U and I Group PLC
(“U+I” or “the Company” or “the Group”)

Results for the 13-months ended 31 March 2019

Strengthened short and long-term pipeline, giving good future visibility

Development and trading gains of £42.8 million; ongoing investment portfolio transition

- £42.8 million of development and trading gains delivered (2018: £68.3 million) during prolonged political and economic uncertainty in the financial period
- Further progress with investment portfolio strategy, with increasing focus on regeneration assets from our development portfolio to align with wider business strategy. Secured £27.4 million of acquisitions and £7.5 million of disposals; investment portfolio total return of -1% (2018: 10.1%), reflecting a significant decline in values in the retail sector

Grew pipeline from >£7 billion to >£11 billion across core geographies

- Won major new PPP scheme at Cambridge Northern Fringe East in London City Region*, strengthening our credentials in the Cambridge/Oxford corridor
- Secured three new trading opportunities across London City Region and Dublin; targeting gains in FY2020 and in later years
- Ongoing progress on two potential partnership projects with a Gross Development Value of c.£2.0 billion, with outcome expected in H1 2020

Board and operational changes to support delivery of financial performance

- £2.5 million reduction in annualised net recurring overheads in FY2019
- Appointment of Professor Sadie Morgan as independent Non-executive Director to drive accountability for delivering on our PPP commitments and to oversee the establishment of a new workforce advisory panel
- Richard Upton’s title changes from Deputy CEO to Chief Development Officer to more accurately reflect his role in the origination and delivery of major PPP projects

Fifth successive supplemental dividend; positive outlook for sustainable shareholder returns

- Total dividends of 10.0 pence per share (2018: 17.9 pence per share)
- Includes interim dividend of 2.4 pence per share (2018: 2.4 pence per share), a final dividend of 3.5 pence per share (2018: 3.5 pence per share) and a supplemental dividend of 4.1 pence per share (2018: 12.0 pence per share)
- FY2020 development and trading target prudently revised to £35-45 million from £45-55 million, in light of economic and political uncertainty delaying project timing. FY2021 target increased from £35-45 million to £45-55 million. Investment portfolio target total return retained at 10% per annum
- Longer-term target of £50 million of development and trading gains per annum remains

* *Within one hour’s commute from London*

Matthew Weiner, Chief Executive, said:

“We delivered a resilient performance in the financial period, most notably £42.8 million of development and trading gains, against our £45-50 million target. We have strengthened our short and long-term pipeline, giving us good future visibility and a positive outlook for shareholder returns. We have a clear and focused strategy and the fundamentals that underpin it remain relevant, as we are aligned with political and social trends, where demand for homes, offices, and mixed-use spaces is growing and is a major priority for Government and local authorities.

Whilst the last thirteen months have seen economic and political uncertainty in the UK, which has affected decision-making and timing on some of our projects, these uncertainties have also opened up new opportunities to expand our portfolio. Being selected for Cambridge Northern Fringe East further strengthens our PPP pipeline and reinforces our significant credentials in partnership regeneration in the London City Region. Along with our *other core geographies of Dublin and Manchester, this market shares the characteristics we believe foster long-term growth and prosperity; talent, tourism, transport and tolerance. We have also strengthened our short-term pipeline with three new trading opportunities. We continue to make progress with our investment portfolio, with three acquisitions in the period and a further disposal of a non-core asset. Combined these will help to support improved medium-term performance.*

A major focus over the coming year is on delivering our existing development and trading projects, as well as driving through the investment portfolio strategy. We believe that we have the right approach, pipeline and team to deliver sustainable returns for our shareholders and we are focused on doing just that."

Financial summary:

	31 Mar 2019	28 Feb 2018
Development and trading gains	**£42.8m**	£68.3m
Profit before tax	**£6.3m**	£48.2m
Basic net asset value (NAV)	**£360.1m**	£379.3m
Basic NAV per share	**289p**	303p
Basic earnings per share	**4.2p**	32.2p
Total declared dividends per share including supplemental dividend	**10.0p**	17.9p
Net debt	**£139.0m**	£119.1m
Gearing	**38.6%**	31.4%

Change of year end
Figures throughout the report and accounts represent thirteen months (1 March 2018 -31 March 2019) due to a change in year end from 28 February to align with our market peers. Our current financial period runs from 1 April 2019 -31 March 2020.

Conference call for analysts and investors
The management team will present to equity analysts and investors today at 10.30am 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://webcasting.brrmedia.co.uk/broadcast/5c9ba46cec650d01c34f4b74 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	0330 336 9411
All other locations	+44 (0)330 336 9411

Joining your call:

Participant Password:	3313162

Forthcoming announcement dates
The Company intends to hold its Annual General Meeting on 4 September 2019.

For further information, please contact:
U and I Group PLC

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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.

CEO statement

U+I has delivered a robust performance in the financial period (to 31 March 2019), including £42.8 million of development and trading gains, against a very challenging backdrop. Our profit before tax was £6.3 million (2018: £48.2 million), and our basic net asset value is down 5.3% to 289 pence per share (2018: 303 pence per share), after the payment of £22.4 million of dividends (17.9 pence per share) during the period. Including joint venture assets, our investment portfolio delivered -1% total return (2018: 10.1%), as we suffered a 4.9% capital value decline. Post tax total return was 0.9% (2018: 12.2%), primarily reflecting the reduction in value of the investment portfolio.

These results show our resilience against an uncompromising market backdrop and a year marked by growing political, planning and economic uncertainty, without which we believe gains would have been in excess of our upper £50 million target. Over the last four years, we have delivered average gains of c.£50 million per annum, in line with our medium-term target.

Our markets
The medium-term economic fundamentals in the UK remain sound, if unspectacular, with consumers' real incomes increasing and companies having money to invest, albeit showing reluctance to do so. The real estate cycle has numerous long-term supportive forces at play, most notably in terms of the supply of new accommodation, which has been comparatively disciplined. Interest rates globally remain anchored at low levels and, with limited debt exposure, the market can stay relatively protected against a slowdown. At the same time, we are seeing the redefinition of space, in terms of usage and ownership. Increasingly property is seen as a service; a provision to be subscribed to rather than owned outright.

This has widespread consequences. In the retail environment, it has led to a much faster degree of obsolescence. In the office environment, businesses need to occupy inspiring spaces or else talent is not interested in working for them. In residential, people are searching for spaces where they can feel truly at home, but with pressure on disposable income, affordability and convenience are prioritised over postcode.

As an industry, we need to provide those places and we need to do this by creating multi-use spaces that suit an increasingly "co-everything" world. Political, economic and social demand for the type of mixed-use developments that we deliver will continue.

These are the challenges but they are also opportunities for U+I.

Our opportunity
We are a specialist developer and investor with a substantial pipeline of complex mixed-use regeneration schemes. We seek to transform overlooked parts of towns and cities, through a mix of commercial and residential real estate uses, revitalising communities. We unlock the potential of land and assets – mainly in the densely populated areas of London City Region, Manchester and Dublin – to create value.

Our blend of large Public Private Partnership (PPP) projects, shorter-term entrepreneurial trading activity and recurring revenue from our investment portfolio – all centred on mixed-use regeneration – give our portfolio a clear focus and generate multiple income streams to help to mitigate risk. Our deep relationships with local stakeholders help us to identify suitable sites and better understand potential risks so we can facilitate planning and delivery.

The scale of our projects, our vision to see the potential in complex sites where others don't, our partnership approach with the public and private sector and our ability to secure funding for our PPP schemes create barriers to entry for others, and give us a competitive advantage.

Public Private Partnerships – strengthening our portfolio
We are making further progress on our stated strategic objective to develop a pipeline of fewer, larger projects with public and private partners in our three core geographies.

In July 2018 Cambridge City Council and Anglian Water appointed us as master developer to deliver a major residential-led mixed-use scheme – named Cambridge Northern Fringe East (CNFE) – on an existing water recycling site, to help address the significant shortfall in homes and amenities in this region. The scheme secured £227 million in funding from Government's Housing Infrastructure Fund in March 2019 to relocate Anglian Water's existing water recycling centre and release the core 120-acre brownfield site. Having met this key milestone, the project is now progressing at pace. It will deliver c.£20-30 million of development and trading gains for U+I over its c.15 year lifespan, with our first profits expected in FY2023. These gains could increase should we bid for and be selected to deliver any elements of this project ourselves.

We remain in exclusive negotiations for a new PPP project in the London City Region and are also still on the shortlist for a major partnership opportunity in Dublin, and expect a decision on both in H1 2020. Combined they have a Gross Development Value of circa £2.0 billion.

In August 2018, we were also appointed to the Greater London Authority's (GLA's) London Development Panel which will bring forward up to £20 billion worth of development land over the next four years. This opens up new opportunities and supports our position on TfL's Property Partnership Framework, a position we have held since 2016.

PPP is an integral part of our business and support for it was reinforced by Government in the November 2018 Budget. Yet it is often misunderstood as a mechanism for change and faces some reputational challenges. In the financial period we undertook an extensive research, consultation and listening programme with the public, private and civic sectors in an effort to understand these challenges, establish a blueprint to address them and drive new industry standards. We published our findings in our PPP – The Reset report in November 2018, whilst also making a number of specific commitments which will enhance and improve our approach to PPP. Most notably, we will establish a Community Challenge Panel which will be overseen by our recently appointed independent Non-executive Director, Professor Sadie Morgan, to hold ourselves to account on our commitments. The process to appoint the Panel is underway.

Development and trading – steady progress in a difficult market

Public Private Partnerships are an essential part of our business and these projects tend to be large, long-term and equity light as the public or private sector seeds the partnership with land. In contrast, and crucially as a counterbalance to these large, long-term projects, our trading portfolio is shorter-term in nature. We buy land and add value through enhanced planning consents and/or asset management, leveraging our experience in mixed-use regeneration and local authority relationships that we have nurtured and developed over the last 25+ years.

Having achieved development and trading gains of £12.8 million in the first half, we added another £30.0 million in the second half, totalling £42.8 million for the financial period and reflecting our typical second half weighting. However, some projects were delayed – including Kensington Church Street and Rhoscrowther Wind Farm, both of which we now expect to monetise in FY2020. Some, like Hendy Wind Farm, we took a different approach to benefit shareholders, whilst others exceeded expectations. A full breakdown of the projects that underpinned this financial period's gains is provided in the Portfolio Review. It demonstrates the diversity and flexibility we have within our portfolio.

Preston Barracks in Brighton has been a particular highlight for us this financial period as we achieved gains of £13.8 million, significantly ahead of our £2-3 million target. This was mainly achieved, through the sale of the residential component to Optivo, one of the largest housing providers in the UK, and some additional planning overage gains from our partnership with Scape Student Living. Optivo recognised the quality of the proposed scheme and, as experts in affordable housing, they are perfectly qualified to deliver this part of our wider £200 million GDV mixed-use development, that will provide over £280 million of economic benefit for the City of Brighton over the next ten years.

Harwell continues to evolve into a key project for us. This world-class, Government-backed science, technology and innovation campus, where we have worked since 2014, delivered £4.8 million of development and trading gains in the financial period. This follows the completion of two pre-let developments and the sale of a significant piece of land to an existing occupier. In the last five years we have delivered and leased 350,000 sq.ft. of space on the campus. In March 2019, our joint venture partnership secured £110 million of funding from Santander, committing further resources to the next stage of development, which in the next two years will deliver over 200,000 sq.ft. of high-tech industrial, laboratory and office accommodation.

With Harwell and CNFE, we now have two major PPP schemes in the Cambridge/Oxford corridor. In line with Government, which is investing heavily in these locations, we too see this growth corridor as a focus for innovation and talent, and we are committed to continuing to grow our presence here.

During the financial period we secured planning permission and commenced construction works at Hendy Wind Farm. We also entered discussions to sell the project at a level that would have delivered our forecast gain. However, as we moved to close, we did not feel the terms and price reflected the ultimate quality of the scheme. Therefore, as with Bryn Blaen last year, we felt it was prudent to delay as we believe we can get a better return for shareholders if we sell in FY2020 when the project works have been completed.

In the second half of the financial period we achieved practical completion at St Mark's Square in Bromley. There is a good level of buyer interest in the completed residential units and the leisure element is open and trading well. However, due to construction delays in the second half of the year, we have incurred increased professional fees as well as higher interest charges as sale receipts were delayed, leading to a provision of £1.5 million. We are in the process of settling the final account with the contractor and expect to resolve the situation during FY2020.

During the financial period we have focused on building our shorter-term pipeline to support our larger, longer-term PPP projects. At the start of the financial period we revised the structure and focus of our acquisitions team towards trading and this has delivered three new trading opportunities. All in our core geographies, the Arts

Building in Finsbury Park, Newtown Works in Ashford and White Heather Industrial Estate in Dublin are a further demonstration of our ability to source exciting opportunities. We expect them to generate strong gains for the business over the next one to three years, giving us improved short-term pipeline visibility.

Investment portfolio – the regeneration opportunity
At the year end, the investment portfolio was valued at £154.0 million (2018: £139.5 million). Over the 13-month period we made £27.4 million of acquisitions and £7.5 million of disposals. The core portfolio initial yield of 6.6% remained robust, confirming the work we have done on income sustainability. However, we suffered a capital value decline of 4.9% (including our share of joint ventures) as market sentiment outweighed asset fundamentals, especially for retail property outside London and the South East. Including joint venture assets, we delivered a total return of -1% which takes into account capital value movements and income return. Our activity levels were below the £50 million acquisitions and £25 million disposals targets we set ourselves for this financial period but we believe it is essential, particularly in the current environment, to remain disciplined and buy and sell the right assets at the right price.

We remain encouraged by the high levels of occupancy across our portfolio (>90%), largely unchanged rental values and low voids (7.3%), evidence that smart buying and active management can deliver income led results, even when the investment market is challenging overall. With such a strong convenience focus (38.1% of portfolio), no department stores and only 13.6% exposure to fashion/footwear, our portfolio has the fundamentals to deliver. Retail failures from CVAs and administrations continue to have only a small impact, representing 2.4% of rental income. Of this, the net impact to income was only £75,000 or 0.6% of rent roll. We also have limited exposure to any one single tenant, with our largest – Matalan – making up less than 5.0% of total income.

The UK property market is uncertain, with liquidity weakening, mainly due to the nervousness triggered by delays in decision-making at Government level. We believe that retail assets are being indiscriminately valued rather than being assessed on fundamentals. This creates clear challenges for us as vendors and asset managers but also provides opportunities as buyers.

To that end, we have remained cautiously active in recent months, using this market uncertainty to make three attractive acquisitions: St Peter's Quarter in Bournemouth, Waterglade Retail Park in Clacton-on-Sea and a Pure Gym unit in Finchley. Each of these assets is well-suited to the local catchment, has the potential for us to add further value through asset management initiatives and should deliver the double-digit returns we look for.

Our portfolio is primarily in the retail sector, where shopper missions are polarising along the lines of destination/experience orientated visits or service/convenience. Our focus remains on convenience-led schemes which are aligned to their local catchment and play a vital role within the community. Here demand remains robust and there is a certain degree of insulation against the ongoing shift to internet shopping and changes in consumer behaviour.

Over time, we believe the industry will need to reconsider what 'prime retail' really means. Ultimately, the most attractive retail assets are those that provide a sustainable income by offering the right experience to the consumer and the right price for the occupier. These are the assets that we pursue, not 'prime' in the conventional sense but fit for purpose, resilient and delivering sustainable income and capital appreciation.

Having delivered our target return in FY2018, we have been disappointed by the performance of the investment portfolio over the 13-month period. We acknowledge that our approach has not delivered consistently over the last three years. We have previously spoken of the potential to retain elements of our development portfolio and benefit from the opportunity to realise further value as those schemes mature. As our development portfolio has grown in size, so this potential is now a reality and will allow us to benefit from the world-class schemes which we have created and of which we have a deep understanding. Most importantly, this reinforces the business's focus on regeneration, whilst also driving higher returns to shareholders, such that over a three to five-year period we expect to see investment portfolio returns closer to our overall target return.

Initially we have identified potential assets worth up to £250 million from our development pipeline which would meet our investment portfolio criteria. This means that by 2024 the investment portfolio should primarily be comprised of assets created from our development portfolio or assets held for their longer-term development potential. We know that we can achieve our targets and recapture previous levels of performance.

Capital initiatives to enhance delivery
In order to advance some of our bigger schemes, we have held a number of meetings with potential capital partners from around the world to invest, initially, in up to three of our major PPP projects. We have been encouraged by the level of engagement and interest in our projects from a range of private and institutional capital from across the globe, albeit UK political uncertainty has meant that progress has been slower than we would like, with capital showing some reticence to invest. However, empathy with the UK remains and potential capital partners have been attracted by both the quality of the projects and their locations within our gateway cities. We are in the process of shortlisting potential partners, whom we think are the best fit, see the potential of these assets and share our vision for our major projects. We are targeting concluding the process in 2020 and

will give a further update on progress at our interim results in November 2019. Securing funding allows us to advance our projects cost-efficiently, ensures timely delivery of our projects in conjunction with our public sector partners and means we can rotate capital into new schemes.

Efficiencies programme underway
We remain focused on maintaining capital discipline and a strong balance sheet. As reported in our interim results, we have put in place an efficiencies programme to ensure that we continue to manage our recurring overheads as effectively as possible, given our prospective pipeline of projects. This is being led by a Chief Operating Officer who was appointed in January 2018 on an interim basis to undertake a review of all areas of the business and identify and implement cost savings. Annualised net recurring overheads in the financial period were £17.8 million (2018: £20.3 million).

Currently we employ certain specialist development related expertise internally, such as project management and marketing, rather than using external specialists. We do this as it gives us more immediate control over certain aspects of our projects. Historically we have viewed this as a central cost/overhead expense. In order to more closely align ourselves with and be more comparable to our peer group, we are now adopting the industry-wide practice of capitalising that expenditure where appropriate rather than treating it as a corporate overhead. This has led to capitalisation of £2.5 million in FY2019, which is expected to be the level for future years.

To further increase efficiencies, over the financial period, we have undertaken an internal review of each part of the business, which has led to us realigning teams and improving some of our processes so we now believe we have the right team size, structure and skillset, relevant to the scale, value and stage of each project. As we conclude our existing smaller and legacy projects and continue to focus on fewer, larger projects, productivity will increase and support more efficient delivery. Furthermore, as we move into the delivery phase of our pipeline, we will increase the opportunity to earn additional Development Management Fees to offset our overhead. Development Management Fees generated in FY2019 were £2.5 million, a figure which we expect to increase annually over the next five years, with £3.0 million targeted in FY2020.

Dividend – aligning shareholders with our performance
In line with our dividend policy we paid an ordinary dividend of 5.9 pence per share – comprising an interim dividend of 2.4 pence per share paid on 30 November 2018 and a recommended final dividend payment of 3.5 pence per share to be paid to shareholders on 6 September 2019.

As part of our dividend policy we also pay a supplemental dividend related to the net free cash flow generated during the financial period. Given the strength of our net cash position, we are pleased to recommend a supplemental dividend of 4.1 pence per share (2018: 12.0 pence per share).

This will be the fifth successive supplemental dividend paid to shareholders, evidence of our ability to generate strong and sustained surplus cash flows from our development and trading activities, as well as our commitment to aligning our shareholders with the success of the business.

We constantly monitor the method by which capital is returned to our investors and the Board will review this again over the course of the coming year.

Innovation to unlock potential and drive growth
Mixed-use regeneration is about breathing new life into neglected or underestimated places and we believe that innovation is an integral part of that process.

Having re-established the Central Research Laboratory at The Old Vinyl Factory in Hayes as the UK's first full-service accelerator for hardware entrepreneurs, we have taken this proof of concept and committed £3 million to develop an innovation hub proposition we call Plus X. This brings together public and private sector capital to promote innovation, enhance job creation and give fledgling businesses and SMEs room to grow, while simultaneously driving demand for commercial space and delivering distinctive places. The first Plus X will open at Preston Barracks in Brighton in early 2020 and we have also submitted planning for a revised facility at The Old Vinyl Factory. This is just the start, as we plan to develop further Plus X holdings at other major regeneration projects. This concept delivers substantial wash over of value to our wider regeneration activity and we believe it is the first of its kind in our industry. In time, we expect Plus X to create additional value for U+I through securing further PPP opportunities such as Preston Barracks, whilst becoming a potentially valuable and scalable business in its own right.

During the financial period, we also made a deliberate move to explore innovation in property technology that has a direct benefit to delivering better outcomes for our projects. Having been early adopters of their product, in October 2018 we made a small investment into WiredScore, the market leader in certifying building technology. As users, we believe there is tremendous growth potential for the technology, not just in commercial property, but increasingly in residential where connectivity and quality of infrastructure are of growing importance. Since the period end, we have also invested in Matterport, the 3D virtual reality modelling experts for the real estate sector. In our role as strategic advisor to these two businesses, we can share expertise, whilst getting an opportunity to see first-hand some of the new cutting-edge technologies that could inform our future approach to our schemes and help us to keep innovating. Given the speed at which the world is moving, we will continue to seek out relevant new innovations to invest in, where we can harness technology to get insights that will support our decisions and allow us to stay ahead of new trends, to deliver great places that meet people's needs, not just now, but for the future.

Strengthening the team

In recent years, U+I has evolved from a newly-formed business into a recognised brand with a portfolio of landmark regeneration assets across the London City Region, Manchester and Dublin.

That transition would not have been possible without our people, the backbone of our business and the inspiration for everything we do. Whilst our land bank can provide the raw material from which we can generate returns, it is our team that will realise this potential. In this vein, we need to do more and prove that we can execute, as well as originate. That involves ensuring that we have the right talent and structure to deliver on our KPIs and develop as a business.

To that end, from 22 May 2019, Richard Upton becomes Chief Development Officer. The Board has long felt that the Deputy CEO title did not fully reflect Richard's role. His ability to develop and realise a compelling vision, to build the necessary trust and relationships across stakeholder groups, and find solutions that benefit everyone are essential to our business. His job content will not change but this new title better indicates his focus, where he has accountability and responsibility for the origination of new opportunities, exploiting the potential within our increased pipeline and execution of our major PPP projects, including Mayfield in Manchester and 8 Albert Embankment in London.

We are also pleased to announce that Professor Sadie Morgan, founding director of architects' practice dRMM, has joined the Board as an independent Non-executive Director with effect from 3 April 2019. A Stirling prize-winner, a commissioner on the National Infrastructure Commission and chair of the Independent Design Panel for High Speed Two, Professor Morgan brings with her a wealth of knowledge and a genuine commitment to PPP as a source of long-term regeneration. As well as chairing our Community Challenge Panel to hold us to account on our PPP commitments set out in PPP – The Reset, Professor Morgan will oversee the establishment of a workforce advisory panel, acting as a conduit between the Board and our people to support employee engagement and ensure we are sustaining an inspiring culture relevant to our vision.

Outlook – delivering sustainable long-term returns for shareholders

U+I sits at the heart of major trends. We are regeneration specialists with the experience, understanding and creative talent to turn underestimated and overlooked sites into vibrant, mixed-use places that enhance productivity, drive economic growth and contribute constructively to communities.

The raw material is there – neglected public sector land in our chosen geographies – with the public sector increasingly under pressure to deliver greater productivity from its real estate. The need has never been greater, people want to live in better homes, work in better places and lead better lives. We have the skillset and the relationships to enable and support central and local government to meet its targets, whilst addressing the shortfall in quality mixed-use spaces that will benefit local communities. That is our focus and we are confident that we can deliver over the long-term.

The short-term will be more challenging, as markets face political and economic uncertainty. The Brexit delay spells another six months of uncertainty and will keep investment and hiring decisions on hold. This has had a direct bearing on our FY2019 results and has meant that we have revised our development and trading gains target for FY2020 from £45-55 million to £35-45 million and our FY2021 target from £35-45 million to £45-55 million. We have reviewed our pipeline as a whole and, although we have moved Kensington Church Street, Hendy Wind Farm and Rhoscrowther Wind Farm into FY2020, this lowering of our target and retaining this larger guidance range reflects the market we currently operate in, where we expect wider factors – in particular the fallout from the political crisis at both central and local government levels – to delay decision-making and, in turn, the delivery of some of our gains.

Of course, within this increasingly complex political and planning environment there is opportunity for a business such as ours that treats community engagement as central to delivering schemes that can heal the divides that are blighting our cities. There is a need for knowledge and expertise to find opportunities amid the uncertainty.

We remain a total return business and are committed to our longer-term target of 12% average post tax total return and 10% average investment portfolio total return, and believe we have the right strategy and team to achieve these over time.

In the year ahead, we will focus on securing planning consents and delivering our development projects, while remaining alert to shorter-term trading or new investment opportunities where they align with our regeneration focus, as well as possible new PPP opportunities in our three core regions.

Our efficiencies programme enhances our ability to deliver value for shareholders for the long-term. Our funding partnerships are part of this programme, enabling us to drive returns, while delivering on our commitments.

I want to thank the team for their hard work and contribution over the last 13 months. Against an exceptionally difficult backdrop, our people have continued to demonstrate the curiosity, passion and commitment that helps us to secure flagship projects and deliver on our key purpose ‘to unlock long-term value for all through regeneration’.

Notwithstanding market conditions, we have strengthened our short and long-term pipeline, giving good future visibility. I am enthusiastic about our ability to deliver our projects and create a successful, motivated and inspirational company.

Matthew Weiner
Chief Executive Officer
22 May 2019

Portfolio Review

The U+I portfolio comprises a balance of longer-term PPP projects, shorter-term trading opportunities and investment assets. These three elements combine to maximise value creation, providing multiple routes to market, diversifying our earnings stream and mitigating risk through the economic cycle.

There is a strong connected theme running through our schemes. They are focused on regeneration; they are focused on our core geographies of London City Region, Manchester and Dublin; and they are expected to benefit from what we believe to be the four key drivers of economic growth – talent, tourism, transport and tolerance.

Importantly too, each element benefits from the others, to create a unified business, where the whole is greater than the sum of the parts.

Development and trading

- **Development**: large-scale, mixed-use regeneration projects that are designed to deliver significant value over time. Often structured as Public Private Partnerships, these comprise 31% of gross assets and deliver multi-year profit flows.
- **Trading**: shorter-term trading opportunities where we buy land and add value through enhanced planning consents and/or asset management. These comprise 39% of gross assets and deliver profit flows over one to three years.

Investment: assets that provide recurring income, the proceeds of which support our development and trading activities. These assets also offer optionality for asset management or change of use to drive incremental value. They comprise 30% of gross assets.

We use our values of imagination, intelligence and audacity to bring vision and verve to our business and our projects. We have always thought of the communities who will populate the places we create. With this in mind we have increasingly recognised that the generations of today are more interested in affordability and convenience than postcode. This understanding – combined with hard work and an increasingly talented team – have helped us to gain the trust of stakeholders in both the public and private sector, and thereby win landmark projects. These will become the core assets of the future and we intend to deliver them with our capital partners.

Development and trading
During the financial period, we delivered £42.8 million of development and trading gains. A summary of our realised gains and losses in FY2019 can be found below:

Project name	Value trigger	Previous target	Realised gains
Bicester (Mixed-Use Scheme A), London City Region	Completed disposal of this retail-led, mixed-use scheme, conveniently located opposite Bicester Village, to Value Retail.	£3-5m	£4.0m
Bryn Blaen Wind Farm, Wales*	Completed disposal in March 2019. Gain is slightly below our target due to increased costs in connecting the site to the grid.	£6-8m	£4.7m
Charlton Riverside, London*	Completed sale in H1 to Hyde Group. This was the final disposal of the site we assembled in Charlton Riverside and was held in joint venture with Proprium Capital Partners.	£2-4m	£3.3m
Harwell, Oxford*	Sale of a plot of land to facilitate an existing occupier's expansion on site and completion of two pre-let developments totalling 65,000 sq.ft.	£4-6m	£4.8m
Kensington Church Street, London*	The scheme was approved by the Mayor of London in September 2018. However, in March 2019, the Secretary of State for Housing, Communities and Local Government called in the scheme leading to an inquiry in November 2019. This delay restricted our ability to deliver gains this financial period. We, alongside our joint venture partners, continue to seek a timely outcome and are targeting realising gains in FY2020 – either through development of the site or refinancing of the site post planning. However, this is dependent on the timing of the decision by Government post the inquiry. We have slightly reduced our forecasts for FY2020 to reflect the delay.	£5-7m	£0.0m
Curzon Park, Birmingham*	This asset has been acquired by the Government as part of the HS2 project. The gain represents our share of the estimate of the fair value due to Curzon Park Limited of the land that was subject to a CPO during the financial period. We remain in negotiations with HS2 to agree the final level of settlement.	£4-7m	£9.3m
Preston Barracks, Brighton	Disposal of the residential element of the site to affordable housing provider, Optivo and further gains from planning overage from our partnership with Scape Student Living. This project highlights the potential for successful PPP schemes. The gains exceeded expectations, largely reflecting the quality of the site.	£2-3m	£13.8m
Wind Farm Projects – Hendy and Rhoscrowther	Planning for Hendy was secured on 30 October 2018 but we made a strategic decision not to sell the project during the year in the strong belief that we could realise more value by delivering a built out site. We expect to exchange on a sale in H2 2020 which should deliver £4-6 million gains. As announced at our interim results, planning consent was delayed at Rhoscrowther, meaning we missed the subsidy window. We now expect to deliver lower than previously expected gains in FY2020 through delivery of a non-subsidised scheme. A planning application will be submitted shortly.	£10-12m	£0.0m
Other (8 projects)	Various smaller projects, contributing less than £3.0 million apiece. These include completion of the final units at Ilford, delivering £1.6 million; development profit from the student accommodation at Circus Street, Brighton for £1.8 million, and the sale of the Assembly Buildings and Veneer Building at The Old Vinyl Factory, Hayes. It also includes a provision of £1.5 million at St Mark's Square in Bromley where we incurred increased professional fees and interest charges as receipts were delayed due to construction delays.	£9-12m	£2.9m

* Held in joint venture

New trading opportunities
We have continued to grow our trading pipeline with three new opportunities that are expected to generate strong gains for the business.

- **Arts Building, London City Region:** in January 2019, we acquired the Arts Building in Finsbury Park, a c.50,000 sq.ft., five-floor warehouse-style building. The transaction was completed off-market, highlighting the strength of our network and our ability to move quickly when necessary. Located less than 10 minutes from Central London, we will refurbish the offices and convert the ground floor warehouse space into offices and re-let. It is our intention to revalue or sell, generating gains in FY2020.

- **Newtown Works, London City Region:** in December 2018, we completed a funding deal with Quinn Estates to acquire Newtown Works, a 12-acre brownfield site in Ashford. This is our fourth transaction in the town, underlining the trusted relationship that we have developed with local stakeholders, including Ashford Borough Council. Work is already underway to transform the site into a dynamic mixed-use scheme, likely to begin generating profits from FY2020.

- **White Heather Industrial Estate, Dublin**: in December 2018, we acquired the White Heather Industrial Estate in Dublin as a medium-term trading opportunity. This builds on our previous strategy of identifying industrial land with potential for residential-led mixed-use regeneration.

Outlook for FY2020
We have reviewed our portfolio for the coming financial period, including the addition of Kensington Church Street, Hendy Wind Farm and Rhoscrowther Wind Farm that have moved across from FY2019. Based on our current pipeline, we are targeting development and trading gains of £35-45 million in FY2020 (revised down from £45-55 million) and £45-55 million in FY2021 (revised up from £35-45 million). The projects listed below are expected to make up this target but, as always, these can change and we have the ability to flex this mix of projects where appropriate.

We have a strong pipeline of short and long-term projects and are focused in the year ahead on delivery across these. This includes securing planning consents at 8 Albert Embankment and Landmark Court – two of our major PPP projects in London City Region which we submitted for planning in March 2019 – whilst also securing planning for the first phase of our £1.1 billion mixed-use regeneration project at Mayfield, Manchester, for a 6.5 acre park, office and parking space.

As well as driving value from our existing portfolio, in line with our strategic aim of growing our portfolio with high-quality projects, we will continue to seek out opportunities that meet our regeneration focus, where we can broaden our shorter-term trading pipeline and complement our longer-term PPP pipeline across London City Region, Manchester and Dublin.

Projects expected to deliver FY2020 gains:

Project name	**Value trigger**	**Targeted gains**
Arts Building, London	Completion of works, letting and subsequent sale.	£8-10m
Newtown Works, Ashford	Securing planning and initial lettings/disposals.	£5-7m
Kensington Church Street, London*	Surplus arising from either development of the site or refinancing of the site post planning.	£4-6m
Hendy Wind Farm, Wales	Completion of construction and sale.	£4-6m
Rhoscrowther Wind Farm, Wales	Planning and sale.	£1-3m
Other	Various smaller projects individually contributing <£3.0 million.	£13-15m

** Held in joint venture*

Investment portfolio

During FY2019, we completed £27.4 million acquisitions, £7.5 million disposals and £4.6 million asset management initiatives, as outlined below. Our target for FY2020 is to deliver c.10% total return, albeit delivery of this could be challenging in current markets.

Project name	Overview	Valuation
Disposals		
Killingworth Centre, Newcastle	In line with our focus on three core geographies, we identified Killingworth as a strategic disposal in 2018. In FY2019, to reduce our risk, we sold off the Mall element where we felt income was not sustainable. We have retained the long-term income from Matalan and Home Bargains units, yielding >8.5%.	Mall element sold for £7.5 million; yield of 9.4%
Acquisitions		
St Peter's Quarter, Bournemouth	Bournemouth is largely populated by students and older, affluent retirees. St Peter's Quarter, a 98,000 sq.ft. mixed-use scheme, fits neatly into this demographic. Comprising student accommodation, leisure and retail, the asset is generating a strong income return and there is significant potential for further growth/asset management. In recent months, we have let additional space in the basement and benefitted from break clauses not being exercised due to strong trade. We believe it will achieve a >10% total return, with 56% of the rent subject to fixed or RPI uplifts.	Acquired for £11.3 million
Waterglade Retail Park, Clacton on Sea	A convenience site occupied by four tenants (B&M, Halfords, Iceland and Carpetright), this acquisition exemplifies our understanding of the retail market and the niche opportunities it presents. All four tenants are well-suited to the local catchment, the investment generates an initial yield of 9.3%, with the opportunity to deliver double-digit returns through asset management and lease re-structuring. Since financial period end, we have re-geared the B&M lease, extending the term by 8 years and generating a c.£600K capital uplift.	Acquired for £11.3 million
Pure Gym Unit, Finchley	This leasehold asset was acquired off-market. Located on an acre of land, the transaction builds on our relationship with the London Borough of Barnet and meets our investment criteria as an income-generating asset with longer-term regeneration potential. It offers a net initial yield of 5.9%, expected to rise to over 7.0% at rent review in 2021. The residual value with planning for residential uses and vacant possession would be materially higher than current investment value.	Acquired for £4.8 million
Material Store and Boiler House, The Old Vinyl Factory, Hayes	Transferred from our development portfolio into our investment portfolio on practical completion, demonstrating how we can nurture quality assets where we see longer-term potential. Units were pre-let.	
Asset management initiatives		
Harwell, Oxford	The campus environment is improving, as we build new accommodation and the campus continues to attract top talent. This will drive rental growth by the creation of new headline rents. During the financial period, we also restructured the lease at the adjacent Gemini building, increasing the value of the asset by £2.0 million. We also completed an outstanding rent review on the Element Six building, securing an uplift in value of £3.5 million; our share being £0.9 million.	

Key statistics

	31 Mar 2019	28 Feb 2018
Portfolio value	**£154.0m**	£139.5m
Valuation change	**£(11.2)m**	£(2.4)m
Number of assets held	**19**	16
Value of disposals	**£(7.5)m**	£(53.2)m
Initial yield in the period	**6.6%**	6.2%
Equivalent yield	**7.9%**	8.3%
Contracted rental value	**£11.7m**	£8.9m
Estimated rental value	**£13.1m**	£10.7m
Voids	**7.3%**	7.9%

Specialist platforms

Our specialist platforms, focused on office refurbishments and income-generating strategic land in the London City Region and Dublin, combine our skills and experience with the balance sheet strength of our joint venture partners, Colony Capital and Proprium Capital Partners. More details of our five projects across the two platforms can be found below.

Project Name	**Overview**	**FY2020 target**
Colony Capital		
Donnybrook House, Dublin	We completed the refurbishment of Donnybrook House, increasing the net lettable space by 37% and launched this landmark six-level office development in October 2018. Since the end of the financial period, we have let the gym in the basement and discussions are underway with the creative and technology sectors to let the office space.	Targeting the building being fully let and a subsequent sale.
The Hive (formerly Ballymoss House), Dublin	Construction started in August 2018 to refurbish and extend The Hive building, providing much needed office space to the undersupplied Dublin market. It has already attracted considerable letting interest.	Targeting practical completion of construction in August 2019, pre-letting the building and a subsequent sale.
Carrisbrook House, Dublin	Secured planning permission at Carrisbrook House in October 2018, having acquired the building in August 2017 as a neglected property with significant upside potential.	Revising planning consent to take advantage of new Dublin City Council planning guidance on heights.
The Record Store, Hayes	Progressing fit out.	Targeting fully letting building and sale.
Proprium Capital Partners		
Mecca Bingo, London	Vacant possession discussions underway.	Securing planning.

Top five occupiers as at 31 March 2019

	Annual Rent £'m	% of contracted rent
Matalan	0.5	4.7%
Sainsbury's Supermarket	0.5	4.2%
Ricardo-Aea	0.5	3.9%
B&M	0.4	3.2%
Carpetright	0.3	2.7%

Income generating properties - like for like rental income received

Year ended 31 March 2019

	Property owned throughout the year	Acquisitions	Disposals	Total net rental income
	£'000	£'000	£'000	£'000
Investment	9,831	3,931	(37)	13,725
Development and trading	1,823	334	308	2,465
Joint ventures	3,204	-	58	3,262
	14,858	4,265	329	19,452

Year ended 28 February 2018

	Property owned throughout the year	Acquisitions	Disposals	Total net rental income
	£'000	£'000	£'000	£'000
Investment	10,288	-	1,724	12,012
Development and trading	1,306	-	763	2,069
Joint ventures	2,404	-	358	2,762
	13,998	-	2,845	16,843

Core investment portfolio – 31 March 2019

Gross rental income - tenant profile

1	PLC/Nationals	58.9%
2	Local Traders	29.1%
3	Regional Multiples	7.4%
4	FTSE 100	4.2%
5	Government	0.4%

Gross rental income – lease-term profile

1	0-5 years	54.4%
2	5-10 years	23.7%
3	10-15 years	14.3%
4	15-20 years	5.9%
5	20 years+	1.7%

Capital value – local profile

1	London	26.6%
2	South East	40.6%
3	Manchester	2.2%
4	Rest of UK	30.6%

Risk review

Our business model is shaped by the risks the Directors consider significant to our strategy, size and capabilities.

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.

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 market may delay the ability to realise planned disposals 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 economic fundamentals remain solid. However, continuing political uncertainty as to the timing and nature of Brexit, together with escalating geopolitical risks and continuing trade uncertainties, continue to overshadow the market. The six-month Brexit delay will keep investment and housing decisions on hold.
b. Scarcity of viable investment and development opportunities 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.	Inability to source new deals leads to decline in development and trading profits in future years. Higher pricing of acquisition opportunities leads to reduced ability to add value.	Flexible approach to market opportunities, seeking out sectors where value can be generated and seeking funding partners with 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.	→ Opportunities continue to be sourced for development, trading and investment, which satisfy Group underwriting criteria, albeit that the market is running late cycle with yield rents and house prices at historically high 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 prior to commencing construction.	→ 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 reduced during the year as Bromley reached practical completion.
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. Through the year there has been a gradual reduction in lenders' appetite for development risk, particularly on a speculative basis, as Brexit uncertainly continues and given expected increases in interest rates. Also, a gradual fall in house prices has impacted upon appetite for residential development.

BUSINESS RISKS			
Risk	Impact	Mitigation	Risk exposure change year-on-year
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 and 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. 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 10% of the contract sum.	↑ 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 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. There has also been the failure of certain large-scale contractors which has both taken capacity out of the market and lead to other contractors reviewing their business models. The complexity of our projects requires even greater rigour in delivery.
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 a strong track record of achieving planning consents and an 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. Brexit focus has also weakened Central Government involvement in the planning process. The political landscape and planning decisions are increasingly becoming the battleground on which disagreements over social issues play out. The financial strain on local authorities is also manifesting itself in under-resourcing of planning departments. Taken against a back-drop 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.

FINANCIAL REVIEW

Results for the year

During the year the Group focused on its aim of delivering 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.

A summary of the Group's financial results is shown below:

	13-month period ended 31 March 2019	Year ended 28 February 2018
Development and trading gains	**£42.8m**	£68.3m
Basic net asset value (NAV)	**£360.1m**	£379.3m
Basic NAV per share	**289p**	303p
Total declared dividends per share	**10.0p**	17.9p
Profit before tax	**£6.3m***	£48.2m
Total return	**0.9%**	12.2%
Balance sheet gearing	**38.6%**	31.4%

* 13-month period to 31 March 2019

The profit before tax for the 13-month period to 31 March 2019 was £6.3 million (28 February 2018: £48.2 million), after generating development and trading gains of £42.8 million, marginally lower than the range we were guiding for the year.

Development and trading gains

During the year, we realised a total of £42.8 million of net development and trading gains. The key components of these gains are:

- £13.8 million – Preston Barracks: disposal of residential accommodation scheme.
- £9.3 million – Curzon Park: disposal of site via CPO*.
- £4.8 million – Harwell: construction of two new buildings and disposal of surplus land*.
- £4.7 million – Bryn Blaen: disposal of windfarm.
- £4.0 million – Bicester: disposal of site.
- £3.3 million – Charlton Riverside: disposal of site*.
- £1.8 million – Circus Street: construction of student accommodation.

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

The single largest element of the development and trading gains was at Preston Barracks where the consented residential site in Brighton was sold to Optivo, one of the largest housing providers in the UK and experts in affordable housing. This generated a profit of £13.8 million.

The Group holds 50% of the share capital in a joint venture which previously owned a 10.5-acre site at Curzon Park in Birmingham. During the year, the site was acquired, via compulsory purchase order (CPO), by High Speed Rail Link 2 (HS2). As a result of this disposal, the Group has been able to recognise a joint venture asset and hence recover losses previously recognised when the Group was unsure as to the recoverable amounts associated with the site. The net benefit during the period to the Group as a result of this is £9.3 million.

In addition to the above, approximately £1.1 million of gains were realised from a number of smaller projects as we continued our policy of rationalising the number of projects.

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

Development and trading gains can be analysed as follows.

	13-month period ended 31 March 2019 £m	Year ended 28 February 2018 £m
Included in segmental analysis:		
Development and trading segment result	**19.3**	48.4
Share of results of joint ventures	**17.1**	13.0
Sale of investments	**3.9**	6.8
Other income	**–**	0.1
Adjustment re legacy corporate loan	**2.5**	–
	42.8	68.3

Investment property portfolio
During the period, the Group continued its policy of selectively disposing of non-core assets outside of our key geographies, in particular Killingworth Centre, Newcastle.

We have been cautious about acquisitions, especially in light of uncertainty in the UK property market mainly driven by inactivity and lack of governmental decision making. In spite of this, we have invested £29.2 million in three attractive investment opportunities: St Peter's Quarter, Bournemouth, Waterglade Retail Park, Clacton-on-Sea and a Pure Gym unit in Finchley, where we will look to drive double-digit returns through asset management initiatives.

The Group's historic portfolio does still have a retail bias and as such we have suffered an £11.2 million decline in values. Overall, including our share of joint venture assets, we have seen a 4.9% decline in capital values, as market sentiment outweighed asset fundamentals, especially for retail property outside London and the South East.

Working capital
The nature of the Group's business involves transactions in real estate, both purchase and disposal, where there is usually a period of up to four weeks between exchange, when the transaction is accounted for, and completion when the associated cash flows.

As a result, depending on the purchase and disposal activity around the period end, there are large differences between the level of receivables and payables from one Balance Sheet to the next. For example, as at 31 March 2019, there were receivables of £23.2 million relating to asset disposals immediately prior to the period end (28 February 2018: £84.8 million). This highlights the significant movement from one period to the next of receivables.

Overheads
The overheads during the period comprised:

	13-month period ended 31 March 2019 £m	Year ended 28 February 2018 £m
Group overheads	**21.9**	24.2
LTIP charge (net)	**–**	(1.8)
	21.9	22.4
Income from specialist platforms	**(2.5)**	(2.1)
Net recurring overheads	**19.4**	20.3
Annualised net recurring overheads	**17.8**	20.3

We remain rigorously focused on maintaining capital discipline and a strong balance sheet. We have put in place an efficiencies programme to ensure that we continue to manage our recurring overheads as effectively as possible, whilst identifying further opportunities for efficiencies, both this financial period and in the longer-term. This is being led by a Chief Operating Officer who was appointed in January 2018 on an interim basis to undertake a review of all areas of the business and identify and implement cost savings. Annualised net recurring overheads in the financial period were £17.8 million (2018: £20.3 million).

Currently we employ certain specialist development related expertise internally, such as project management and marketing, rather than using external specialists. We do this as it gives us more immediate control over certain aspects of our projects. Historically we viewed this as a central cost/overhead expense. In order to more closely align ourselves with and be more comparable to our peer group, we are now adopting the industry-wide practice of capitalising that expenditure where appropriate, rather than treating it as a corporate overhead. This has led to capitalisation of £2.5 million of staff costs in FY2019.This is expected to be at a similar level in future years.

We have also invested in launching and building a market leading brand, which has helped us to win projects like CNFE. Maintaining the U+I brand is essential to our continued success but we believe we can now reduce our corporate marketing spend, whilst continuing to maintain its awareness and understanding.

To further increase efficiencies, over the financial period, we have undertaken an internal review of each project, which has led to us realigning teams and improving some of our processes so we now believe we have the right team size, structure and skillset, relevant to the scale, value and stage of each project, whilst being more efficient in our day to day delivery. As we conclude our existing smaller and legacy projects and continue to shift to fewer, larger projects, productivity will increase and support more efficient delivery, whilst generating higher returns as we turn these projects from vision to reality. Furthermore, as we move into the delivery phase of our pipeline, we will increase the opportunity to earn additional Development Management Fees to offset our overhead. Fees generated in FY2019 were £2.5 million, a figure which we expect to increase annually over the next five years, with £3.0 million targeted in FY2020.

Net finance costs
Net finance costs for the 13-month period of £5.8 million (2018: £9.7 million) include a foreign exchange gain of £0.2 million (2018: £1.4 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 2019 was a gain of £0.2 million (2018: £0.3 million gain). The net impact of these movements on NAV during the year was £0.4 million gain (2018: £1.1 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.

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 31 March 2019 £'000**	**Interest rate**	**Maturity**	**Loan to value ratio**	**Interest[1] cover ratio**	**Minimum[1] net worth £'000**
Loans financing longer-term assets								
Term loan	3	£10,580	10,580	Variable	10-Jan-20	73%	160%	–
Loan notes	2	€47,000	~40,448	Cap	24-Apr-21	–	–	–
Term loan		£19,710	13,410	Variable	25-Mar-22	50%	175%	Term loan
Term loan		£66,667	65,831	Fixed	5-Dec-32	75%	125%	Term loan
Loans financing development and trading assets								
Term loan	3	£44,100	45,276	Fixed	31-Mar-19	–	–	–
Term loan	3, 4	£26,000	28,432	Variable	30-Jun-19	60%	125%	100,000
Term loan	3	£4,900	4,900	Fixed	16-Nov-19	–	–	–
Term loan	3	€22,045	~18,292	Fixed	18-Nov-19	–	–	–
Term loan	3	€20,125	~11,928	Fixed	06-Jan-20	–	–	–
Term loan	4	£9,500	10,415	Variable	31-Jan-20	–	–	–
Term loan	4	£26,000	26,652	Fixed	31-Jan-20	–	–	–
Term loan	3	£31,000	15,881	Variable	24-Oct-21	–	–	–
Term loan	3	£5,610	5,330	Cap	31-Mar-21	60%	175%	–
Term loan	3	€14,000	~12,048	Variable	08-Aug-21	–	–	–
Term loan		£16,800	15,800	Fixed	15-Jan-22	–	–	–
Term loan		€8,515	~7,328	Fixed	13-Dec-22	75%	–	200,000
Term loan	3	£16,674	3,500	Variable	31-Dec-22	–	120%	–
Term loan		€2,180	~1,876	Fixed	28-Mar-23	75%	–	200,000
Term loan	3	£24,113	22,410	Variable	31-Dec-22	–	–	–
Term loan	3	£110,000	65,000	SWAP	16-Feb-26	65%	150%	–

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 (31 March or 30 September)
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

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

- Refinancing the Barclays loan for a new £19.7 million, three-year facility. This also resulted in the repayment of the Santander loan.
- Draw down of £15.8 million loan to finance the purchase of The Arts Building.
- Two new Irish loan facilities secured on two industrial assets in Dublin.
- To enable the build out of the Hendy wind farm, the joint venture entered into a £16.7 million loan facility with Close Brothers.
- The Santander facility financing the development of Harwell was refinanced during the period. The new £110.0 million facility was signed by the joint venture in February 2019.

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.

Group gearing

	Target	**31 March 2019**	22 May 2019	28 February 2018
Gearing (excl. share of JVs)	40–50%	**38.6%**	39.1%	31.4%
Gearing (incl. share of JVs)	50–60%	**62.8%**	64.3%	50.5%

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.

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.

		31 March 2019	28 February 2018
Group net debt and gearing:			
Gross debt	£m	**(179.8)**	(171.2)
Cash and cash equivalents	£m	**40.8**	52.1
Net debt	£m	**(139.0)**	(119.1)
Net assets	£m	**360.1**	379.3
Gearing	%	**38.6**	31.4
Weighted average debt maturity	years	**6.2**	7.0
Weighted average interest rate	%	**4.6**	4.7
Including joint ventures:			
Share of net debt in joint ventures	£m	**(87.3)**	(72.7)
Gearing	%	**62.8**	50.5
Weighted average debt maturity	years	**4.5**	5.4
Weighted average interest rate	%	**5.1**	5.2

Monies held in restrictive account and deposits
As at 31 March 2019 the Group held £8.8 million of restricted cash deposits (28 February 2018: £11.5 million). Restricted cash deposits primarily arise as a result of the operation of certain of the Group's debt facilities where, on disposal of an asset charged to the facility, the lender temporarily retains the sale proceeds as security pending reinvestment. The restricted cash deposits are deemed to be directly attributable to associated debt facility and as such are reported under financing activities in the Group's Consolidated Cash Flow Statement.

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 continued to create considerable value from one of its most important joint ventures:

- At Harwell we are partnered with the UKAEA, STFC and Harwell Oxford Partners on the 700-acre Harwell Campus, an internationally renowned science campus. During the period we have successfully completed the letting and development of two buildings and let over 125,000 sq. ft. of space to, amongst others, Oxford Nanopore technologies and Agilent Technologies. During the period this has generated both £4.8 million of development and trading gains and net investment gains of £1.2 million in respect of the Group's holding.

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 the financial period the underlying tax rate, including deferred taxes, was 16.5%. 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 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 was approved by the Board on 21 May 2019, to be paid on 6 September 2019 to shareholders on the register on 9 August 2019 (2018: 3.5 pence per share).

On 21 May 2019, the Board approved the payment of a supplemental dividend of 4.1 pence per share, to be paid on 12 July 2019 to shareholders on the register on 6 June 2019.

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 31 March 2019, the Group had net Euro-denominated liabilities of €30.9 million (2018: €38.7 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 gain of £0.4 million, which is the net result of a gain of £0.2 million recorded in finance income in the profit and loss account and a gain through reserves of £0.2 million. This demonstrates that the Group's foreign currency hedging strategy has been effective during times of significant foreign currency volatility.

Marcus Shepherd
Chief Financial Officer

22 May 2019

Five-year summary

		31 March 2019	28 February 2018	28 February 2017	28 February 2016	28 February 201
Revenue	£m	150.3	173.7	123.9	242.3	203.7
Profit/(loss) before taxation	£m	6.3	48.2	(1.7)	25.8	34.8
Net assets	£m	360.1	379.3	347.6	363.3	346.4

Earnings/(loss) per share	Pence	4.2	32.2	(2.4)	17.5	26.8
Net assets per share	Pence	289	303	278	291	276

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 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, which could be the result of a number of factors, including a disorderly Brexit outcome, 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 March 2024.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 13-MONTH PERIOD ENDED 31 MARCH 2019

	Notes	13-month period ended 31 March 2019 Total £'000	Year ended 28 February 2018 Total £'000
Revenue	2	**150,310**	173,684
Direct costs	2	**(123,449)**	(117,477)
Gross profit	2	**26,861**	56,207
Operating costs	2	**(21,859)**	(24,235)
(Loss)/gain on disposal of investment properties	2	**(223)**	3,324
Loss on revaluation of property portfolio	9	**(11,165)**	(2,417)
Operating (loss)/profit		**(6,386)**	32,879
Other income		**2,547**	2,089
Share of post-tax profits of joint ventures and associates	2	**12,128**	16,175
Profit from sale of investments	2	**3,888**	6,713
(Loss)/gain on sale of other plant and equipment		**(42)**	5
Profit before interest and income tax		**12,135**	57,861
Finance income	3(a)	**617**	94
Finance costs	3(b)	**(6,432)**	(9,783)
Profit before income tax		**6,320**	48,172
Income tax		**(1,120)**	(7,916)
Profit for the period/year		**5,200**	40,256
<u>OTHER COMPREHENSIVE INCOME</u>			
Profit for the period/year		**5,200**	40,256
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		**163**	292
Revaluation of operating property	6	**40**	35
Total comprehensive income for the period/year		**5,403**	40,583
Basic earnings per share attributable to the Parent*	5	**4.2p**	32.2p
Diluted earnings per share attributable to the Parent*	5	**4.2p**	32.2p

* 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 31 MARCH 2019

		31 March 2019		28 February 2018	
	Notes	£'000	£'000	£'000	£'000
NON-CURRENT ASSETS					
Direct real estate interests					
Investment properties	6	**154,041**		139,506	
Operating property		**750**		775	
Trade and other receivables		**4,617**		2,487	
			159,408		142,768
Indirect real estate interests					
Investments in associates	7	**5,763**		–	
Investments in joint ventures	7	**103,870**		92,806	
Intangible assets – goodwill		**2,328**		2,328	
Financial assets at amortised cost		**3,204**		–	
Financial assets at fair value through profit or loss		**13,244**		–	
Financial assets − available-for-sale		**–**		15,812	
Financial assets at fair value through other comprehensive income		**1,271**		–	
			129,680		110,946
Other non-current assets					
Other plant and equipment		**4,594**		4,241	
Derivative financial instruments		**–**		10	
Deferred income tax assets		**1,294**		1,225	
			5,888		5,476
Total non-current assets			**294,976**		259,190
CURRENT ASSETS					
Inventory – development and trading properties	8	**203,759**		216,393	
Financial assets at amortised cost		**8,962**		8,888	
Financial assets available-for-sale		**–**		7,949	
Financial assets at fair value through profit or loss		**13,672**		–	
Trade and other receivables		**60,426**		119,629	
Current income tax asset		**–**		–	
Monies held in restricted accounts and deposits		**8,841**		11,473	
Cash and cash equivalents		**31,911**		40,626	
			327,571		404,958
Total assets			**622,547**		664,148
CURRENT LIABILITIES					
Trade and other payables		**(77,286)**		(99,716)	
Current income tax liabilities		**(1,230)**		(7,748)	
Borrowings	9	**(37,394)**		(63,209)	
Provisions		**(36)**		(2,513)	
			(115,946)		(173,186)
NON-CURRENT LIABILITIES					
Borrowings	9	**(142,362)**		(107,975)	
Deferred income tax liabilities		**(3,448)**		(3,290)	
Provisions		**(646)**		(416)	
			(146,456)		(111,681)
Total liabilities			**(262,402)**		(284,867)
Net assets			**360,145**		379,281
EQUITY					
Share capital		**62,716**		62,671	
Share premium		**104,590**		104,475	
Other reserves		**54,457**		56,628	
Retained earnings		**138,382**		155,507	
Total equity			**360,145**		379,281
Basic/diluted net assets per share attributable to the owners of the Parent	5		**289p/289p**		303p/303p

Approved and authorised for issue by the Board of Directors on 22 May 2019 and signed on its behalf by:
M S Weiner, Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 13-MONTH PERIOD ENDED 31 MARCH 2019

	Notes	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 March 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
Profit for the 13-month period ended 31 March 2019		–	–	–	5,200	5,200
Other comprehensive income:						
– Revaluation of operating property		–	–	40	–	40
– Currency translation differences		–	–	163	–	163
Total comprehensive income for the period ended 31 March 2019		–	–	203	5,200	5,403
Issue of Ordinary shares		45	115	–	–	160
Share-based payments (net movement)		–	–	(1,081)	109	(972)
Treasury shares (net movement)		–	–	(1,293)	–	(1,293)
Final dividend 2018	4	–	–	–	(4,390)	(4,390)
Supplemental dividend 2018	4	–	–	–	(15,033)	(15,033)
Interim dividend 2019	4	–	–	–	(3,011)	(3,011)
Total contributions by and distributions to owners of the Company		45	115	(2,374)	(22,325)	(24,539)
Balance at 31 March 2019		**62,716**	**104,590**	**54,457**	**138,382**	**360,145**

CONSOLIDATED CASH FLOW STATEMENT

FOR THE 13-MONTH PERIOD ENDED 31 MARCH 2019

	Notes	31 March 2019 £'000	28 February 2018 £'000
CASH GENERATED FROM/(USED IN) OPERATIONS			
Cash flows generated from/(used in) operating activities	10	31,562	(211)
Interest paid		(7,189)	(9,140)
Income tax paid		(7,550)	(296)
Net cash generated from/(used in) operating activities		16,823	(9,647)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		417	3,803
Proceeds on disposal of other plant and equipment		10	5
Proceeds on disposal of investment properties		7,293	39,253
Proceeds from sale of investments		10,506	–
Purchase of other plant and equipment		(1,225)	(822)
Purchase of investment properties		(30,496)	(2,432)
Investment in joint ventures		(31,351)	(31,535)
Cash inflow from joint ventures and associates – disposals		–	4,000
Cash inflow from joint ventures and associates – profit distribution		–	6,482
Cash inflow from joint ventures and associates – dividends		17,654	–
Cash inflow from joint ventures and associates – repayment of loan		8,998	972
Cash outflow for financial asset loans		(3,784)	(5,676)
Cash inflow from financial assets – loans repaid by other real estate businesses		10,518	10,455
Net cash (used in)/generated from investing activities		(11,460)	24,505
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(22,434)	(10,885)
Issue of new shares		160	208
Purchase of treasury shares		(1,293)	–
Repayments of borrowings		(38,233)	(120,529)
New bank loans raised		46,013	118,110
Transaction costs associated with borrowings		(923)	(922)
Cash released from restricted accounts		31,910	27,434
Cash retained by restricted accounts		(29,278)	(11,421)
Net cash (used in)/generated from financing activities		(14,078)	1,995
Net (decrease)/increase in cash and cash equivalents		(8,715)	16,853
Cash and cash equivalents at the beginning of the year		40,626	23,785
Exchange loss on cash and cash equivalents		–	(12)
Cash and cash equivalents at the end of the period/year		**31,911**	**40,626**
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash at bank and in hand		31,911	40,626
Bank overdrafts		–	–
Cash and cash equivalents at the end of the period/year		**31,911**	**40,626**
NET DEBT COMPRISES:			
Monies held in restricted accounts and deposits		8,841	11,473
Cash and cash equivalents		31,911	40,626
Financial liabilities:			
– Current borrowings		(37,394)	(63,209)
– Non-current borrowings		(142,362)	(107,975)
Net debt		**(139,004)**	**(119,085)**

An analysis of the movement in net debt is provided in note 10.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 13-MONTH PERIOD ENDED 31 MARCH 2019

1 Basis of preparation and accounting policies
a)
(i) General information
The Consolidated financial statements of the Group for the 13-month period ended 31 March 2019 comprise the results of U and I Group PLC and its subsidiaries and were authorised by the Board for issue on 21 May 2019.

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 13-month period ended 31 March 2019 and the year ended 28 February 2018.

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, financial assets classified as fair value through profit or loss (FVPL) or fair value through other comprehensive income (FVOCI), financial 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 periods ended 31 March 2019 and 28 February 2018 but is derived from those Consolidated financial statements. Statutory Consolidated financial statements for 2018 have been delivered to the registrar of companies and those for 31 March 2019 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. Two assets have been reclassified from inventory to investment properties during the period (refer note 6).

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.

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 assets in the Consolidated 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 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. These amounts are disclosed in note 8.

1.5 Impairment reviews
During the period, the Curzon Park site was subject to a compulsory purchase order (CPO) and the Group received an initial payment of compensation. The Directors are continuing their negotiations with the Government regarding the final settlement due for the site. The timing and amount of future receipts remain uncertain, however, following consultations with CPO advisors as to the minimum amount expected to receive, the Directors have reversed £4,613,000 of the impairment previously booked against the Group's joint venture holding.

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 period, 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. Following assessment, the 2016 LTIP will not vest and previous provisions have been reversed.

1.8 Revenue
The Group develops and sells properties. The development or sale contract will specify certain conditions which need to be satisfied and considered highly probable in order for revenue to be recognised. The Directors need to consider

the terms within each contract in order to determine the amount and when revenue is recognised. The Directors will also need to consider the certainty surrounding the payment of contingent or variable consideration.

2 Segmental analysis

The segmental information presented consistently follows the information provided to the CODM and reflects the two 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 Leadership Team. Following the decision to scale down its serviced office business the Group has reassessed its operating divisions. From 1 March 2018, for management purposes, the Group is now organised into two operating divisions, whose principal activities are as follows:

- Investment – management of the Group's investment portfolio, generating rental income and valuation surpluses from property management; and
- 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.

The remaining elements of the service office operation are now reported under the investment division.

Operating revenue for the year ended 28 February 2018 was received from serviced office operations and was principally received under short-term licence agreements. During the period, the operating segment would have reported a deficit of £196,000.

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

Unallocated amounts relate to general corporate assets and liabilities which cannot be allocated to specific segments; an analysis is provided in the table on the following page.

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 £47,575,000 (28 February 2018: £30,004,000) which are located in the Republic of Ireland. All revenue arises from continuing operations.

13-month period ended 31 March 2019	**Investment £'000**	**Development and trading £'000**	**Total £'000**
Segment revenue	**16,299**	**134,011**	**150,310**
Direct costs	**(8,719)**	**(114,730)**	**(123,449)**
Segment result	**7,580**	**19,281**	**26,861**
Operating costs	**(1,322)**	**(10,976)**	**(12,298)**
Unallocated overhead costs			**(9,561)**
Loss on disposal of investment properties	**(223)**	**–**	**(223)**
Loss on revaluation of property portfolio	**(11,165)**	**–**	**(11,165)**
Operating (loss)/profit			**(6,386)**
Other income	**481**	**2,066**	**2,547**
Share of post-tax (losses)/profits of joint ventures and associates	**(5,002)**	**17,130**	**12,128**
(Loss)/profit on sale of investment	**(42)**	**3,930**	**3,888**
Unallocated loss on sale of other plant and equipment			**(42)**
Profit before interest and income tax			**12,135**
Finance income	**250**	**367**	**617**
Finance costs	**(3,725)**	**(2,707)**	**(6,432)**
Profit before income tax			**6,320**
Income tax			**(1,120)**
Profit for the period			**5,200**
<u>ASSETS AND LIABILITIES</u>			
Segment assets	**174,757**	**410,417**	**585,174**
Unallocated assets			**37,373**
Total assets			**622,547**
Segment liabilities	**(74,834)**	**(181,178)**	**(256,012)**
Unallocated liabilities			**(6,390)**
Total liabilities			**(262,402)**

A summary of unallocated assets and liabilities is shown below.

13-month period ended 31 March 2019	**Investment £'000**	**Development and trading £'000**	**Total £'000**
OTHER SEGMENT INFORMATION			
Capital expenditure	**30,519**	**–**	**30,519**
Unallocated capital expenditure			**1,202**
Impairment of assets	**–**	**(9,137)**	**(9,137)**
Depreciation	**96**	**–**	**96**
Unallocated depreciation			**789**
Development and trading expenditure	**–**	**103,832**	**103,832**
REVENUE			
Rental income	**13,725**	**2,465**	**16,190**
Serviced office income	**2,408**	**–**	**2,408**
Project management fees	**–**	**345**	**345**
Trading property sales	**–**	**7,393**	**7,393**
Other property income	**–**	**7,371**	**7,371**
Development proceeds	**–**	**116,374**	**116,374**
Other	**166**	**63**	**229**
	16,299	**134,011**	**150,310**

In the 13-month period ended 31 March 2019, three projects with turnover totalling £88,301,000 generated in excess of 10.0% of total revenue and fell within the development and trading segment.

Year ended 28 February 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/(loss)	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)

Year ended 28 February 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
Development and trading expenditure	–	137,342	–	137,342
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 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, project with turnover totalling £23,250,000 generated in excess of 10.0% of total revenue and fell within the development and trading segment.

	31 March 2019 £'000	28 February 2018 £'000
UNALLOCATED ASSETS CAN BE ANALYSED AS FOLLOWS:		
Other plant and equipment	**4,448**	4,087
Deferred income tax asset	**1,294**	1,225
Derivative financial instruments	**–**	10
Trade and other receivables	**8,773**	5,596
Cash and cash equivalents	**22,858**	30,677
	37,373	41,595
UNALLOCATED LIABILITIES CAN BE ANALYSED AS FOLLOWS:		
Current borrowings	**(17)**	(17)
Trade and other payables	**(2,925)**	(10,804)
Deferred income tax liability	**(3,448)**	(3,290)
	(6,390)	(14,111)

3 Finance income and costs

a) Finance income

	13-month period ended 31 March 2019 £'000	Year ended 28 February 2018 £'000
Interest receivable on loans and deposits	**463**	94
Net foreign currency differences arising on retranslation of cash and cash equivalents	**154**	–
	617	94

b) Finance costs

	13-month period ended 31 March 2019 £'000	Year ended 28 February 2018 £'000
Interest on bank loans and other borrowings	**(9,138)**	(8,488)
Amortisation of transaction costs	**(449)**	(1,405)
Provision: unwinding of discount	**(19)**	(7)
Fair value loss on financial instruments – interest rate swaps, caps and collars	**(10)**	(247)
Net foreign currency differences arising on retranslation of cash and cash equivalents	**–**	(1,376)
	(9,616)	(11,523)
Capitalised interest on development and trading properties	**3,184**	1,740
Total finance costs	**(6,432)**	(9,783)
Net finance costs	**(5,815)**	(9,689)
Net finance costs before foreign currency differences	**(5,969)**	(8,313)

Interest was capitalised at an average rate of 6.21%. £2,701,000 of capitalised interest (28 February 2018: £nil) was written off in the period. The tax treatment of capitalised interest follows the accounting treatment.

4 Dividends

	13-month period ended 31 March 2019 £'000	Year ended 28 February 2018 £'000
DECLARED AND PAID DURING THE PERIOD/YEAR		
Equity dividends on Ordinary shares:		
Final dividend for 28 February 2018: 3.50 pence per share (28 February 2017: 3.50 pence per share)	**4,390**	4,379
Interim dividend for 31 March 2019: 2.40 pence per share (28 February 2018: 2.40 pence per share)	**3,011**	3,003
Supplemental dividend for 28 February 2018: 12.00 pence per share (28 February 2017: 2.80 pence per share)	**15,033**	3,503
	22,434	10,885
DIVIDEND DECLARED BUT NOT PAID SINCE 31 MARCH 2019		
Supplemental dividend for 31 March 2019: 4.1 pence per share (28 February 2018: 12.00 pence per share)	**5,114**	15,041
PROPOSED FOR APPROVAL BY SHAREHOLDERS AT THE ANNUAL GENERAL MEETING		
Final dividend for 31 March 2019: 3.50 pence per share (28 February 2018: 3.50 pence per share)	**4,366**	4,387

On 21 May 2019, the Board approved the payment of a supplemental dividend of 4.1 pence per share, which will be paid on 12 July 2019 to Ordinary shareholders on the register at the close of business on 6 June 2019 and will be recognised in the year ending 31 March 2020.

Subject to approval by shareholders, the final dividend of 3.50 pence was approved by the Board on 21 May 2019 and has not been included as a liability or deducted from retained earnings as at 31 March 2019. The final dividend is payable on 6 September 2019 to Ordinary shareholders on the register at the close of business on 9 August 2019 and will be recognised in the year ending 31 March 2020.

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:

	13-month period ended 31 March 2019 £'000	Year ended 28 February 2018 £'000
PROFIT		
Profit for the purpose of basic and diluted earnings per share	**5,200**	40,256
Revaluation deficit/(surplus) (including share of joint venture revaluation surplus)	**8,711**	(13,454)
Loss/(gain) on disposal of investment properties	**223**	(3,324)
Impairment of development and trading properties	**9,137**	8,415
Impairment of financial assets	**–**	1,000
Reversal of previous impairments	**(5,705)**	–
Mark-to-market adjustment on interest rate swaps (including share of joint venture mark-to-market adjustment)	**411**	140
EPRA adjusted profit from continuing activities attributable to owners of the Company	**17,977**	33,033

	13-month period ended 31 March 2019 £'000	Year ended 28 February 2018 £'000
NUMBER OF SHARES		
Weighted average number of Ordinary shares for the purpose of earnings per share	**124,674**	125,218
Effect of dilutive potential Ordinary shares:		
Share options	**98**	57
Weighted average number of Ordinary shares for the purpose of diluted earnings per share	**124,772**	125,275
Basic earnings per share (pence)	**4.2p**	32.2p
Diluted earnings per share (pence)	**4.2p**	32.2p
EPRA adjusted earnings per share (pence)	**14.4p**	26.4p
EPRA adjusted diluted earnings per share (pence)	**14.4p**	26.4p

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

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

	Net assets £'000	**No. of shares '000**	**31 March 2019 Net assets per share Pence**	Net assets £'000	No. of shares '000	28 February 2018 Net assets per share Pence
Basic net assets per share attributable to the owners	**360,145**	**124,741**	**289**	379,281	125,343	303
Cumulative mark-to-market adjustment on interest rate swaps	**(430)**			(19)		
EPRA adjusted net assets per share	**359,715**	**124,741**	**288**	379,262	125,343	303
Cumulative mark-to-market adjustment on interest rate swaps	**430**			19		
Fair value of debt	**(12,648)**			(9,514)		
EPRA adjusted triple net assets per share	**347,497**	**124,741**	**280**	369,767	125,343	295
Effect of dilutive potential Ordinary shares	**521**	**294**		625	447	
Diluted net assets per share	**360,666**	**125,035**	**289**	379,906	125,790	303
EPRA diluted net assets per share	**360,236**	**125,035**	**288**	379,887	125,790	303
EPRA diluted triple net assets per share	**348,018**	**125,035**	**280**	370,392	125,790	295

6 Investment properties

	Freehold £'000	Long leasehold £'000	Total £'000
At valuation 1 March 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
Additions:			
– acquisitions	24,108	5,061	29,169
– capital expenditure	171	1,156	1,327
Transfer from development and trading assets	–	2,720	2,720
Disposals	–	(7,516)	(7,516)
Deficit on revaluation	(6,873)	(4,292)	(11,165)
At valuation 31 March 2019	**114,797**	**39,244**	**154,041**

Direct costs of £6,115,000 (28 February 2018: £3,656,000) arose as a result of ownership of investment properties.

Two development and trading assets were transferred to investment properties during the period 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.

	31 March 2019 £'000	28 February 2018 £'000
Market value as assessed by the independent valuers or Directors	**157,328**	142,092
Amount included in prepayments and accrued income in respect of lease incentives	**(3,287)**	(2,586)
Net book amount of Investment properties – non-current assets	**154,041**	139,506

At 31 March and 30 September (previously 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 31 March 2019, completed investment properties have been valued by CBRE Ltd at a value of £138,748,000 (28 February 2018: £124,329,000). 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 £15,293,000 (28 February 2018: £15,177,000), 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 (28 February 2018: £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.

£138,593,000 (28 February 2018: £122,059,000) 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 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	(2,500)	–
Distributions under profit share arrangements	(4,379)	(14)
Capital distributions – repayment of loans	–	(972)
At 28 February 2018	–	92,806
Additions	5,777	25,574
Share of (loss)/profit	(14)	10,109
Share of revaluation surplus	–	2,454
Share of mark-to-market adjustment on interest rate swaps	–	(421)
Share of results	(14)	12,142
Dividend distributions	–	(17,654)
Capital distributions – repayment of loans	–	(8,998)
At 31 March 2019	**5,763**	**103,870**

8 Inventory

	Development properties £'000	Trading properties £'000	Total £'000
<u>DEVELOPMENT AND TRADING PROPERTIES</u>			
At 1 March 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 6)	(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
Additions:			
– acquisitions	–	35,912	35,912
– development expenditure	66,190	361	66,551
– capitalised staff costs	1,369	–	1,369
Transfer to investment assets (refer note 6)	(2,720)	–	(2,720)
Disposals	(97,985)	(6,507)	(104,492)
Foreign currency differences	–	(117)	(117)
Net write down of development properties to net realisable value	(7,402)	(1,735)	(9,137)
At 31 March 2019	**162,017**	**41,742**	**203,759**

Included in the above amounts are projects stated at net realisable value of £88,266,000 (28 February 2018: £79,565,000).
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 £3,184,000 (28 February 2018: £1,740,000) was capitalised on development and trading properties during the period. Capitalised interest included within the carrying value of such properties on the Balance Sheet is £5,837,000 (28 February 2018: £5,354,000).

9 Financial liabilities

Borrowings

	31 March 2019 £'000	28 February 2018 £'000
CURRENT		
Bank overdrafts	**–**	–
Current instalments due on bank loans	**804**	1,034
Current loans maturing	**37,084**	62,550
Unamortised transaction costs	**(494)**	(375)
	37,394	63,209

	31 March 2019 £'000	28 February 2018 £'000
NON-CURRENT		
Bank loans and loan notes	**143,889**	109,143
Unamortised transaction costs	**(1,527)**	(1,168)
	142,362	107,975

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

10 Note to the cash flow statement

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

	31 March 2019 £'000	28 February 2018 £'000
Profit before income tax	**6,320**	48,172
Adjustments for:		
Loss/(gain) on disposal of investment properties	**223**	(3,324)
Loss on revaluation of property portfolio	**11,165**	2,417
Other income	**–**	(2,089)
Share of post-tax profits of joint ventures and associates	**(12,128)**	(16,175)
Profit from sale of investment	**(3,888)**	(6,713)
Loss/(profit) on sale of other plant and equipment	**42**	(5)
Finance income	**(617)**	(94)
Finance cost	**6,432**	9,783
Depreciation of property, plant and equipment	**885**	960
Operating cash flows before movements in working capital	**8,434**	32,932
Decrease/(increase) in development and trading properties	**3,680**	(10,037)
Decrease/(increase) in receivables	**45,635**	(57,042)
(Decrease)/increase in payables	**(23,940)**	33,696
(Decrease)/increase in provisions	**(2,247)**	240
Cash flows generated from/(used in) operating activities	**31,562**	(211)

Analysis of movement in net debt

		31 March 2019			28 February 2018	
	Cash and deposits £'000	**Borrowings £'000**	**Net debt £'000**	Cash and deposits £'000	Borrowings £'000	Net debt £'000
At 1 March	**52,099**	**(171,184)**	**(119,085)**	51,271	(172,125)	(120,854)
Cash flow	**(11,347)**	**(7,780)**	**(19,127)**	840	2,419	3,259
Foreign currency exchange movements	**–**	**1,035**	**1,035**	(12)	(1,497)	(1,509)
Non-cash movements	**–**	**(1,827)**	**(1,827)**	–	19	19
At 31 March/28 February	**40,752**	**(179,756)**	**(139,004)**	52,099	(171,184)	(119,085)

11 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 31 March 2019, such guarantees amounted to £5,607,000 (28 February 2018: £5,543,000).

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 (28 February 2018: £7,000) with an average unexpired lease period of 67 years (28 February 2018: 68 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.

12 Post balance sheet events

As at 31 March 2019, 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.

Definitions

Operating profit: stated after loss on disposal of investment properties, the revaluation of the investment 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 portfolio, comprising net rental income or expenditure, capital gains or losses from disposals and revaluation surpluses or deficits, divided by the average capital employed during the financial period, as defined and measured by Investment Property Databank Limited (IPD), a company that produces independent benchmarks of property returns.

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

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

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 period attributable to owners of the Parent by the weighted average number of Ordinary shares outstanding during the period, 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 period plus the weighted average number of Ordinary shares that would be issued on the conversion of all the dilutive potential Ordinary shares into Ordinary shares.

Basic net assets per share: 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.