETS AND LIABILITIES				
Segment assets	226,016	334,609	2,361	562,986
Unallocated assets				30,778
Total assets				593,764
Segment liabilities	(104,059)	(132,358)	(3,796)	(240,213)
Unallocated liabilities				(5,926)
Total liabilities				(246,139)

2017	Investment £'000	Development and trading £'000	Operating £'000	Total £'000
OTHER SEGMENT INFORMATION				
Capital expenditure	3,746	119	83	3,948
Unallocated capital expenditure				380
Exceptional impairment of operating segment	–	–	(1,173)	(1,173)
Impairment of assets	–	(155)	–	(155)
Depreciation	(6)	–	(347)	(353)
Unallocated depreciation				(663)
REVENUE				
Rental income	12,736	3,361	–	16,097
Serviced office income	–	–	4,058	4,058
Project management fees	–	1,052	–	1,052
Trading property sales	–	34,917	–	34,917
Other trading property income	–	2,834	–	2,834
Development proceeds	–	64,775	–	64,775
Other	198	–	–	198
	12,934	106,939	4,058	123,931

In the year ended 28 February 2017, two projects with turnover totalling £28,765,000 generated in excess of 10.0% of total revenue and fell within the development and trading segment.

	2018 £'000	2017 £'000
UNALLOCATED ASSETS CAN BE ANALYSED AS FOLLOWS:		
Other plant and equipment	**4,087**	4,616
Deferred income tax asset	**1,225**	1,359
Derivative financial instruments	**10**	257
Trade and other receivables	**5,596**	5,014
Cash and cash equivalents	**30,677**	19,532
	41,595	30,778

UNALLOCATED LIABILITIES CAN BE ANALYSED AS FOLLOWS:		
Current borrowings	**(17)**	(17)
Trade and other payables	**(10,804)**	(2,344)
Deferred income tax liability	**(3,290)**	(3,568)
	(14,111)	(5,929)

3 Finance income and costs

a) Finance income

	2018 £'000	2017 £'000
Interest receivable on loans and deposits	**94**	711

b) Finance costs

	2018 £'000	2017 £'000
Interest on bank loans and other borrowings	**(8,488)**	(9,091)
Amortisation of transaction costs	**(1,405)**	(1,114)
Provision: unwinding of discount	**(7)**	(14)
Fair value loss on financial instruments – interest rate swaps, caps and collars	**(247)**	(58)
Net foreign currency differences arising on retranslation of cash and cash equivalents	**(1,376)**	(3,398)
	(11,523)	(13,675)
Capitalised interest on development and trading properties	**1,740**	2,180
Total finance costs	**(9,783)**	(11,495)
Net finance costs	**(9,689)**	(10,784)
Net finance costs before foreign currency differences	**(8,313)**	(7,386)

Interest was capitalised at an average rate of 5.84%. No capitalised interest (2017: £1,195,000) was written off in the year. The tax treatment of capitalised interest follows the accounting treatment.

4 Dividends

	2018 £'000	2017 £'000
DECLARED AND PAID DURING THE YEAR		
Equity dividends on Ordinary shares:		
Final dividend for 2017: 3.50 pence per share (2016: 3.50 pence per share)	**4,379**	4,378
Interim dividend for 2018: 2.40 pence per share (2017: 2.40 pence per share)	**3,003**	3,003
Supplemental dividend for 2017: 2.80 pence per share (2016: 8.0 pence per share)	**3,503**	9,997
	10,885	17,378
DIVIDEND DECLARED BUT NOT PAID SINCE 28 FEBRUARY 2018		
Supplemental dividend for 2018: 12.0 pence per share (2017: 2.80 pence per share)	**15,041**	3,506
PROPOSED FOR APPROVAL BY SHAREHOLDERS AT THE ANNUAL GENERAL MEETING		
Final dividend for 2018: 3.5 pence per share (2017: 3.50 pence per share)	**4,387**	4,379

On 25 April 2018, the Board approved the payment of a supplemental dividend of 12.0 pence per share, which will be paid on 15 June 2018 to Ordinary shareholders on the register at the close of business on 11 May 2018 and will be recognised in the year ending 28 February 2019.

Subject to approval by shareholders, the final dividend of 3.50 pence was approved by the Board on 25 April 2018 and has not been included as a liability or deducted from retained earnings as at 28 February 2018. The final dividend is payable on 17 August 2018 to Ordinary shareholders on the register at the close of business on 20 July 2018 and will be recognised in the year ending 28 February 2019.

5 Earnings per share and net assets per share

The calculation of basic and diluted earnings per share and EPRA profit per share is based on the following data:

	2018 £'000	2017 £'000
PROFIT		
Profit/(loss) for the purpose of basic and diluted earnings per share	**40,256**	(3,003)
Revaluation (surplus)/deficit (including share of joint venture revaluation surplus)	**(13,454)**	6,812
(Gain)/loss on disposal of investment properties	**(3,324)**	2,273
Impairment of development and trading properties	**8,415**	155
Impairment of financial assets	**1,000**	–
Exceptional impairment of operating segment	**–**	2,150
Mark-to-market adjustment on interest rate swaps (including share of joint venture mark-to-market adjustment)	**140**	(23)
EPRA adjusted profit from continuing activities attributable to owners of the Company	**33,033**	8,364

	2018 '000	2017 '000
NUMBER OF SHARES		
Weighted average number of Ordinary shares for the purpose of earnings per share	**125,218**	125,072
Effect of dilutive potential Ordinary shares:		
Share options	**57**	1
Weighted average number of Ordinary shares for the purpose of diluted earnings per share	**125,275**	125,073
Basic earnings/(loss) per share (pence)	**32.2p**	(2.4)p
Diluted earnings/(loss) per share (pence)	**32.2p**	(2.4)p
EPRA adjusted earnings per share (pence)	**26.4p**	6.7p
EPRA adjusted diluted earnings per share (pence)	**26.4p**	6.7p

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

Net assets per share and diluted net assets per share have been calculated as follows:

	Net assets £'000	**No. of shares '000**	**2018 Net assets per share Pence**	Net assets £'000	No. of shares '000	2017 Net assets per share Pence
Basic net assets per share attributable to the owners	**379,281**	**125,343**	**303**	347,625	125,227	278
Fair value of development and trading assets (see below)	**–**			15,486		
Fair value of joint venture assets (see below)	**–**			(2,416)		
Cumulative mark-to-market adjustment on interest rate swaps	**(19)**			126		
EPRA adjusted net assets per share	**379,262**	**125,343**	**303**	360,821	125,227	288
Cumulative mark-to-market adjustment						
on interest rate swaps	**19**			(126)		
Fair value of debt	**(9,514)**			(14,345)		
EPRA adjusted triple net assets per share	**369,767**	**125,343**	**295**	346,350	125,227	277
Effect of dilutive potential Ordinary shares	**625**	**447**		475	228	
Diluted net assets per share	**379,906**	**125,790**	**303**	348,100	125,455	277

EPRA diluted net assets per share	**379,887**	**125,790**	**303**	361,296	125,455	288
EPRA diluted triple net assets per share	**370,392**	**125,790**	**295**	346,825	125,455	276

In 2017, the Group engaged CBRE Ltd to provide valuation services for the development and trading portfolio in order to report an EPRA triple NAV per share calculation. In carrying out this exercise, a large proportion of the property portfolio did not qualify for valuation, as it fell outside of the criteria for calculation. For example, the Group often has conditional land options in place to purchase land at a future point in time, rather than during the project assembly and planning phases. As a result, only 42.9% of the portfolio qualified to be measured at fair value.

The Board has debated whether to carry out a valuation for the 2018 financial year and has engaged key stakeholders' opinion in reaching their conclusion. The Board has therefore concluded that there is no benefit to stakeholders to continue with the project and has not provided an EPRA adjusted NAV per share calculation for 2018.

6 Investment properties

	Freehold £'000	Long leasehold £'000	Total £'000
At valuation 1 March 2016	159,285	44,033	203,318
Additions:			
– capital expenditure	2,607	803	3,410
Disposals	(18,023)	–	(18,023)
Deficit on revaluation	(6,996)	(2,510)	(9,506)
At valuation 28 February 2017	136,873	42,326	179,199
Additions:			
– acquisitions	–	1,627	1,627
– capital expenditure	528	277	805
Transfer from development and trading assets	13,000	471	13,471
Disposals	(51,688)	(1,491)	(53,179)
Deficit on revaluation	(1,322)	(1,095)	(2,417)
At valuation 28 February 2018	**97,391**	**42,115**	**139,506**

Direct costs of £3,656,000 (2017: £3,449,000) arose as a result of ownership of investment properties.

Two development and trading assets were transferred to investment properties during the year following a change in strategy and use of the assets. The Group intends to hold the properties for the foreseeable future for capital appreciation and rental income.

a) Reconciliation of market value of investment properties to the net book amount
The following table reconciles the market value of investment properties to their net book amount. The components of the reconciliation are included within their relevant balance sheet heading.

	2018 £'000	2017 £'000
Market value as assessed by the independent valuers or Directors	**142,092**	182,359
Amount included in prepayments and accrued income in respect of lease incentives	**(2,586)**	(3,160)
Net book amount of Investment properties – non-current assets	**139,506**	179,199

At 28 February and 31 August each year, the Group engages professionally qualified valuers who hold a recognised professional qualification and who have recent experience in the locations and sectors of the investment portfolio. As at 28 February 2018, completed investment properties have been valued by CBRE Ltd at a value of £124,329,000 (2017: £164,106,000). The current value equates to the Highest and Best Use Value of the asset.

The valuers have consented to the use of their name in the financial statements.

Included within Investment properties are freehold land and buildings representing investment properties under development, amounting to £15,177,000 (2017: £15,093,000), which have been valued by the Directors. These properties comprise buildings and landholdings for current or future development as investment properties. This approach has been taken because the value of these properties is dependent on a detailed knowledge of the planning status, the competitive position of these assets and a range of complex project development appraisals.

Investment properties under development include £8,075,000 (2017: £8,075,000) of landholdings adjacent to retail properties within the Group's portfolio, acquired for the purpose of extending the existing shopping centres. The fair value of these properties rests in the planned extensions, and is difficult to estimate pending confirmation of designs and planning permission, and hence has been estimated by the Directors at cost as an approximation to fair value.

£122,059,000 (2017: £167,205,000) of total investment properties are charged as security against the Group's borrowings.

7 Investments

	Investments in associates £'000	Investments in joint ventures £'000
At 1 March 2016	4,309	46,782
Additions	114	19,267
Share of profit/(loss)	4,340	(935)
Share of revaluation surplus	–	2,694
Share of mark-to-market adjustment on interest rate swaps	–	35
Share of results	4,340	1,794
Disposal of joint venture	–	(48)
Capital distributions	(391)	(21,706)
At 28 February 2017	**8,372**	**46,089**
Additions	–	31,535
Share of profit/(loss)	7	(609)
Share of revaluation surplus	–	16,670
Share of mark-to-market adjustment on interest rate swaps	–	107
Share of results	7	16,168
Transfer to subsidiaries	(1,500)	–
Disposal of associate/joint venture	(2,500)	–
Capital distributions	(4,379)	(986)
At 28 February 2018	**–**	**92,806**

A summary of the Group's projects in partnership and the balance sheet classification of its interests are set out in note 14.

a) Investment in associates

The Group has the following interest in associates:

	% of holding	Country of incorporation	Principal activity	Reporting segment	Acquisition date	Note
Cannock Designer Outlet Limited Partnership	12.5	United Kingdom	Property development	Development and trading	December 2017	
CDSR Burlington House Developments Limited	20	Ireland	Property development	Development and trading	July 2014	
Northpoint Developments Limited	42	United Kingdom	Property development	Development and trading	November 2007	1

1. The investment in the associate has been fully provided against

In October 2017, the Group disposed of its 40.0% holding in Barwood Development Securities Limited realising a gain of £4,982,000.

In December 2017, the Group acquired a 12.5% holding in Cannock Designer Outlet Limited Partnership. The partnership is registered and incorporated in the United Kingdom.

In December 2017, the Wessex Property Fund was terminated.

On 18 January 2018, the Group acquired the additional 75.0% of Barwood Land and Estates Limited. Accordingly, the company is now accounted for as a subsidiary.

Any contingent liabilities in relation to our associate investment partners are disclosed in note 13.

b) Investment in joint ventures
As at 28 February 2018, the Group has the following interests in joint ventures:

	% of holding	Country of incorporation	Principal activity	Reporting segment	Acquisition date	Accounting reference date
Becket House Unit Trust	15	Jersey	Investment property	Investment	March 2014	31 December
Bryn Blaen Wind Farm Limited	50	United Kingdom	Property development	Development and trading	May 2011	28 February
Circus Street Developments Limited	49	United Kingdom	Property development	Development and trading	August 2017	28 February
Curzon Park Limited	50	United Kingdom	Property development	Development and trading	November 2006	28 February
Development Equity Partners Limited	50	Jersey	Property development	Development and trading	December 2011	28 February
DSP Piano Investments BV	34	Netherlands	Investment property	Investment	July 2015	31 December
DSP Tirol Limited	50	United Kingdom	Investment property	Investment	January 2015	28 February
DS Renewables LLP*	50	United Kingdom	Property development	Development and trading	May 2012	28 February
Harwell Oxford Developments Limited	50	United Kingdom	Property development	Development and trading	December 2013	28 February
Kensington & Edinburgh Estates (South Woodham Ferrers) Limited	50	United Kingdom	Property development	Development and trading	July 2013	28 February
Luxembourg Investment Company 112 Sarl	50	Luxembourg	Property development	Development and trading	November 2016	31 December
Manchester Arena Complex LP	30	United Kingdom	Investment property	Investment	June 2010	28 February
Mayfield Development (General Partner) Limited	50	United Kingdom	Property development	Development and trading	December 2016	31 May
Notting Hill (Guernsey Holdco) Limited	24	Guernsey	Investment property	Development and trading	June 2011	31 December
Opportunities for Sittingbourne Limited	50	United Kingdom	Property development	Development and trading	January 2015	28 February
OSB (Holdco 1) Limited	50	United Kingdom	Property development	Development and trading	February 2014	28 February
Triangle London Developments LLP	50	United Kingdom	Property development	Development and trading	May 2016	31 May
UAI(G) Limited	50	United Kingdom	Property development	Development and trading	June 2016	28 February
UAIP(Drum) BV	20	Netherlands	Investment property	Investment	August 2016	28 February
UAIH Yorkshire Limited	50	United Kingdom	Property development	Development and trading	April 2016	28 February
Winnebago Holdings Sarl	35	Luxembourg	Investment property	Investment	April 2012	31 December

* The company is dormant and therefore no balance sheet or income statement is presented

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

In August 2017, the Group acquired 50% of the share capital in Circus Street Developments Limited with its partner, GCP, holding the remaining 50%. The Company is registered and incorporated in the United Kingdom.

Triangle London Developments LLP was incorporated in May 2016 with the designated members being U and I Group PLC and Notting Hill Home Ownership Limited. The partnership is registered and incorporated in Jersey.

Bryn Blaen Wind Farm Ltd was incorporated in May 2011. The Group holds 50% of the share capital with its partner, Mr Steven Radford, holding the remaining 50%. The Company is registered and incorporated in the United Kingdom.

Accrue Student Housing GP Limited was dissolved on 20 February 2018 and Development Equity Partners Limited is in the process of being dissolved as at 28 February 2018.

Investments under joint arrangements are not always represented by an equal percentage holding by each partner. In a number of joint ventures, the Group holds a minority shareholding but has joint control and therefore the arrangement is accounted for as a joint venture.

£21,325,000 of cash balances are included within current net asset balances of joint ventures. These include £7,039,000 in Luxembourg Investment Company 112 Sarl and £9,429,000 in the accounts of Harwell Oxford Developments Limited.

8 Inventory

	Development properties £'000	Trading properties £'000	Total £'000
DEVELOPMENT AND TRADING PROPERTIES			
At 1 March 2016	147,927	51,852	199,779
Additions:			
– acquisitions	6,448	11,316	17,764
– development expenditure	65,346	1,318	66,664
Disposals	(54,884)	(23,619)	(78,503)
Foreign currency differences	906	1,887	2,793
Net write down of development properties to net realisable value	(155)	–	(155)
At 28 February 2017	165,588	42,754	208,342
Additions:			
– acquisitions	3,131	–	3,131
– development expenditure	132,101	2,110	134,211
Transfer to investment assets (refer note 9)	(471)	(13,000)	(13,471)
Disposals	(90,428)	(18,616)	(109,044)
Foreign currency differences	–	580	580
Net write down of development properties to net realisable value	(7,356)	–	(7,356)
At 28 February 2018	202,565	13,828	216,393

Included in the above amounts are projects stated at net realisable value of £79,565,000 (2017: £5,486,000).

Net realisable value has been estimated by the Directors, taking account of the plans for each project, the planning status and competitive position of each asset, and the anticipated market for the scheme. For material developments, the Directors have consulted with third party chartered surveyors in setting their market assumptions.

Interest of £1,740,000 (2017: £2,180,000) was capitalised on development and trading properties during the year. Capitalised interest included within the carrying value of such properties on the Balance Sheet is £5,354,000 (2017: £3,614,000).

In 2017, the Group engaged CBRE Ltd to provide valuations in respect of its development and trading assets. A large proportion (57.1%) of the Group's development and trading portfolio fell outside of the criteria for a reliable fair value exercise. The Board has therefore decided, in consultation with its stakeholders, not to fair value the development and trading assets in 2018.

Further information in respect of EPRA can be found in the Finance review.

9 Trade and other receivables

a) Non-current	**2018 £'000**	2017 £'000
Prepayments	**2,487**	2,858

b) Current	**2018 £'000**	2017 £'000
Trade receivables	**45,216**	7,278
Other receivables	**23,556**	34,996
Other tax and social security	**1,556**	1,738
Prepayments	**3,339**	2,132
Accrued income	**45,962**	2,576
	119,629	48,720

The Group has provided £1,092,000 (2017: £1,318,000) for outstanding balances where recovery is considered doubtful. Apart from the receivables that have been provided for at the year end, there are no other material receivables, past due but not impaired. The maximum exposure to credit risk at the reporting date is the carrying value of the receivable.

10 Trade and other payables

a) Non-current	**2018 £'000**	2017 £'000
Trade payables	**–**	14,395

b) Current	**2018 £'000**	2017 £'000
Trade payables	**27,286**	7,088
Other payables	**14,521**	10,889
Other tax and social security	**12,198**	3,604
Accruals	**36,326**	28,716
Deferred income	**9,385**	3,072
	99,716	53,369

c) Provisions	Onerous leases £'000	Other provisions £'000	Total £'000
At 1 March 2017	426	2,256	2,682
Charged to the income statement	–	1,068	1,068
Utilised during the year	(17)	(162)	(179)
Provisions released	–	(649)	(649)
Unwind of discount	7	–	7

At 28 February 2018	416	2,513	2,929

Analysis of total provisions	**2018 £'000**	2017 £'000
Non-current	**416**	1,288
Current	**2,513**	1,394
	2,929	2,682

Two provisions of £172,000 (2017: £183,000) and £244,000 (2017: £243,000) relate to onerous lease obligations entered into in 2009 and 1974 respectively.

11 Financial assets and financial liabilities

The following table is a summary of the financial assets and financial liabilities included in the Consolidated Balance Sheet:

	2018 £'000	2017 £'000
NON-CURRENT ASSETS		
Available-for-sale financial assets	**15,812**	19,859
Derivative financial instruments not used for hedging at fair value through profit or loss	**10**	257
	15,822	20,116
CURRENT ASSETS		
Loan notes at amortised cost less impairment	**8,888**	8,813
Loans and receivables	**7,949**	9,711
Trade and other receivables at amortised cost less impairment	**114,734**	44,850
Monies held in restricted accounts and deposits	**11,473**	27,486
Cash and cash equivalents	**40,626**	23,785
	183,670	114,645
Total financial assets	**199,492**	134,761
CURRENT LIABILITIES		
Trade and other payables at amortised cost	**(78,133)**	(46,693)
Borrowings at amortised cost	**(63,209)**	(4,508)
	(141,342)	(51,201)
NON-CURRENT LIABILITIES		
Trade and other payables at amortised cost	**–**	(14,395)
Borrowings at amortised cost	**(107,975)**	(167,617)
	(107,975)	(182,012)
Total financial liabilities	**(249,317)**	(233,213)

a) Other financial assets	**2018 £'000**	2017 £'000
NON-CURRENT		
Available-for-sale financial assets - development loans	**14,527**	19,859
Available-for-sale financial assets - LaSalle investment	**1,285**	–
	15,812	19,859

The Group provided a loan of £10,505,000 (2017: £10,505,000) to the Curzon Park Limited joint venture in order to repay a share of its bank debt. The joint venture partner provided the equivalent amount. The bank loan, originally secured against the 10.5-acre site in Birmingham, has since been fully repaid.

The Group has two funding agreements totalling £3,678,000 (2017: £8,727,000), in respect of projects in partnership. The loans attract fixed coupon rates of 6.0% and 8.5%. Funding of £344,000 (2017: £627,000) has been provided to Henry Davidson Developments Limited in respect of one project. Interest of 12.5% is charged in respect of this funding.

During the year the Group acquired a 5.0% holding in LaSalle Land Limited Partnership which has been classified as an available-for-sale financial asset.

	2018	2017
	£'000	£'000
CURRENT		
Loan notes at amortised cost less impairment	**8,888**	8,813
Loans and receivables – Northpoint Developments Limited	**7,949**	8,211
Loans and receivables – Property Alliance Group	**–**	1,500
	16,837	18,524

The Group holds loan notes with a carrying value of £8,888,000 (2017: £8,813,000), issued by Northpoint Developments Limited, with a fixed coupon rate of 4.25%. These loan notes are repayable on a rolling one-year basis and are currently being restructured. As at 28 February 2018, the Group has made a provision of £1,363,000 (2017: £973,000) against interest receivable in respect of these loan notes and a £1,000,000 provision against the recoverability of the loans.

Development loans include a number of working capital and project-specific loans of £7,949,000 (2017: £8,211,000) to Northpoint Developments Limited. The loans attract fixed coupon rates of between 5.0% and 13.0%. Included in the above amount are two interest-free loans of £408,000 (2017: £408,000). As at 28 February 2018, the Group has made a provision of £1,609,000 (2017: £1,223,000) against interest receivable in respect of these loans.

The short-term, non-interest bearing loan of £1,500,000 to Property Alliance Group was repaid in December 2017.

	2018	2017
b) Borrowings	**£'000**	£'000
CURRENT		
Bank overdrafts	**–**	–
Current instalments due on bank loans	**1,034**	2,630
Current loans maturing	**62,550**	2,579
Unamortised transaction costs	**(375)**	(701)
	63,209	4,508

	2018	2017
	£'000	£'000
NON-CURRENT		
Bank loans and loan notes	**109,143**	168,940
Unamortised transaction costs	**(1,168)**	(1,323)
	107,975	167,617

Bank loans are secured by way of mortgages and legal charges on certain properties and cash deposits held by the Group.

c) Derivative financial instruments

Assets	2018 £'000	2017 £'000
Derivative financial instruments at fair value through profit or loss:		
Interest rate swaps, caps and collars	**10**	36
Foreign exchange contracts	**–**	221
Derivative financial assets	**10**	257

At 28 February 2018, the Group held interest rate swaps, caps and collars designated as economic hedges and not qualifying as effective hedges under IAS 39. The derivatives are used to mitigate the Group's interest rate exposure to variable rate loans of £47,759,000 (2017: £51,972,000). The fair value of the derivatives amounting to £10,000 (2017: £36,000) are recorded as financial assets at 28 February 2018.

12 Note to the cash flow statement

Reconciliation of profit/(loss) before income tax to net cash outflow from operating activities:

	2018 £'000	2017 £'000
Profit/(loss) before income tax	**48,172**	(1,710)
Adjustments for:		
(Gain)/loss on disposal of investment properties	**(3,324)**	2,273
Loss on revaluation of property portfolio	**2,417**	9,506
Other income	**(2,089)**	(1,320)
Share of post-tax profits of joint ventures and associates	**(16,175)**	(6,134)
Profit from sale of investment	**(6,713)**	(567)
(Profit)/loss on sale of other plant and equipment	**(5)**	25
Exceptional impairment of operating segment	**–**	2,150
Finance income	**(94)**	(711)
Finance cost	**9,783**	11,495
Depreciation of property, plant and equipment	**960**	1,016
Operating cash flows before movements in working capital	**32,932**	16,023
Increase in development and trading properties	**(10,037)**	(3,590)
(Increase)/decrease in receivables	**(57,042)**	36,991
Increase in payables	**33,696**	7,490
Increase/(decrease) in provisions	**240**	(55)
Cash flows (used in)/generated from operating activities	**(211)**	56,859

Analysis of movement in net debt

	2018			2017		
	Cash and deposits £'000	**Borrowings £'000**	**Net debt £'000**	Cash and deposits £'000	Borrowings £'000	Net debt £'000
At 1 March	**51,271**	**(172,125)**	**(120,854)**	51,848	(213,289)	(161,441)
Cash flow	**840**	**2,419**	**3,259**	(1,235)	48,483	47,248
Foreign currency exchange movements	**(12)**	**(1,497)**	**(1,509)**	658	(5,130)	(4,472)
Non-cash movements	**–**	**19**	**19**	–	(2,189)	(2,189)
At 28 February	**52,099**	**(171,184)**	**(119,085)**	51,271	(172,125)	(120,854)

13 Contingent liabilities

In the normal course of its development activity, the Group is required to guarantee performance bonds provided by banks in respect of certain obligations of Group companies. As at 28 February 2018, such guarantees amounted to £5,543,000 (2017: £6,917,000).

The Group has provided guarantees for rent liabilities in respect of properties previously occupied by Group companies. In the event that the current tenants ceased to pay rent, the Group would be liable to cover any shortfall until the building could be re-let. The Group has made provision against crystallised liabilities in this regard. In respect of potential liabilities where no provision has been made, the annual rent-roll of the buildings benefiting from such guarantees is £7,000 (2017: £7,000) with an average unexpired lease period of 68 years (2017: 70 years).

The Group has guaranteed its share of interest up to a maximum of £575,000 in respect of the £26,000,000 loan in Notting Hill (Guernsey Holdco) Limited.

14 Projects in partnership

The following is a summary of the Group's projects in partnership and the Balance Sheet classification of its financial interests:

Project/partner	Project activity	Accounting classification	**2018 £'000**	2017 £'000
Barwood Development Securities Limited	Strategic land investment	Investment in associates	**–**	2,500
Barwood Land and Estates Limited	Strategic land investment	Investment in associates	**–**	1,500
CDSR Burlington House Developments Limited	Property development	Investment in associates	**–**	4,372
Cathedral (Movement, Greenwich) LLP	Property development	Financial assets	**100**	127
Northpoint Developments Limited	Property development	Financial assets	**16,837**	17,024
Curzon Park Limited	Property development	Investment in joint ventures	**260**	–
Curzon Park Limited	Property development	Financial assets	**10,505**	10,505
Deeley Freed Limited	Property development	Financial assets	**–**	8,600
LaSalle Land LP	Strategic land investment	Financial assets	**1,285**	–
Henry Davidson Developments Limited	Property development	Financial assets	**344**	627
Property Alliance Group	Property development	Financial assets	**–**	1,500
Quinn Estates Brokehill Limited	Property development	Financial assets	**3,578**	–
Accrue Student Housing GP Limited	Student accommodation	Investment in joint ventures	**–**	–
Becket House Unit Trust	Investment property	Investment in joint ventures	**–**	–
Circus Street Developments Limited	Property development	Investment in joint ventures	**5,106**	–
Development Equity Partners Limited	Property development	Investment in joint ventures	**269**	269
DSP Piano Investments BV	Investment property	Investment in joint ventures	**14,276**	6,772
DSP Tirol Limited	Investment property	Investment in joint ventures	**4,212**	4,535
DS Renewables LLP	Property development	Investment in joint ventures	**11,537**	–
Harwell Oxford Developments Limited	Property development	Investment in joint ventures	**24,356**	12,881
Kensington & Edinburgh Estates (South Woodham Ferrers) Limited	Property development	Investment in joint ventures	**311**	929
Luxembourg Investment Company 112 Sarl	Property development	Investment in joint ventures	**15,330**	11,520
Manchester Arena Complex LP	Investment property	Investment in joint ventures	**156**	169
Mayfield Development (General Partner) Limited	Property development	Investment in joint ventures	**6,269**	–
Notting Hill (Guernsey Holdco) Limited	Property development	Investment in joint ventures	**8,321**	7,486
Opportunities for Sittingbourne Limited	Property development	Investment in joint ventures	**128**	128
OSB (Holdco 1) Limited	Property development	Investment in joint ventures	**–**	–
Triangle London Developments LLP	Property development	Investment in joint ventures	**306**	–
UAI(G) Limited	Property development	Investment in joint ventures	**504**	141
UAIH Yorkshire Limited	Property development	Investment in joint ventures	**124**	15
UAIP (Drum) BV	Property development	Investment in joint ventures	**1,263**	1,201
Winnebago Holdings Sarl	Investment property	Investment in joint ventures	**78**	43
			125,455	92,844

The aggregate amounts included within each relevant balance sheet account are as follows:

	2018 **£'000**	2017 £'000
Investment in associates	**–**	8,372
Investment in joint ventures	**92,806**	46,089
Financial assets – current	**16,837**	18,524
Financial assets – non-current	**15,812**	19,859
	125,455	92,844

15 Post balance sheet events
As at 28 February 2018, the Group had exchanged contracts on the sale of a number of assets held directly and in joint venture. These sales have since successfully completed.

In April, the Group exchanged contracts to sell land held in joint venture. This sale will be recognised in the year ending 28 February 2019.

16 Definitions
Operating profit: stated after loss on disposal of investment properties, the revaluation of the investment property portfolio and exceptional items 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 year, as defined and measured by Investment Property Databank Limited (IPD), a company that produces independent benchmarks of property returns.

Total shareholder return: movement in share price over the year plus dividends paid as a percentage of the opening share price.

Gearing: expressed as a percentage, and 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 (refer note 14).

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

Basic earnings per share: amounts are calculated by dividing profit or loss for the year attributable to owners of the Parent by the weighted average number of Ordinary shares outstanding during the year, excluding shares purchased by the Parent and held as treasury shares.

Diluted earnings per share: amounts are calculated by dividing the profit or loss attributable to owners of the Parent by the weighted average number of Ordinary shares outstanding during the year 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: amounts are calculated by dividing net assets by the number of Ordinary shares in issue at the balance sheet date excluding shares purchased by the Parent and held as treasury shares.

Diluted net assets per share: amounts are 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.

Management have chosen to disclose the European Public Real Estate (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.

EPRA earnings: is the profit or loss after taxation excluding investment property revaluations (including valuations of joint venture investment properties), impairment of development and trading properties, exceptional items and mark-to-market movements of derivative financial instruments (including those of joint ventures) and intangible asset movements and their related taxation.

EPRA net assets (EPRA NAV): are the Balance Sheet net assets adjusted to reflect the fair value of development and trading assets, excluding 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: is EPRA NAV divided by the number of Ordinary shares in issue at the balance sheet date.

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

EPRA NNNAV per share: is EPRA NNNAV divided by the number of Ordinary shares in issue at the balance sheet date.