8 July 2020

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

Results for the year ended 31 March 2020 ("FY2020")

Results impacted by market disruption; swift action taken; pipeline primed for delivery phase; strategic case remains strong

FY2020 results impacted by market disruption

- £11.0 million of development and trading gains (2019: £42.8 million), below the £35-45 million target, as delivery timings were delayed by significant market uncertainty and third-party delays in decision-making, caused by Brexit, the General Election and, more recently, the Covid-19 pandemic
- £9.3 million of the development and trading gains were from the sale of Harwell Campus in Oxfordshire; total project profit of £31.5 million; 4.1x equity multiple
- £58.6 million loss before tax for the year mainly comprised investment portfolio revaluations (£13.5 million); provisions on historical projects at Bromley and 399 Edgware Road (£20.1 million); the impacts of overhead and net interest costs (£21.1 million) not fully offset by development and trading gains; and a decision to impair the project bid costs at the Dublin regeneration scheme where we have been shortlisted (£3.7 million)
- Investment portfolio capital value was down 7.9% to £130.6 million, including our share of joint ventures, primarily reflecting the continued market decline in retail sector property values
- Progress made in investment portfolio disposals strategy with the sale of five assets for £34.1 million, marginally above their aggregate book value at 30 September 2019; in addition, the Plus X building at Preston Barracks in Brighton was transferred across to our investment portfolio

FY2020 financial summary:

	31 Mar 2020	31 Mar 2019*
Development and trading gains	**£11.0m**	£42.8m
(Loss)/profit before tax	**(£58.6)m**	£6.3m
Basic NAV	**£289.6m**	£360.1m
Basic NAV per share	**232p**	289p
Basic (loss)/earnings per share	**(44.5)p**	4.2p
Total declared dividends per share including supplemental dividend	**2.4p**	10.0p
Net debt	**£129.9m**	£139.0m
Gearing	**44.9%**	38.6%

*Note** *2019 represented a thirteen-month reporting period from 1 March 2018 to 31 March 2019 due to a change in the financial year end to align with our market peers*.

Swift response to Covid-19; liquidity improved

- Good liquidity, with £20.0 million of additional liquidity secured since the year end, including the raising of a £13.5 million new facility secured against previously uncharged assets
- The Group estimates it could withstand a further c.25% fall in overall capital values of the assets in its investment portfolio before requiring renegotiation of LTV covenants with the relevant lenders
- Decisive action taken to cut costs and preserve cash, including reducing development capex by £33.0 million for FY2021 and all discretionary spend ceased
- Accelerated £4.0 million cost saving programme announced in October 2019 to complete by the end of FY2021, a year early
- Executive Director, Non-executive Director and senior staff salaries reduced for three months; FY2020 discretionary bonus payments cancelled and FY2020 Executive Directors' contractual bonus entitlements waived, with these combined initiatives preserving £1.3 million at 31 July 2020
- £1.4 million of annualised savings expected, through redundancy programme (completed in June 2020) and natural loss of headcount through retirement; seventeen team members furloughed
- £4.4 million of cash conserved through suspension of the final dividend

Existing pipeline primed for delivery phase; positive outlook

- Significant shareholder value to come, with a £10.8 billion pipeline of mixed-use regeneration schemes to be unlocked; resolution to grant planning or planning consent in place for over 6 million sq.ft. across our portfolio
- £0.9 billion Gross Development Value (GDV) of planning consents achieved across four projects (Phase 1 at Mayfield, Landmark Court, Kensington Church Street, Newtown Works); resolution to grant planning secured at 8 Albert Embankment in December 2019 – Called In by Secretary of State in June 2020, delaying progress on site
- C.£1.8 billion GDV of planning applications submitted across two major PPP schemes (Morden Wharf and Faraday Works) and four trading projects (Kingstanding, Arts Building and our golf courses in Tilehurst and Broke Hill), meaning projects will move from expenditure towards monetisation in FY2021; other projects reach value creation milestones shortly
- Positive outlook – our business model is well placed to take advantage of new opportunities in the post Covid-19 recovery. London City Region, Manchester and Dublin are expected to be major beneficiaries of accelerated structural demand for mixed-use regeneration. There is strong political leverage for consented schemes that can meet demand for more agile environments and new behavioural needs

Matthew Weiner, Chief Executive, said:
"The last twelve months have been challenging, to say the least, and this is reflected in our results. Confidence briefly returned to the market in early 2020 with strong interest in commercial and residential space following the General Election. However, the onset of Covid-19 caused most decision-making and development progress to grind to a halt. The socio-economic impact of Covid-19 will continue, at least for the short-term, driving new trends and behaviours.

However, the challenges of Covid-19 bring about real opportunities for companies like ours as they accelerate the structural need for inspiring, affordable, convenient mixed-use spaces where communities can thrive. Our business model, centred on regenerating underestimated sites, often too complex for others, means we are particularly well-placed to benefit from this demand, as – more than ever – the public and private sector rely on trusted partners to help them to unlock value from their existing assets, many of which are rich in history and character. It is also a time to consider opportunistic acquisitions that strengthen our development, trading and investment pipeline. Our existing pipeline is primed for the delivery phase, with resolution to grant planning or planning consent already in place for over 6 million sq.ft. across our portfolio.

We have responded quickly to the unfolding Covid-19 pandemic, strengthening our balance sheet and accelerating our efficiencies programme, which will enable us to emerge stronger once markets start to normalise. Our size, agility and distinctive approach, combined with our efficient capital structure, give us confidence that we will deliver on our future targets. We are excited about the opportunities ahead for our business and remain focused on our purpose – to unlock potential for all through regeneration."

Conference call for analysts and investors

The management team will hold an audiocast for equity analysts and investors today at 9.00am.

The audiocast details are below and the presentation materials can be accessed on the corporate website: https://www.uandiplc.com/investors/results-and-presentations/

Webcast link:
https://webcasting.brrmedia.co.uk/broadcast/5e418d042aec863039efacf8

Audiocast participant dial-in numbers:

Dial-in	+44 (0)330 336 9411
Passcode:	1718201

Forthcoming announcement dates

The Company intends to hold its Annual General Meeting (AGM) on 10 September 2020. In line with current Government guidance, this year the AGM will be a closed meeting and shareholders will not be permitted to attend and vote in person, but are encouraged to do so by proxy.

For further information, please contact:

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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.

LEI Number: 213800HTEQQEIOGR5A58

CEO Statement

Introduction

Our results for the year ended 31 March 2020 were severely affected by planning and transaction delays on our development and trading projects, as well as valuation impacts in our investment portfolio. These were caused by an unprecedented combination of firstly, Brexit, then political uncertainty in the run up to the General Election in December 2019, followed, after a brief respite, by the Covid-19 pandemic.

It was in this context that we delivered £11.0 million of development and trading gains against our targeted £35-45 million and a loss before tax of £58.6 million. This loss largely comprised of investment portfolio revaluations (£13.5 million); provisions on two historical projects (£20.1 million); the impacts of overhead and net interest costs (£21.1 million) not fully offset by development and trading gains; and a decision to impair the project bid costs at the Dublin regeneration scheme where we have been shortlisted (£3.7 million). In the investment portfolio, we sold five non-core assets for £34.1 million, marginally above their aggregate book value at 30 September 2019. Including joint venture assets, our investment portfolio delivered (5.3)% total return (2019: (1.0)%). Group post tax total return was (16.1)% (2019: 0.9%). While we worked tirelessly to achieve our targets by the year end date, it was disappointing not to deliver on these. Going forward, we remain resolute in our determination not to compromise value for our shareholders by unnecessarily discounting assets to meet guidance by a date defined by accounting rather than commercial criteria.

While development and trading gains were below target and investment asset values at the financial year end are lower – in part due to the current uncertainty – importantly our extensive pipeline of development and trading projects remains intact, albeit delayed, with four achieving important planning milestones, priming them for the delivery phase. The achieved investment disposals of non-core assets have increased liquidity in the near term and raised additional funds for reinvestment when the time is right.

At times like these, liquidity is paramount and we have been proactive in strengthening our financial position should the current disruption continue. We have conserved £4.4 million through the suspension of our final dividend and have successfully raised £20.0 million of additional liquidity since the year end, which includes the raising of a new £13.5 million facility secured against previously uncharged assets. Additionally, the Group estimates that it could withstand a further fall in overall capital values of the assets in its investment portfolio of c.25% before requiring renegotiation of LTV covenants with the relevant lenders. The Company has three facilities with maturity dates within the next twelve months. We have agreed heads of terms for the extension of the largest of these facilities and the formal process of documenting this agreement is progressing. We will update shareholders in due course once these extensions have been formally established.

The Board is not recommending a supplemental dividend. It however recognises the importance of the dividend for its shareholders and will reintroduce payments when appropriate.

However uncertain the real estate sector may look in the short term, the sustainable business rationale for U+I remains as relevant as ever and we have an experienced and strengthened management team, well placed to respond to these challenging times. Demand for mixed-use urban environments where people can live, work and socialise has never been greater as behavioural and demand shifts following Covid-19 will lead to the need for more agile environments.

Our creative and flexible approach allows us to deliver design solutions for these changing needs. We are focused in the area of regeneration, increasingly classified as infrastructure. This will continue to secure significant grants as the recovery of our towns and cities to provide for growing communities continues to be a Government imperative. Our three core geographies of London City Region (within one hour's commute from Central London), Manchester and Dublin are all expected to be major beneficiaries. On the supply side, the availability of land for regeneration is increasing, driven by Government and Local Authority action. This presents opportunities to continue to strengthen our short and long-term pipeline as we proactively look for undervalued acquisitions.

All this makes U+I's development pipeline of over £10.8 billion of regeneration projects as important as ever for stakeholders, whether they be Central or Local Government, the communities who will live there or our shareholders who invest in them. Notwithstanding the market conditions, we continue to preserve and build value across our business so we can deliver sustainable returns in the future for our investors.

Whilst this speaks more to the future than the present, I will outline how we are mitigating the current challenges posed by the Covid-19 pandemic, before summarising our current trading and a more detailed explanation of the FY2020 results themselves.

Mitigating actions taken in response to Covid-19

Given that we expect the current Covid-19 induced disruption to continue for some time, we have taken decisive actions to protect the business for the long term.

We have stress tested all of our financial assumptions and reviewed all planned activity in FY2021. In light of this, we have reduced our expenditure on development capex by £33.0 million for this financial year, prioritising our more liquid, higher margin projects where there are clear milestones to monetisation – such as securing planning consents and completing site infrastructure.

We have accelerated our £4.0 million cost saving programme. Announced at our Capital Markets Day in October 2019, this was scheduled to be completed by FY2022 and will now be completed by the end of FY2021.

As we announced in April 2020, Executive Director, Non-executive Director and senior staff salaries have been reduced for three months, all FY2020 discretionary bonus payments cancelled, and Executive Directors have waived contractual bonus entitlements for the financial period. The total saving from these actions is estimated at £1.3 million at 31 July 2020.

In addition to furloughing seventeen members of staff, we also announced in April a separate redundancy programme. This completed on 26 June 2020, with the loss of 13% of the workforce and, with the natural reduction in staff through retirement, will deliver annualised savings of £1.4 million. There will not be any negative impact on project delivery from these redundancies as we prioritise execution across a reduced number of schemes, through greater efficiencies.

Business risks associated with the Covid-19 impact

We are not alone in lacking visibility on the duration or, indeed, the ultimate social and economic impacts of Covid-19. We therefore feel it is not appropriate to provide guidance for FY2021 and have also withdrawn guidance for FY2022.

However, following our decisive mitigating actions outlined above, we believe that the Group is well protected against any prolonged disruption.

We have considered the additional risks that Covid-19 will present to our business in the short and medium term. This includes heightening some of the existing risks we face in planning, politics, construction and retail, where we expect continued delays, slow decision-making and further rental and capital declines. We have also considered additional risks arising out of the pandemic to occupier rent payments, access to capital and delayed cash receipts. We have reviewed and scrutinised our entire portfolio of projects and business strategy in light of these elevated risks, putting in place mitigating actions to limit and control their impact on our Company. Ultimately, this has led to changes in both operations and minor amendments to our project strategies by accelerating our focus on our larger, more liquid projects. More details of our Covid-19 risk assessment can be found on our website.

Pipeline primed for delivery phase

We have built up a development pipeline with a GDV of more than £10.8 billion, which is projected to deliver returns up to 2034. We now have planning consent or resolution to grant planning for in excess of 6 million sq.ft. across our entire portfolio, following resolutions to grant planning for four schemes with a combined GDV of £0.9 billion in FY2020 and the first three months of FY2021. These are Phase 1 of Mayfield in Manchester, Landmark Court, Kensington Church Street and Newtown Works. Having achieved resolution to grant planning on 3 December 2019, on 11 June 2020 our 8 Albert Embankment scheme was Called In by the Secretary of State for Housing, Communities and Local Government, delaying progress. We remain confident of achieving a successful conclusion given the exemplar nature of the proposal and the support for the project from the Local Authority and Greater London Authority.

As the impact of the Covid-19 pandemic continues to unfold, the relevance of our business has increased. It is now more important than ever to reinvent our towns and cities to become sustainable, thoughtful, efficient, enjoyable – and now safe – places where every generation can thrive. As Government priorities shift to establishing measures that will encourage spending and stimulate local economies – supported by its 'levelling up' agenda where it has committed to investing in local infrastructure – there is the potential to leverage the huge bank of unused public and private sector land and buildings to create inspiring, convenient, affordable mixed-use communities. A depth of capital, both public and private, exists to invest in sustainable assets for the future.

Those businesses, like ourselves, that have both the track record and planning consents for immediate development are set to be the greatest beneficiaries. We are increasingly identifying short and long-term opportunities to strengthen our development and trading pipeline, increasing our future visibility.

We are confident that we are prioritised in the right markets; those which will show sustained demand for attractive, responsible schemes. London will continue to be attractive due to its standing as a global finance, commerce, technology and culture hub, supported by its ranking as #1 European City to Invest in the 2020 Global Cities Index. Manchester is the UK's Northern Powerhouse and the most economically important city outside London; whilst Dublin is capital of the fastest growing economy in the EU.

To strengthen our capabilities in delivering our pipeline, in August 2019 we hired Dr Malcolm Hockaday from Lichfields as Planning Director. Dr Hockaday has over four decades' experience in planning and his in-depth knowledge of navigating the complexities of the current system helped us to secure resolutions to grant planning at Phase 1 of Mayfield in Manchester, Landmark Court in Southwark and Newtown Works in Ashford. His expertise will be crucial for U+I as we focus on planning submissions and consents at other schemes in the coming year, including Kingstanding, Morden Wharf, Arts Building, Tilehurst Golf Course and Broke Hill Golf Course, as well as successful conclusion of the planning inquiry at 8 Albert Embankment.

Mike Hood, former Managing Director of Capital & Counties Properties PLC (CapCo), joined U+I as Director of Development on 6 July 2020 to lead the regeneration team. His experience in managing major schemes, including the master planning of Earls Court, will strengthen our execution capabilities on our significant pipeline.

Current trading since the year end

As already outlined, the impact of the Covid-19 pandemic and consequent Government-led restrictions continue to disrupt our business.

Notwithstanding these challenges, I am pleased to report that, since 31 March 2020, we have achieved the following:

- Resolution to grant planning consent at the 300,000+ sq.ft. project at Newtown Works in Ashford. The planning consent includes sought after film studio space, as well as 300 highly affordable homes, which will benefit from excellent train links into London.

- Resolution to grant planning consent at Landmark Court, our £240 million GDV PPP project with TfL in Southwark. We expect to start receiving Development Management Fees on this project in FY2021.

- Planning consent granted in June 2020 at Kensington Church Street, our mixed-use scheme in joint venture with Brockton Capital.

- Planning application submitted at Morden Wharf, our £770 million GDV residential-led scheme on the Greenwich Peninsula. We expect a planning resolution in FY2021.

- Acquisition of a further industrial asset in the Greater Dublin Area with potential for change of use to residential in the medium term. This acquisition adjoins our existing holdings and give us further critical mass to expand our development footprint.

- Acquisition of Arkley Golf Course, taking advantage of new opportunities as we accelerate our golf course strategy. With this acquisition, we now have six current or former golf courses in our development and trading portfolio, with a combined GDV of £1.4 billion. The sites have the potential for more than 2,500 homes, with planning already submitted for 1,125 homes. Over the next eight years, we are targeting £80 million of gains across these six opportunities, starting in FY2022.

- Termination of our involvement in the joint venture to modernise North Finchley High Street in North London, following our appointment by Barnet Council to work exclusively with them in 2019. Regrettably, we have withdrawn from the opportunity as we could not agree the outline of a viable scheme and decided it was not prudent to commit additional resources.

Meanwhile, rental collection from our investment portfolio continues to be impacted as we respond to ongoing disruption from the impact of the Covid-19 pandemic. Whilst several of our tenants who faced enforced closures during the Covid-19 pandemic returned to business in June, new restrictions are impacting trading for many. We remain in regular dialogue with tenants so we can discuss their rental position on a case by case basis.

Of the total March quarter rents due, 60% has been collected and a further 13% will be collected through alternative payments plans agreed with occupiers. These alternative measures include deferrals and re-gears of existing arrangements. We have continued to receive rent from 'essential service providers', that remained open during Covid-19, many of which anchor our assets. This includes Sainsbury's Supermarket, which is our largest tenant, paying 5.5% of contracted rent.

In terms of our rent collection, we have achieved the following:

Sector	**Mar QTR**					**Jun QTR**	**Dec QTR**
	Collected	**Deferrals in negotiations**	**Agreed deferrals**	**Agreed re-gear**	**Lost / waived**	**Collected**	**Collected**
Retail	58%	42%	0%	0%	0%	17%	99%
Shopping Centres	63%	16%	9%	10%	2%	51%	98%
Commercial	84%	11%	5%	0%	0%	67%	100%
Leisure	23%	44%	0%	15%	18%	17%	95%
Total	**60%**	**23%**	**6%**	**7%**	**4%**	**42%**	**98%**

The experiential and convenience nature of our portfolio, relevant to local communities, give us confidence that consumer demand will return as market conditions start to normalise and Covid-19 related restrictions are removed. This is supported by all our shopping centres being anchored by a grocery brand, and the majority being open air. As at 3 July 2020, 70% of our retail and leisure units had opened for trading, up from 30% that were open during lockdown.

FY2020 results

Development and Trading

Realised Gains

We disposed of our stake in the Harwell Campus, the world leading science and technology campus in Oxfordshire, to Brookfield Capital Partners on behalf of Brookfield Strategic Real Estate Partners III, delivering development and trading gains of £9.3 million in FY2020. Total profit delivered across the life of the project stands at £31.5 million, reflecting a 4.1x equity multiple. Since our initial investment, the Partnership has successfully delivered on multiple projects at Harwell Campus, contributing to growth in the total fixed asset value from £12.0 million at December 2013 to £160.0 million at 31 March 2020. At the time of sale, Harwell was at 99% occupancy, boasting a diverse occupier roster featuring over forty five companies located across 455,000 sq.ft. of commercial space, generating a contracted rent of £7.9 million per annum.

This achievement demonstrates the flexibility and operational leverage of our business model, especially with regard to our ability to deliver large-scale strategic assets. We successfully, even in the economic downturn, monetised this asset.

Whilst we secured a further £5.8 million in development and trading gains during the year – at Preston Barracks, Plus X and Circus Street in Brighton – when offsetting losses at our wind farms, Newcastle-under-Lyme and South Woodham Ferrers, the net 'Other' gains total in the period was £1.7 million. These form the remaining gains in our net £11.0 million total.

The below table shows our progress to date across the projects we highlighted in our FY2020 guidance, as well as those that were accelerated during FY2020.

As explained, negotiations on several of these assets were delayed and ultimately did not conclude by the year end. However, given our progress to date, we remain hopeful that many may conclude in FY2021, particularly if we see the return to a more normal business environment later this year.

Project	Targeted FY2020 gains	Actual FY2020 gains	Progress and value trigger
Arts Building, London	£6-8m	£0m	**Progress**: completed refurbishment. Agreement signed with Lidl for the ground floor, subject to planning (outcome expected by December 2020). Discussions with occupiers to let the first and second floors targeted to conclude H2 FY2021 **Value trigger**: planning, letting and subsequent disposal
Newtown Works, Ashford	£5-7m	£0m	**Progress**: resolution to grant planning achieved in April 2020. Negotiations for the sale of the residential component of the scheme on hold due to Covid-19; strong interest in the commercial element **Value trigger**: planning, sale of entire site
Kensington Church Street, London*	£4-6m	£0m	**Progress**: Planning consent granted by Secretary of State in June 2020, following Call In Inquiry. Demand remains for the consented site; refinancing expected to close in FY2021 **Value trigger**: surplus from development of site or refinancing post planning decision
Hendy Wind Farm, Wales	£4-6m	£0m	**Progress**: under construction with accreditation process ongoing. Gains delayed to H2 FY2022 **Value trigger**: accreditation and sale
Rhoscrowther Wind Farm, Wales	£1-3m	£0m	**Progress**: planning application being progressed; due to be submitted in H1 FY2021; gains delayed until H2 FY2022 to reflect worst case planning determination timescale. Sale, subject to consent, to be progressed in H2 FY2021 **Value trigger**: planning and sale
Harwell, Oxfordshire*	Undisclosed	£9.3m	**Progress**: disposed in March 2020 **Value trigger**: complete recapitalisation
Other small projects, individually contributing <£3.0 million	£12-14m	£1.7m	**Progress**: net total after gains are offset by losses across our smaller projects **Value trigger**: planning, letting or sale of relevant project
Industrial Estate, Dublin	£0m	£0m	**Progress**: land rezoned for residential uses in March 2020. Vacant possession discussions underway. Terms agreed before Covid-19 to recapitalise the project but currently on hold **Value trigger**: rezoning and recapitalisation
Beeston Park, Norwich	£1.5m	£0m	**Progress**: under offer to housebuilder but delayed by Covid-19 impacts **Value trigger**: sale of site
Curzon Park, Birmingham	£0m	£0m	**Progress**: continued negotiations with HS2 on compensation settlement. Offer to settle withdrawn on 31 March 2020 and now proceeding to Lands Tribunal hearing

*Held in joint venture

Reconciliation of losses

We incurred a £58.6 million loss before tax for the year. This was largely comprised of investment portfolio revaluations (£13.5 million) and provisions from two historical projects at 399 Edgware Road (£9.5 million) and Bromley (£10.6 million). Additionally, our net £11.0 million development and trading gains did not offset our overhead and net interest costs of £21.1 million as they have in previous years, which further contributed to our shortfall.

At 399 Edgware Road, as previously announced, we made an impairment of £6.5 million in the first half of the year in respect of cost overruns. This includes the impact of changes in building standards and fire safety regulations, which we are in a claims process to seek to recover. In the second half of the year, a further £3.0 million impairment has been recognised to reflect lower sales rates and projected values, as well as higher associated marketing and void costs as a result of the current sales market conditions.

In respect of Bromley, we have finalised our position with the main contractor, which has taken longer than anticipated. Further costs have been incurred to fully deliver the whole scheme, which we are unable to offset. In addition, allowance has been made for the reduced sales rates and values as a result of conditions in the housing market influenced by Covid-19.

As previously announced, the Company is shortlisted for a circa £1 billion GDV regeneration project in Dublin and remains committed to progressing the opportunity if selected by the landowner. However, in light of the time that has elapsed since making its final submission, we have taken the prudent decision at this stage to impair the project bid costs, which total £3.7 million. This impairment would be reversed if the Company is successful with its bid.

Progress across major PPP Projects

Below is a summary of progress across our major PPP projects, which give us visibility for the next fifteen years and beyond.

Project	**GDV**	**Status**	**FY2021**	**FY2020 comments**
Morden Wharf, Greenwich	£770m	Planning submitted	Planning outcome	Submitted for planning in June 2020, with an outcome expected in FY2021.
8 Albert Embankment, Lambeth	£500m	Planning inquiry	Progress inquiry	Secured resolution to grant planning on 3 December 2019. GLA Stage 2 review completed. Scheme Called In by Secretary of State on 11 June 2020. Inquiry being progressed. Hotel bids received February 2020 and terms agreed for a joint venture of Phase 1 of the project, but both were unable to proceed due to Covid-19 impacts.
Mayfield, Manchester	£1.5bn	Phase 1 consent	Secure funding; commence build; first DM Fees	Planning permission for Phase 1 secured, delivering a 6.5 acre public park, 320,000 sq.ft. of office space and a 581-space multi-storey car park.
Faraday Works (formerly Westminster Industrial Estate), Greenwich	£165m	Revised planning	Submit new planning application	Submitted for planning in December 2019. In February 2020, Historic England made an application to list one of the structures on the site – a material planning consideration that prejudices our application. Project strategy review underway with our joint venture partners.
Landmark Court, Southwark	£240m	Resolution to grant planning	Secure funding; commence build; first DM Fees	Secured resolution to grant planning on 15 June 2020 to deliver over 200,000 sq.ft. of contemporary office, retail and workspace, as well as 36 new homes.
CNFE, Cambridge	£3bn	Design development	Progress project to public consultation phase.	Secured £227 million in grant funding from the Housing Infrastructure Fund. The funding will allow the Development Consent Order process to proceed and give the required assurances to the Planning Authority to allow progress with the Area Action Plan.

Investment portfolio

At year end, the investment portfolio was valued at £130.6 million (2019: £154.0 million). During the year, we made disposals of £34.1 million and transferred across one development and trading asset at a value of £16.2 million. Capital values (including our share of joint ventures) were down £11.8 million, a decline of 7.9% (2019: 4.9% decline), reflecting the reduced market values I mentioned earlier. Of course, in the current market it remains difficult to accurately determine investment valuations so, in accordance with the RICS guidelines, it is important to note that year end valuations are subject to material uncertainty clauses from our valuers.

The core portfolio net initial yield was 6.2% (2019: 6.6%), with an equivalent yield of 8.0% (2019: 7.9%). Total return was (5.3)% (2019: (1.0)%). Occupancy remained high at 83.4% (2019: >90%) – including 94.7% retail occupancy and 96.4% for shopping centres – demonstrating the resilience of the portfolio in challenging markets. Estimated Rental Value in the core portfolio was down 16% to £11.0 million (2019: £13.1 million), due to net disposals, with shopping centres falling like for like by 4.4%. Covid-19 may well change shopping habits and the shape of the high street for the future but we believe that convenience and experiential retail will remain relevant as consumers prioritise necessity purchases and spending time in sensitively curated places that offer a mix of retail, leisure and green space, suited to the local catchment.

Our strategy is to transform our investment portfolio, with the longer term objective of achieving consistent returns of 10% per annum, by acquiring assets that fit our regeneration focus; disposing of non-core assets; and increasingly transferring elements of our own regeneration projects to capture improving, long-term rental and capital growth.

While the challenging conditions have led to some disruption of this planned transition, we have made progress, selling five assets during the year for £34.1 million, marginally ahead of September 2019 aggregate book value.

These disposals leave us with just two remaining non-core retail assets, outside our focus geographies of London City Region, Manchester and Dublin. Following these disposals, we have £27.0 million in cash in the Aviva debt facility, available to reinvest when conditions normalise. In this respect, we will continue to consider new opportunistic acquisitions that meet the criteria for our investment portfolio strategy.

We also continue to transfer assets from our development and trading portfolio. In February 2020, we transferred the Plus X building in Brighton into our investment portfolio as an innovation and workspace managed under the Plus X brand, a 50% joint venture of U+I. Valued at £16.2 million on transfer, this becomes the largest asset in our investment portfolio. The 40,000 sq.ft. building opened for business in June 2020 but Covid-19 has meant that it currently has low occupancy. There is however strong interest from small, medium and large businesses and, as the lockdown eases and member and leasing activity picks up further, we believe this asset has the potential to deliver double digit returns. Our research shows that putting a Plus X facility at the heart of our regeneration schemes produces an asset that delivers a margin on standard premium market rental levels, £100 million of societal value over a standard office block, and a catalyst of enterprise and entrepreneurial activity that acts as a powerful marketing tool, attracting other commercial tenants to the building and the wider scheme. The Plus X building in Brighton is one of a number of potential U+I assets we have identified for transition to the portfolio, where we can capture their improving long-term value.

We believe we have the correct strategy longer term to deliver consistent returns from our investment portfolio, which forms part of our integrated regeneration business plans.

Growing a sustainable business for communities and shareholders alike

At U+I we take our ESG – environmental, social and governance – responsibilities seriously and are constantly seeking ways of improving our approach to regeneration so we can be more sustainable and, in time, industry leading. Delivering social benefits to the communities in which we work has always been an integral part of our corporate strategy, delivering responsible schemes, that encourage health and wellbeing, whilst protecting the environment. It is more important than ever to enhance the mental health and welfare of individuals – aligned with Government's approach focused on supporting people. Businesses will need a clear purpose, that pushes for a fairer society and which strengthens its role in helping communities to prosper. These are the principles on which U+I was founded.

As a priority in the year ahead – as we continue to progress the delivery phase of our strategy – we are focused on putting the processes and infrastructure in place to measure our ESG performance company-wide.

With this in mind, we have been working with an independent sustainability consultancy to critically review our business and portfolio. The findings will allow us to better understand our current performance so we can launch a clear sustainability strategy, with deliverable KPIs, that will inform our approach going forward.

We are early in the process and have more to do. As a first step, this year we are for the first time reporting on four non-financial KPIs, which we will refine and expand as we decide the priority metrics for the business and have the processes in place to collate the necessary data. These are:

- BREEAM Excellent / LEED Gold (or above) across all new developments
- Reduce Scope 1 and 2 emissions by 13% year-on-year compared to the FY2020 baseline and become net zero carbon by 2030
- 0.1% lost time to accidents / incidents across U+I's sites
- Three locally employed people across the project portfolio for every £1 million of project spend

Positive outlook

What is clear is that the timing of gains is difficult to predict in current, extraordinary, market conditions. However, what is equally clear is that the latent value of U+I's portfolio is significant and the type of regeneration we deliver will be crucial to the UK's economic recovery following Covid-19.

We have one of the most successful track records in our industry of delivering wider economic and social benefit from Public Private Partnership. Our success in delivering for our public sector partners as we emerged from the financial crisis twelve years ago, set the basis for our experience and capacity to deliver impactful regeneration. As we move into a major recovery phase in our economy post Covid-19 and prepare for the opportunities that Brexit will offer, we are better placed than many in our industry to hold out our hand to national and local government and offer them a business model that unlocks the value in their derelict and overlooked land through successful partnership.

This starts with securing planning consents and we are now achieving these at scale. We have a substantial £10.8 billion GDV pipeline, including over 6 million sq.ft. with resolution to grant planning or planning consent, giving us visibility for the next ten years and beyond, alongside the skills, track record and reputation for delivering high quality, mixed-use regeneration projects.

If we built out our entire development pipeline we would deliver over 19,600 new homes and 7 million sq.ft. of commercial space in the next ten years, which will go some way to addressing the major UK shortfalls of space, whilst creating more than 50,000 jobs. By strengthening our planning and community engagement team we are also able to work closer than ever with local boroughs and key stakeholders to bring forward our schemes – as fast as the planning system allows – to address local demand for quality mixed-use places where people can live, work and socialise. Our largest projects – Mayfield, Landmark Court and Morden Wharf (full schemes total over £2.5 billion GDV) – have all been primed for development during the year and move to delivery phase in FY2021. We are also confident of progressing 8 Albert Embankment, once the planning inquiry is completed.

We look forward to releasing this value in line with our revised project strategies, applying our expertise in securing land well, unlocking value from overlooked sites and enhancing value through planning and development, to realise profits. This will grow long-term socio-economic value for our communities and deliver sustainable returns for our shareholders.

I want to take this opportunity to thank all our stakeholders for their support and hard work over the year, and particularly during the current unprecedented times. We will get through this and I have no doubt U+I will emerge leaner, more focused and more committed than ever to unlock value for all through regeneration.

Top five occupiers as at 31 March 2020

	Annual Rent £'m	% of contracted rent
Sainsbury's Supermarket Ltd	0.5	5.5
B&M Retail Ltd	0.4	4.2
Carpetright Plc	0.3	3.5
Pure Gym Limited	0.3	3.3
JD Wetherspoon PLC	0.2	2.7

Income generating properties - like for like rental income received

Year ended 31 March 2020

	Property owned throughout the year £'000	Acquisitions £'000	Disposals £'000	Total net rental income £'000
Investment	8,452	2,407	2,127	12,986
Development and trading	3,030	1,332	(0)	4,362
Joint ventures	3,169	0	0	3,169
	14,651	3,739	2,127	20,517

Thirteen month period ended 31 March 2019

	Property owned throughout the year £'000	Acquisitions £'000	Disposals £'000	Total net rental income £'000
Investment	9,485	1,019	3,221	13,725
Development and trading	1,927	294	244	2,465
Joint ventures	3,204	0	0	3,204
	14,616	1,313	3,465	19,394

Core investment portfolio – 31 March 2020

Gross rental income - tenant profile

1	PLC/Nationals	52.4%
2	Local Traders	36.0%
3	Regional Multiples	5.5%
4	FTSE 100	5.5%
5	Government	0.6%

Gross rental income – lease-term profile

1	0-5 years	59.0%
2	5-10 years	24.5%
3	10-15 years	9.6%
4	15-20 years	6.4%
5	20 years+	0.4%

Capital value – local profile

1	London	29.8%
2	South East	53.8%
3	Manchester	2.4%
4	Rest of UK	14.0%

PRINCIPAL RISKS AND UNCERTAINTIES

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.

Our Operational Key Performance Indicators

Business 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 are highly stretched. However, the impact of Covid-19 on investment decision making, together with escalating geopolitical risks and continuing trade uncertainties, continue to overshadow the market.
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	↑ 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 increased due to the impact of Covid-19 on job security and personal finances.

Business risk	Impact	Mitigation	Risk exposure change year-on-year
		construction.	
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.	↑ Through the year there was a gradual reduction in lenders' appetite for development risk, particularly on a speculative basis, as the Brexit and General Election uncertainly continued. Covid-19 has impacted upon both rental receipts and investment property valuations. This has further reduced lender appetite for new business.

Business 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, which has been exacerbated by new working practices and stalled schemes as a result of Covid-19.	– 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	↑ 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. The risk of delays to construction due to new imposed social distancing working practices, in response to Covid-19, has increased significantly.

Business risk	Impact	Mitigation	Risk exposure change year-on-year
		performance bonds, typically to a level of 10% of the contract sum.	
F. Planning risk Procuring appropriate and valuable planning consents is often a key element of value creation through property development. Securing planning permission in a changing political and regulatory environment is a complex and uncertain process, with applications subject to objection from a wide range of potential stakeholders, and hence prone to delay, modification and rejection.	– Failure to secure planning consent can either cause delay or render a project unviable/unprofitable and lead to the write-off of considerable costs or reduced profit potential.	– The Group retains a team with 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 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

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

	Year ended 31 March 2020	13-month period ended 31 March 2019
Development and trading gains	**£11.0m**	£42.8m
Basic net asset value (NAV)	**£289.6m**	£360.1m
Basic NAV per share	**232p**	289p
Total declared dividends per share	**2.4p**	10.0p
(Loss)/profit before tax	**(£58.6)m**	£6.3m*
Total return	**(16.1)%**	0.9%
Balance sheet gearing	**44.9%**	38.6%

* 13-month period to 31 March 2019

The loss for the year ending 31 March 2020 was £58.6 million (13-month period to 31 March 2019: £6.3 million profit), after generating development and trading gains of £11.0 million, lower than the range we were guiding for the year.

Development and trading gains

During the year, we realised a total of £11.0 million of net development and trading gains. The key components of these gains are:

- £9.3 million – Harwell: sale of the Group's 25% investment holding.
- £4.3 million – Preston Barracks: completion of Plus X Building and proceeds on student element.

The write off of costs on abortive projects where the Development Management Agreement has expired, such as Newcastle-Under-Lyme and the overrun of costs associated with the accreditation of Bryn Blaen Wind Farm to allow its sale to complete have reduced these gains to a net £11.0 million.

Impairments in respect of two schemes are excluded from the above. As previously announced, at 399 Edgware Road, an impairment of £6.5 million was recognised at the half year in respect of cost overruns, including changes in building standards and fire safety. This amount is now the subject of a claims process to try and recover these costs. In H2 a further £3.0 million impairment has been booked to reflect lower sales rates and values now projected and higher void costs as a result of a stalled housing market post Covid-19.

In respect of Bromley, we have finally settled the contractual position with the main contractor. This process has taken far longer to conclude than anticipated and further costs have been incurred to conclusion as building regulations and certification requirements have changed. This has led to a significant reduction in the amounts previously anticipated as recoverable and also a reduction in amounts available to mitigate this settlement. Taken together with the reduction in both sales rates and values as a result of Covid-19 an amount of £10.6 million has been provided for. The whole scheme is now complete, and it is anticipated that all remaining residential units will be sold by the end of the calendar year and all associated debt repaid in full.

U+I remain actively involved in seeking to secure a major regeneration project in Dublin. However, as there is no current visibility on when a decision will be made, the Directors have impaired the bid costs incurred to date of £3.7 million. If U+I are appointed in respect of this project, this impairment will be reversed.

Development and trading gains can be analysed as follows.

	Year ended 31 March 2020 Total £m	13-month period ended 31 March 2019 Total £m
Included in segmental analysis:		
Development and trading segment result	**(17.7)**	19.3
Share of results of joint ventures	**(4.9)**	17.1
Sale of investments	**9.8**	3.9
Adjustment in respect of legacy assets	**20.1**	–
Impairment of Dublin bid costs	**3.7**	–
Adjustment re legacy corporate loan	**–**	2.5
	11.0	42.8

Investment property portfolio
During the year, the Group continued its policy of selectively disposing of non-core assets outside of our key geographies. During the year, the Group disposed of five investment properties with a book value of £32.1m. These disposals included Killingworth Centre, Newcastle, Nailsea Shopping Centre and Queen Street, Cardiff. In addition, the Group disposed of its investment asset in Harwell in conjunction with the wider sale of its joint venture interest.

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. We are looking however to reinvest the cash collateral of £27.0 million held within our Aviva loan facility following the above disposals during the year, but only once we are certain that we can acquire assets at the right price to deliver our target returns in line with our investment strategy.

Following the completion of the Plus X Building at our Preston Barracks development site in Brighton, this asset has been transferred to our investment portfolio in line with our decision to hold the asset for the medium to long-term. The building opened for use in June.

The Group's historic portfolio does still have a retail bias and as such we have suffered a £13.5 million decline in values during the year. Overall, we have seen a 7.9% decline in values on a like-for-like basis, 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 year 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 2020, there were receivables of £50.3 million relating to asset disposals immediately prior to the year-end compared to £23.2 million as at 31 March 2019. This highlights the significant movement from one period to the next for receivables and also explains the significant variation in cash balances from one balance sheet date to the next.

The disposal of our interest in the Harwell joint venture transacted on 31 March. Initial net proceeds of £28.8 million were received in April with a further £14.0 million of unconditional deferred consideration to be received in equal instalments over the following four years.

Overheads
The overheads during the year comprised.

	Year ended 31 March 2020	13-month period ended 31 March 2019
Group overheads	**21.7**	21.9
LTIP credit (net)	**(2.3)**	–
	19.4	21.9
Income from specialist platforms	**(1.9)**	(2.5)
Net recurring overheads	**17.5**	19.4
Annualised net recurring overheads	**17.5**	17.8

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 year and in the longer-term. In particular, the investment into marketing of our brand and corporate identity can be significantly scaled back following our establishment as a leader in mixed use urban regeneration.

Rationalisation
The Group has brought forward its staff rationalisation program and has regrettably made a number of staff redundant since the year end. The Group will continue with its reorganisation during the coming year. In addition, in response to the Covid-19 impact on both our own business and the economy we have imposed a moratorium on discretionary spending and significantly scaled back our capital expenditure programme by £33.0 million for FY2021.

Net finance costs
Net finance costs for the year of £12.7 million (13-month period to 31 March 2019: £5.8 million) include a foreign exchange loss of £1.1 million (2019: £0.2 million gain) in respect of the retranslation of Euro-denominated loans and deposits.

For FY2020, finance costs include a lease accounting charge of £2.7 million resulting from the implementation of IFRS16. The true net finance cost, excluding interest on lease liabilities and foreign exchange movements on a comparable basis is £8.9 million (13-month period to 31 March 2019: £6.0 million).

In previous years interest was capitalised in respect of the Bromley scheme whilst the project was under construction. Following completion of the scheme, interest is now expensed and at the same time rental income is now credited to the Income Statement. The interest charge for FY2020 was £2.5 million.

For entities where the reporting currency is in Euros, retranslation differences are charged to reserves. The movement for 2020 was a gain of £0.2 million (2019: £0.2 million gain). The net impact of these movements on NAV during the year was a £0.9 million loss (2019: £0.3 million gain).

Group's bank facilities

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:

						Principal financial highlights		
Facility type	Notes	Total facility	Utilised as at 31 March 2020 £'000	Interest rate	Maturity	Loan to value ratio (LTV)	Interest[1] cover ratio (ICR)	Minimum[1] net worth £'000
Loans financing longer-term assets								
Term loan	3, 5	£10,580	10,580	Variable	10-Apr-20	73%	160%	–
Loan notes	2	€47,000	~41,781	Cap	24-Apr-21	–	–	–
Term loan		£19,710	13,410	Variable	25-Mar-22	50%	110%	–
Term loan		£66,667	65,027	Fixed	5-Dec-32	75%	125%	–
Loans financing development and trading assets								
Term loan	4, 5	£26,000	13,580	Fixed	31-Jan-19	–	–	–
Term loan	3, 4, 5	£26,000	27,793	Variable	30-Jun-19	60%	125%	100,000
Term loan	4, 5	£9,500	2,410	Variable	31-Dec-19	–	–	–
Term loan	3	£44,100	50,701	Fixed	31-Mar-20	–	–	–
Term loan	3	£31,000	26,592	Variable	24-Oct-20	–	–	–
Term loan	3	£4,000	3,845	Fixed	31-Oct-20	–	–	–
Term loan	3	€22,045	~20,391	Fixed	18-Nov-20	–	–	–
Term loan	3	€20,125	~17,481	Fixed	06-Jan-21	–	–	–
Term loan	3	£5,610	5,213	Cap	31-Mar-21	60%	175%	–
Term loan	3	€20,939	~18,614	Variable	08-Aug-21	–	–	–
Term loan	3	€17,100	~15,239	Variable	08-Aug-21	–	–	–
Term loan	6	£16,800	16,800	Fixed	15-Jan-22	90%	100%	–
Term loan		€8,515	~7,570	Fixed	13-Dec-22	75%	–	200,000
Term loan	3	£16,674	3,930	Variable	31-Dec-22	–	120%	–
Term loan	3	£23,388	23,388	Fixed	15-Jan-23	73%	30%	–
Term loan		€2,180	~1,938	Fixed	28-Mar-23	75%	–	200,000

1 Interest cover ratios (ICR) 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.
5 The Group is in discussion with the lender to extend the loan term and this is in the process of being formalised.
6 Due to deferred rental collection arrangements, as a result of Covid-19, this loan is currently in breach of its ICR covenant. We are in discussion with the lender to formalise a waiver while rental receipts are being deferred.
~ Represents the amount of the Group's liability in Sterling as at the balance sheet date.

The Group has €47.0 million of loan notes which are due for repayment in April 2021. In accordance with the Group Business Plan, the intention is to repay these notes via the cash proceeds from disposals scheduled during the FY2021. As a prudent measure, due to the current economic environment as a result of Covid-19, the Group has agreed terms for the extension of these loan notes which is now being documented. The Group expects to have concluded this extension in the very short term.

Debt covenants are monitored on a quarterly basis and the Group maintains a constant dialogue with all its lenders. In respect of Group's main investment property facilities, as at 31 March 2020, the Group had headroom over its loan to value covenants of over 25%.

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

- Draw down additional £1.0 million loan of The Arts Building facility.
- £22.0 million loan repayment in respect of the Bromley facilities as residential units were sold.

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%.
- Euro-denominated debt is drawn to naturally hedge Euro-denominated assets in Dublin.
- The Group has no specific debt on non-income producing assets or investments into PPP schemes.
- Joint venture arrangements are designed to leverage both our operational expertise and our Balance Sheet. When acting with third party capital we deploy asset-specific debt, which is often at a higher LTV (65–75%), reflecting the risk appetite and cost of capital of our partners.

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

	Target	**31 March 2020**	**7 July 2020**	31 March 2019
Gearing (excl. share of JVs)	40–50%	**44.9%**	**39.4%**	38.6%
Gearing (incl. share of JVs)	50–60%	**80.4%**	**76.1%**	62.8%

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 2020	31 March 2019
Group net debt and gearing:			
Gross debt	£m	**(161.0)**	(179.8)
Cash and cash equivalents	£m	**31.1**	40.8
Net debt	£m	**(129.9)**	(139.0)
Net assets	£m	**289.6**	360.1
Gearing	%	**44.9**	38.6
Weighted average debt maturity	years	**5.9**	6.2
Weighted average interest rate	%	**4.7**	4.6
Including joint ventures:			
Share of net debt in joint ventures	£m	**(102.9)**	(87.3)
Gearing	%	**80.4**	62.8
Weighted average debt maturity	years	**3.7**	4.5
Weighted average interest rate	%	**5.6**	5.1

As at 7 July 2020, the Group's gearing stood at 39.4% on balance sheet and 76.1% on a look through basis, in particular reflecting the receipt of cash proceeds relating to the disposal of our Harwell interests.

Monies held in restrictive accounts and deposits

As at 31 March 2020 the Group held £29.4 million of restricted cash deposits (2019: £8.8 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 with joint venture partners 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 disposed of its 25% joint venture interest in Harwell. The Group has recognised a gain on disposal of £9.3 million in addition to an operational profit for the year ended 31 March 2020 of £1.2 million.

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

- A commitment to ensure full compliance with all statutory obligations, including full disclosure to all relevant tax authorities.
- Any tax planning strategy entered into is only implemented after full consideration of the risks and, if necessary, after prior consultation with the relevant tax authority. Those findings are recorded in any relevant structuring document.
- The maintenance of good relationships with tax authorities and a clear interaction between tax planning and the Group's wider corporate reputation and responsibility.
- 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 year the underlying tax rate, including deferred taxes, was 6.13%. The Group's tax rate is sensitive to both geographical location of profits and business activity from which the profits are derived. Future year effective tax rates will susceptible to the overall Group leverage position, and the interaction thereof with the UK Corporate Interest Restriction rules and international equivalents.

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.
- A supplemental dividend related to the net free level of cash flow generated from the financial year.

However, given the increased economic uncertainty created by the Covid-19 pandemic, the Board is not recommending the payment of a final or supplemental dividend in respect of the year ending 31 March 2020 in order to preserve cash reserves. The Board will revisit this temporary measure once there is greater clarity on the impact of Covid-19 on the business.

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 2020, the Group had net Euro-denominated liabilities of €40.1 million (2019: €30.9 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 as well as the potential impact of Covid-19 on the UK economy. The impact on our NAV during the year was a loss of £0.9 million, which is the net result of a loss of £1.1 million recorded in finance costs in the profit and loss account and a gain through reserves of £0.2 million. The deficit in Group's foreign currency hedging strategy arises as the Group has been in a net Euro liability position during the year.

Marcus Shepherd
Chief Financial Officer
7 July 2020

Five-year summary

		31 March 2020	31 March 2019*	31 March 2018	31 March 2017	31 March 2016
Revenue	£m	**70.0**	160.1	173.7	123.9	242.3
(Loss)/profit before taxation	£m	**(58.6)**	6.3	48.2	(1.7)	25.8
Net assets	£m	**289.6**	360.1	379.3	347.6	363.3
(Loss)/earnings per share	Pence	**(44.5)**	4.2	32.2	(2.4)	17.5
Net assets per share	Pence	**232**	289	303	278	291

* 13-month period to 31 March 2019, restated.

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 contribute towards corporate overheads.
- Maintaining a diversified portfolio of projects 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 most projects will have moved through to exit. To plan for a period longer than five years would lead to the construction of a purely theoretical model in years 5+, rather than one underpinned by specific existing projects in the initial five-year period.

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

Consideration of principal risks

The nature of the Group's business and the industry in which it operates expose it to a variety of risks. The principal risks and uncertainties facing the Group are detailed above. 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. This year has seen the evolution of Covid-19 as a previously unidentified risk that is now having a significant impact upon all businesses and economies as well as upon the key drivers in delivering U+I's business model. The Board has further considered these risks' impact within the context of the Group's viability.

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 following those of the previous two-three years.
- 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, 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 gearing in accordance with its policy.

In performing this scenario assessment, the Group would still be able to continue to meet its day to day liabilities as they fall due over the five year period. Although the review does not consider all of the risks that the Group may face, the Directors consider this scenario is reasonable in the circumstances of the inherent uncertainty involved. 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 2025.

In considering the Group's adoption of the going concern basis, the Group's business model was stress-tested to produce a severe but plausible downside scenario over the short term, to simulate the impact of a deterioration in both economic and market conditions. Consideration was given to the following:

- Property valuations fall by a further 30% over the next twelve months and the resultant impact upon gearing covenants and cash levels if cash collateralisation of a loan facility is required.
- No new business opportunities are entered into over the next five years – hence the only profits and related cash that can be generated are from existing schemes and the majority of projects monetise over a five year period, subject to an appropriate delay over the next twelve months relating to the potential impact of Covid-19 on investment markets.
- 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.
- Rent collection rates are severely reduced for the next twelve months as a result of the economic lockdown in response to the Covid-19 pandemic.
- Other than contracted receipts, there are no significant cash generating disposals over the next twelve months. Following which disposals proceed on a more regular basis i.e. deferral rather than loss of receipt.
- Consideration was given to whether the factors above enabled debt facilities to be repaid when they fall due.

Only the specific severe but plausible scenario detailed above would indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Refer to note 1(a)ii. The Consolidated Financial Statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2020

	Notes	**Year ended 31 March 2020 £'000**	13-month period ended 31 March 2019 (restated+) £'000
Revenue	2	**70,049**	160,130
Direct costs	2	**(80,556)**	(133,269)
Gross (loss)/profit	2	**(10,507)**	26,861
Operating costs	2	**(19,417)**	(21,859)
Loss on disposal of investment properties	2	**(960)**	(223)
Loss on revaluation of property portfolio	6	**(13,451)**	(11,165)
Operating loss		**(44,335)**	(6,386)
Other income		**1,932**	2,547
Share of post-tax (losses)/profits of joint ventures and associates	2	**(13,245)**	12,128
Profit from sale of investments	2	**9,710**	3,888
Profit/(loss) on sale of other plant and equipment		**4**	(42)
(Loss)/profit before interest and income tax		**(45,934)**	12,135
Finance income	3(a)	**652**	617
Finance costs	3(b)	**(13,349)**	(6,432)
(Loss)/profit before income tax		**(58,631)**	6,320
Income tax		**3,203**	(1,120)
(Loss)/profit for the year/period		**(55,428)**	5,200
OTHER COMPREHENSIVE INCOME			
(Loss)/profit for the year/period		**(55,428)**	5,200
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		**161**	163
Revaluation of operating property		**10**	40
Total comprehensive (loss)/income for the year/period		**(55,257)**	5,403
Basic (loss)/earnings per share attributable to the Parent*	5	**(44.5p)**	4.2p
Diluted (loss)/earnings per share attributable to the Parent*	5	**(44.5p)**	4.2p

+ Restatement – refer note 1d,2.0.

* 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 2020

		31 March 2020		31 March 2019 (restated+)	
	Notes	**£'000**	**£'000**	£'000	£'000
NON-CURRENT ASSETS					
Direct real estate interests					
Investment properties	6	**130,578**		154,041	
Operating property		**700**		750	
Right-of-use assets		**38,704**		–	
Trade and other receivables		**5,398**		4,617	
			175,380		159,408
Indirect real estate interests					
Investments in associates	7	**5,463**		5,763	
Investments in joint ventures	7	**64,242**		103,870	
Intangible assets – goodwill		**2,328**		2,328	
Financial assets at amortised cost		**10,500**		3,204	
Financial assets at fair value through profit or loss		**14,092**		13,244	
Financial assets at fair value through other comprehensive income		**1,173**		1,271	
			97,798		129,680
Other non-current assets					
Other plant and equipment		**4,461**		4,594	
Deferred income tax assets		**10,042**		1,294	
			14,503		5,888
Total non-current assets			**287,681**		294,976
CURRENT ASSETS					
Inventory – development and trading properties	8	**137,654**		193,939	
Financial assets at amortised cost		**16,143**		8,962	
Financial assets at fair value through profit or loss		**13,788**		13,672	
Trade and other receivables		**66,308**		60,426	
Monies held in restricted accounts and deposits		**29,393**		8,841	
Cash and cash equivalents		**1,741**		31,911	
			265,027		317,751
Total assets			**552,708**		612,727
CURRENT LIABILITIES					
Trade and other payables		**(48,308)**		(67,466)	
Current income tax liabilities		**–**		(1,230)	
Borrowings	9	**(16,312)**		(37,394)	
Lease liabilities		**(5,517)**		–	
Provisions		**(9)**		(36)	
			(70,146)		(106,126)
NON-CURRENT LIABILITIES					
Borrowings	9	**(144,752)**		(142,362)	
Lease liabilities		**(36,878)**		–	
Deferred income tax liabilities		**(10,305)**		(3,448)	
Provisions		**(1,046)**		(646)	
			(192,981)		(146,456)
Total liabilities			**(263,127)**		(252,582)
Net assets			**289,581**		360,145
EQUITY					
Share capital		**62,716**		62,716	
Share premium		**104,590**		104,590	
Other reserves		**51,792**		54,457	
Retained earnings		**70,483**		138,382	
Total equity			**289,581**		360,145
Basic/diluted net assets per share attributable to the owners of the Parent	5		**232p/232p**		289p/289p

\+ Restatement – refer note 1d,2.0.

Approved and authorised for issue by the Board of Directors on 7 July 2020 and signed on its behalf by:
M S Weiner, Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Notes	Share capital £'000	Share premium £'000	Other Reserves £'000	Retained earnings £'000	Total equity £'000
At 1 March 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 13-month 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
Loss for the year ended 31 March 2020		–	–	–	(55,428)	(55,428)
Other comprehensive income:						
– Revaluation of operating property		–	–	10	–	10
– Currency translation differences		–	–	161	–	161
Total comprehensive income for the year ended 31 March 2020		–	–	171	(55,428)	(55,257)
Share-based payments (net movement)		–	–	(2,628)	–	(2,628)
Treasury shares (net movement)		–	–	(208)	–	(208)
Final dividend 2019	4	–	–	–	(4,358)	(4,358)
Supplemental dividend 2019	4	–	–	–	(5,107)	(5,107)
Interim dividend 2020	4	–	–	–	(3,006)	(3,006)
Total contributions by and distributions to owners of the Company		–	–	(2,836)	(12,471)	(15,307)
Balance at 31 March 2020		**62,716**	**104,590**	**51,792**	**70,483**	**289,581**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2020

	Notes	**31 March 2020 £'000**	31 March 2019 £'000
CASH GENERATED FROM OPERATIONS			
Cash flows generated from operating activities	10	**11,930**	31,562
Interest paid		**(8,778)**	(7,189)
Income tax received/(paid)		**1**	(7,550)
Net cash generated from operating activities		**3,153**	16,823
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**70**	417
Proceeds on disposal of other plant and equipment		**4**	10
Proceeds on disposal of investment properties		**19,998**	7,293
Proceeds from sale of investments		**395**	10,506
Purchase of other plant and equipment		**(692)**	(1,225)
Purchase of investment properties		**(3,795)**	(30,496)
Investment in joint ventures		**(5,633)**	(31,351)
Cash inflow from joint ventures and associates – dividends		**–**	17,654
Cash inflow from joint ventures and associates – repayment of loan		**16,244**	8,998
Cash outflow for financial asset loans		**(1,954)**	(3,784)
Cash inflow from financial assets – loans repaid by other real estate businesses		**950**	10,518
Net cash generated from/(used in) investing activities		**25,587**	(11,460)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(12,471)**	(22,434)
Issue of new shares		**–**	160
Purchase of treasury shares		**(208)**	(1,293)
Repayments of borrowings		**(22,851)**	(38,233)
New bank loans raised		**1,297**	46,013
Transaction costs associated with borrowings		**(62)**	(923)
Lease payments		**(4,063)**	–
Cash released from restricted accounts		**2,075**	31,910
Cash retained by restricted accounts		**(22,627)**	(29,278)
Net cash used in financing activities		**(58,910)**	(14,078)
Net decrease in cash and cash equivalents		**(30,170)**	(8,715)
Cash and cash equivalents at the beginning of the year/period		**31,911**	40,626
Cash and cash equivalents at the end of the year/period		**1,741**	31,911
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash at bank and in hand		**1,741**	31,911
Bank overdrafts		**–**	–
Cash and cash equivalents at the end of the year/period		**1,741**	31,911
NET DEBT COMPRISES:			
Monies held in restricted accounts and deposits		**29,393**	8,841
Cash and cash equivalents		**1,741**	31,911
Financial liabilities:			
– Current borrowings	9	**(16,312)**	(37,394)
– Non-current borrowings	9	**(144,752)**	(142,362)
Net debt		**(129,930)**	(139,004)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

a)

(i) General information

The Consolidated financial statements of the Group for the Year ended 31 March 2020 comprise the results of U and I Group PLC and its subsidiaries and were authorised by the Board for issue on 7 July 2020.

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 funds its operations through a combination of retained cash balances, principally generated by the disposal of property assets, project level debt secured against specific properties and corporate level debt.

The financial position of the Group, its cashflows and liquidity are described in the Financial Review. Note 9 details the Group's borrowing facilities. The Directors have considered these when producing a forecast analysis to assess going concern.

The Group's main corporate level debt consists of €47,000,000 of loan notes which were issued in 2008 and mature in April 2021. The loan notes are expected to be repaid from cash receipts generated by the Group's planned programme of disposals within its normal course of business during FY2021.

The Group's base case forecasts and projections, taking account of possible changes in trading performance, show that the Group will continue to operate within the level of its banking and debt facilities for at least twelve months from the approval date of these Consolidated financial statements. Accordingly, the Group continues to adopt the going concern basis in preparing its Consolidated financial statements.

The Group has also forecast a severe but plausible downside scenario in making its assessment of going concern. This forecast reflects the potential impact of more adverse economic and market events and in particular the impact of Covid-19 on its ability to dispose of assets, levels of rent collection, valuation of investment properties and availability of cashflows. In preparing this analysis, the following key assumptions were used:

- A further 30% reduction in capital values across all investment properties compared with their carrying value at 31 March 2020, with a requirement to post additional collateral of either cash or properties to cure any resultant LTV covenant breach.
- Rent collection rates falling below those experienced for the March quarter day with a potential impact to cure any resultant ICR breach.
- A six-month delay in completion of all contracted revenue.
- No non-contracted capital sales.
- No additional financing secured.
- Cessation of dividends.

If the above scenario were to occur, then there is a risk that the Group would not have the level of free cash required to repay the loan notes due for repayment in April 2021.

The severe but plausible downside scenario detailed above indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The Consolidated Financial Statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

The Group has a series of actions it can and would take which it believes would mitigate the position in this scenario including:

- Either extending or refinancing the loan notes, a process which is already under way and expected to be finalised by the end of the first half of FY2021. This would remove the necessity for repayment in April 2021.
- Accelerating a number of the deferred capital receipts by reducing transaction prices.
- Curing any potential LTV breach in the investment portfolio by utilising some of the unsold assets as security rather than cash.
- Cutting back on planned capital expenditure for the next twelve months, the majority of which is discretionary.
- Leveraging several of the assets which would no longer assumed to be sold.

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 year ended 31 March 2020 and the 13-month period ended 31 March 2019.

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 year ended 31 March 2020 and period ended 31 March 2019 but is derived from those Consolidated financial statements. Statutory Consolidated financial statements for 2019 have been delivered to the registrar of companies and those for 31 March 2020 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) Significant changes in the current reporting year

- Brexit, the General Election and the Covid-19 pandemic have impacted development and trading gains and Group results as at 31 March 2020. These events have caused delays to project timelines and third-party decision-making, directly impacting the realisation of development and trading gains for the Group. Due to future uncertainty the Group has temporarily suspended dividend payments and withdrawn future financial guidance. The Group will continue to monitor the situation closely.
- Investment property valuations have declined by £13,451,000 over the twelve months to 31 March 2020. Valuers have carried out their valuation assessments using RICS guidance on Covid-19 and have issued their valuation report subject to 'material uncertainty'.
- The Group achieved two significant planning consents during the year. In December 2019, the Group was granted consent for its Albert Embankment scheme. The scheme will deliver 443 new homes, a reprovisioned fire station and museum. On 11 June 2020, the scheme was Called In by the Secretary of State for review. The Group are reviewing the next steps and are hopeful for a positive outcome. In February 2020, the Group also achieved positive planning consent for Phase 1 at Mayfield, Manchester. The first phase will deliver two office buildings, a car park and public park.
- The Group disposed of its 50% joint venture interest in Harwell Oxford Developments Limited realising a gain on disposal of £9,333,000.
- Five investment property assets have been disposed of during the year realising a net loss of £960,000 on disposal.
- The Group has incurred additional costs in relation to a forward funded development, where construction has now completed and is in the process of being sold. An impairment of £9,514,000 has been recognised during the year in this respect.
- The Group made a provision of £10,582,000 in respect of another development project where delays in completion have adversely impacted the sale of the residential units and completion of the project.
- The Group adopted the new accounting standard for leases.

d) 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, often 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.

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.

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).

1.4 Leases

Following the application of IFRS 16, Leases, the Group was required to make judgements and estimates in respect of the following:

Lease term – management need to apply judgement when considering the likelihood of leases being terminated or extended. It is not the current intention of management to extend or terminate any of its lease obligations. The lease term will be reassessed if an event, extension or termination, is reasonably certain or actually exercised in the future.

Incremental borrowing rate –management consider the interest rates applied to third-party Group debt for similar assets in addition to the covenant associated with the Group entity party to the lease agreement. Further adjustments are also made in relation to the asset type and location. Management are required to apply judgement in order to arrive at an appropriate incremental borrowing rate.

Estimates

1.5 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. In addition, valuers have needed to assess the implications of Covid-19 on the values of property assets, estimating the impact of unit closures and the risk of tenant default. Valuers have carried out their valuation assessments using RICS guidance on Covid-19 and have issued their valuation report subject to 'material uncertainty'.

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.

1.6 Impairment reviews
The Group has carried out a full review of its development and trading assets also considering the implications of the Covid-19 pandemic. Impairments have been made where the Directors consider the project viability has been impacted or where the project is unlikely to proceed.

During the year, the Group has incurred additional costs in relation to a forward funded development, where construction has now completed and is in the process of being sold. An impairment of £9,514,000 has been recognised during the year in this respect. A further provision of £10,582,000 has been made where delays in completion of the project have adversely impacted the sale of the residential units and completion of the scheme. The Group has also impaired two further development and trading assets, recognising a loss of £2,011,000.

1.7 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.

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

1.9 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.

2.0 Correction of error in respect of affordable housing sale
In October 2018, following practical completion of the Cathedral Bromley residential development the affordable housing element was transferred to Moat Homes as part of the related forward funding agreement, however this transaction was not recorded in the prior period financial statements. As a consequence, the Moat Homes affordable homes element was incorrectly recognised as inventory, with an equivalent deferred income balance relating to the forward funding arrangement also incorrectly recognised at 31 March 2019.

The error has been corrected by restating each of the affected financial statement line items for the prior period as follows:

	31 March 2019 £'000	Increase/ (decrease) £'000	31 March 2019 (restated) £'000
Balance sheet (extract)			
Current assets			
Inventory – development and trading properties	203,759	(9,820)	193,939
Current liabilities			
Trade and other payables	(77,286)	9,820	(67,466)
Net assets	360,145	–	360,145
Retained earnings	138,382	–	138,382
Total equity	360,145	–	360,145

	13-month period ended 31 March 2019 £'000	Increase/ (decrease) £'000	13-month period ended 31 March 2019 (restated) £'000
Statement of profit or loss (extract)			
Revenue	150,310	9,820	160,130
Direct costs	(123,449)	(9,820)	(133,269)
Profit for the period	5,200	–	5,200

The restatement has had no impact on net assets or profit for the period and therefore no impact on earnings or net assets per share.

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 Senior Management Team. The Group is 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.

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 below.

These divisions are the basis on which the Group reports its primary segmental information. All operations occur and all assets are located in the United Kingdom, except assets of £69,851,000 (2019: £47,575,000) which are located in the Republic of Ireland. All revenue arises from continuing operations.

Year ended 31 March 2020	**Investment £'000**	**Development and trading £'000**	**Total £'000**
Segment revenue	**15,238**	**54,811**	**70,049**
Direct costs	**(8,063)**	**(72,493)**	**(80,556)**
Segment result	**7,175**	**(17,682)**	**(10,507)**
Operating costs	**(841)**	**(10,494)**	**(11,335)**
Unallocated overhead costs			**(8,082)**
Loss on disposal of investment properties	**(960)**	**–**	**(960)**
Loss on revaluation of property portfolio	**(13,451)**	**–**	**(13,451)**
Operating loss			**(44,335)**
Other income	**432**	**1,500**	**1,932**
Share of post-tax losses of joint ventures and associates	**(8,385)**	**(4,860)**	**(13,245)**
(Loss)/profit on sale of investment	**(59)**	**9,769**	**9,710**
Unallocated profit on sale of other plant and equipment			**4**
Loss before interest and income tax			**(45,934)**
Finance income	**136**	**516**	**652**
Finance costs	**(4,086)**	**(9,263)**	**(13,349)**
Loss before income tax			**(58,631)**
Income tax			**3,203**
Loss for the year			**(55,428)**

ASSETS AND LIABILITIES			
Segment assets	**176,236**	**342,043**	**518,279**
Unallocated assets			**34,429**
Total assets			**552,708**
Segment liabilities	**(80,652)**	**(157,612)**	**(238,264)**
Unallocated liabilities			**(24,863)**
Total liabilities			**(263,127)**

A summary of unallocated assets and liabilities is shown below.

Year ended 31 March 2020	Investment £'000	Development and trading £'000	Total £'000
OTHER SEGMENT INFORMATION			
Capital expenditure	**3,857**	**–**	**3,857**
Unallocated capital expenditure			**630**
Impairment of assets	**–**	**(22,107)**	**(22,107)**
Depreciation	**910**	**1,052**	**1,962**
Unallocated depreciation			**2,063**
Development and trading expenditure	**–**	**19,393**	**19,393**
REVENUE			
Rental income	**12,986**	**4,362**	**17,348**
Serviced office income	**1,840**	**–**	**1,840**
Project management fees	**–**	**30**	**30**
Trading property sales	**–**	**1,880**	**1,880**
Development proceeds	**–**	**48,157**	**48,157**
Other	**412**	**382**	**794**
	15,238	**54,811**	**70,049**

In the year ended 31 March 2020, one project with turnover totalling £33,728,000 generated in excess of 10.0% of total revenue and fell within the development and trading segment.

13-month period ended 31 March 2019 (restated+)	Investment £'000	Development and trading £'000	Total £'000
Segment revenue	16,299	143,831	160,130
Direct costs	(8,719)	(124,550)	(133,269)
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			(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
ASSETS AND LIABILITIES			
Segment assets	174,757	400,597	575,354
Unallocated assets			37,373
Total assets			612,727
Segment liabilities	(74,834)	(171,358)	(246,192)
Unallocated liabilities			(6,390)
Total liabilities			(252,582)

\+ Restatement – refer note 1d,2.0.

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	–	126,194	126,194
Other	166	63	229
	16,299	143,831	160,130

In the period ended 31 March 2019, two projects with turnover totalling £73,181,000 generated in excess of 10.0% of total revenue and fell within the development and trading segment.

	31 March 2020 £'000	31 March 2019 £'000
UNALLOCATED ASSETS CAN BE ANALYSED AS FOLLOWS:		
Other plant and equipment	**4,306**	4,448
Right-of-use assets	**9,522**	–
Trade and other receivables	**10,221**	8,773
Deferred income tax asset	**10,042**	1,294
Cash and cash equivalents	**338**	22,858
	34,429	37,373

UNALLOCATED LIABILITIES CAN BE ANALYSED AS FOLLOWS:		
Current borrowings	**(17)**	(17)
Lease liabilities	**(10,299)**	–
Trade and other payables	**(4,242)**	(2,925)
Deferred income tax liability	**(10,305)**	(3,448)
	(24,863)	(6,390)

3 FINANCE INCOME AND COSTS

a) Finance income

	Year ended 31 March 2020 £'000	13-month period ended 31 March 2019 £'000
Interest receivable on loans and deposits	**457**	463
Interest receivable on lease assets	**195**	–
Net foreign currency differences arising on retranslation of cash and cash equivalents	**–**	154
	652	617

b) Finance costs

	Year ended 31 March 2020 £'000	13-month period ended 31 March 2019 £'000
Interest on bank loans and other borrowings	**(9,049)**	(9,138)
Amortisation of transaction costs	**(540)**	(449)
Provision: unwinding of discount	**–**	(19)
Fair value loss on financial instruments – interest rate swaps, caps and collars	**–**	(10)
Net foreign currency differences arising on retranslation of cash and cash equivalents	**(1,073)**	–
Interest on lease liabilities	**(2,687)**	–
	(13,349)	(9,616)
Capitalised interest on development and trading properties	**–**	3,184
Total finance costs	**(13,349)**	(6,432)
Net finance costs	**(12,697)**	(5,815)
Net finance costs before foreign currency differences	**(11,624)**	(5,969)

No interest was capitalised during the year. £2,549,000 of capitalised interest (2019: £2,701,000) was written off in the year. The tax treatment of capitalised interest follows the accounting treatment.

4 DIVIDENDS

	Year ended 31 March 2020 £'000	13-month period ended 31 March 2019 £'000
DECLARED AND PAID DURING THE YEAR/PERIOD		
Equity dividends on Ordinary shares:		
Final dividend for 31 March 2019: 3.50 pence per share (2018: 3.50 pence per share)	**4,358**	4,390
Interim dividend for 31 March 2020: 2.40 pence per share (2019: 2.40 pence per share)	**3,006**	3,011
Supplemental dividend for 31 March 2019: 4.10 pence per share (2018: 12.00 pence per share)	**5,107**	15,033
	12,471	22,434
DIVIDEND DECLARED BUT NOT PAID SINCE 31 MARCH 2020		
Supplemental dividend for 31 March 2020: nil pence per share (2019: 4.10 pence per share)	**–**	5,114
PROPOSED FOR APPROVAL BY SHAREHOLDERS AT THE ANNUAL GENERAL MEETING		
Final dividend for 31 March 2020: nil pence per share (2019: 3.50 pence per share)	**–**	4,366

Given the increased economic uncertainty created by the Covid-19 pandemic, the Board is not recommending the payment of a final or supplemental dividend in respect of the year ending 31 March 2020 in order to preserve cash reserves. The Board will revisit this temporary measure once there is greater clarity on the impact of Covid-19 on the business.

5 EARNINGS PER SHARE AND NET ASSETS PER SHARE

	Year ended 31 March 2020 £'000	13-month period ended 31 March 2019 £'000
(LOSS)/PROFIT		
(Loss)/profit for the purpose of basic and diluted earnings per share	**(55,428)**	5,200
Revaluation deficit (including share of joint venture revaluation surplus)	**11,834**	8,711
Loss on disposal of investment properties	**960**	223
Impairment of development and trading properties	**22,107**	9,137
Reversal of previous impairments	**–**	(5,705)
Mark-to-market adjustment on interest rate swaps (including share of joint venture mark-to-market adjustment)	**501**	411
Adjusted (loss)/profit from continuing activities attributable to owners of the Company	**(20,026)**	17,977

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

	Year ended 31 March 2020 £'000	13-month period ended 31 March 2019 £'000
NUMBER OF SHARES		
Weighted average number of Ordinary shares for the purpose of earnings per share	**124,580**	124,674
Effect of dilutive potential Ordinary shares:		
Share options	**6**	98
Weighted average number of Ordinary shares for the purpose of diluted earnings per share	**124,586**	124,772
Basic (loss)/earnings per share (pence)	**(44.5p)**	4.2p
Diluted (loss)/earnings per share (pence)	**(44.5p)**	4.2p
Adjusted (loss)/earnings per share (pence)	**(16.1p)**	14.4p
Adjusted diluted (loss)/earnings per share (pence)	**(16.1p)**	14.4p

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

	Net assets £'000	**No. of shares '000**	**31 March 2020 Net assets per share Pence**	Net assets £'000	No. of shares '000	31 March 2019 Net assets per share Pence
Basic net assets per share attributable to the owners	**289,581**	**124,623**	**232**	360,145	124,741	289
Fair value of debt	**(17,018)**			(12,648)		
Adjusted net assets per share	**272,563**	**124,623**	**219**	347,497	124,741	280
Effect of dilutive potential Ordinary shares	**403**	**246**		521	294	
Diluted net assets per share	**289,984**	**124,869**	**232**	360,666	125,035	289
Adjusted diluted net assets per share	**272,966**	**124,869**	**219**	348,018	125,035	280

6 INVESTMENT PROPERTIES

	Freehold £'000	Long leasehold £'000	Total £'000
At valuation 1 March 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
Recognition of right-of-use asset on initial application of IFRS 16	–	2,123	2,123
Adjusted balance 1 April 2019	114,797	41,367	156,164
Additions:			
– acquisitions	–	567	567
– capital expenditure	2,579	649	3,228
Transfer from development and trading assets	–	16,183	16,183
Disposals	(18,246)	(13,867)	(32,113)
Deficit on revaluation	(8,162)	(5,289)	(13,451)
At valuation 31 March 2020	**90,968**	**39,610**	**130,578**

Direct costs of £5,225,000 (2019: £6,115,000) arose as a result of ownership of investment properties.

As at 1 April 2019 the carrying value of investment properties was adjusted by £2,123,000 to reflect the head lease liabilities (2019: nil) which have been recognised on adoption of IFRS 16. Head lease liabilities are held within current and non-current liabilities. The carrying value of investment properties situated on land held under leaseholds is £8,435,000 (2019: £11,500,500), excluding the head lease ROU assets.

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 2020 £'000	31 March 2019 £'000
Market value as assessed by the independent valuers or Directors	**130,564**	157,328
Right-of-use asset	**2,123**	–
Amount included in prepayments and accrued income in respect of lease incentives	**(2,109)**	(3,287)
Net book amount of Investment properties – non-current assets	**130,578**	154,041

At 31 March and 30 September 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 2020, completed investment properties have been valued by CBRE Ltd at a value of £99,661,000 (2019: £138,748,000) with the exception of the leasehold asset transferred from the development and trading portfolio which was valued at £16,850,000 by Savills (UK) Limited. Even though some retail assets and shopping centre units are currently trading, the impact of Covid-19 has resulted in the closure of a large number of non-essential units. Covid-19 has had a direct impact on valuation assumptions as at 31 March 2020 and makes it difficult to accurately determine investment property valuations. In accordance with guidelines issued by RICS our valuations have been provided subject to a 'material uncertainly' clause.

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 £11,945,000 (2019: £15,293,000), 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 £4,459,000 (2019: £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.

£99,955,000 (2019: £138,593,000) 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 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
Additions	70	21,640
Share of loss	(370)	(13,991)
Share of revaluation surplus	–	1,617
Share of mark-to-market adjustment on interest rate swaps	–	(501)
Share of results	(370)	(12,875)
Capital distributions – capital repayment	–	(154)
Capital distributions – repayment of loans	–	(32,162)
Disposals	–	(16,077)
At 31 March 2020	**5,463**	**64,242**

8 INVENTORY

	Development properties £'000	Trading properties £'000	Total £'000
DEVELOPMENT AND TRADING PROPERTIES			
At 1 March 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	(107,805)	(6,507)	(114,312)
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 (restated+)	152,197	41,742	193,939
Additions:			
– development expenditure	16,624	1,587	18,211
– capitalised staff costs	1,146	36	1,182
Transfer to investment assets (refer note 6)	(16,183)	–	(16,183)
Disposals	(40,842)	–	(40,842)
Foreign currency differences	–	501	501
Net write down of development properties to net realisable value	(19,154)	–	(19,154)
At 31 March 2020	**93,788**	**43,866**	**137,654**

\+ Restatement – refer note 1d,2.0.

Included in the above amounts are projects stated at net realisable value of £44,925,000 (2019: £78,446,000).

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.

No interest (2019: £3,184,000) was capitalised on development and trading properties during the year. Capitalised interest included within the carrying value of such properties on the Balance Sheet is £3,288,000 (2019: £5,837,000).

9 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Borrowings

	31 March 2020 £'000	31 March 2019 £'000
CURRENT		
Bank overdrafts	**–**	–
Current instalments due on bank loans	**844**	804
Current loans maturing	**16,007**	37,084
Unamortised transaction costs	**(539)**	(494)
	16,312	37,394

	31 March 2020 £'000	31 March 2019 £'000
NON-CURRENT		
Bank loans and loan notes	**145,682**	143,889
Unamortised transaction costs	**(930)**	(1,527)
	144,752	142,362

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 2020 £'000	31 March 2019+ £'000
(Loss)/profit before income tax	**(58,631)**	6,320
Adjustments for:		
Loss on disposal of investment properties	**960**	223
Loss on revaluation of property portfolio	**13,451**	11,165
Share of post-tax losses/(profits) of joint ventures and associates	**13,245**	(12,128)
Profit from sale of investment	**(9,710)**	(3,888)
(Profit)/loss on sale of other plant and equipment	**(4)**	42
Finance income	**(652)**	(617)
Finance cost	**13,349**	6,432
Depreciation of leases, property, plant and equipment	**4,025**	885
Operating cash flows before movements in working capital	**(23,967)**	8,434
Decrease in development and trading properties	**42,174**	13,500
Decrease in receivables	**14,190**	45,635
Decrease in payables	**(20,840)**	(33,760)
Increase/(decrease) in provisions	**373**	(2,247)
Cash flows generated from operating activities	**11,930**	31,562

\+ Restatement – refer note 1d,2.0.

Analysis of movement in net debt

			31 March 2020			31 March 2019
	Cash and deposits £'000	**Borrowings £'000**	**Net debt £'000**	Cash and deposits £'000	Borrowings £'000	Net debt £'000
At 1 April /1 March	**40,752**	**(179,756)**	**(139,004)**	52,099	(171,184)	(119,085)
Cash flow	**(9,618)**	**21,554**	**11,936**	(11,347)	(7,780)	(19,127)
Foreign currency exchange movements	**–**	**(1,637)**	**(1,637)**	–	1,035	1,035
Non-cash movements	**–**	**(1,225)**	**(1,225)**	–	(1,827)	(1,827)
At 31 March	**31,134**	**(161,064)**	**(129,930)**	40,752	(179,756)	(139,004)

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 2020, such guarantees amounted to £5,405,000 (2019: £5,607,000).

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 (2019: £7,000) with an average unexpired lease period of 66 years (2019: 67 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

On 2 July 2020, The Group signed a new £13,500,000 loan facility, charged against various property assets, for a term of two years.

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.

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

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.

Adjusted 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. Adjusted earnings per share is calculated by dividing the adjusted earnings by the weighted average number of Ordinary shares outstanding during the period, excluding shares purchased by the Parent and held as treasury shares.

Adjusted net assets: are the balance sheet net assets adjusted for the fair value of debt and derivatives including the share of joint ventures. This is divided by the number of Ordinary shares in issue at the balance sheet date in order to calculate the adjusted net assets per share.