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

**19 January 2021**

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

Interim Results for the six months ended 30 September 2020

### Decisive action to increase liquidity and reduce costs; Board changes; operational review underway

U+I (LSE:UAI), the specialist regeneration developer and investor, announces its interim results for the six months ended 30 September 2020.

### H1 2021 financial results summary

- (£25.0) million of development and trading losses (31 March 2020: £11.0 million gains; 30 September 2019: £3.6 million gains)
- (£50.2) million loss before tax, largely resulting from a reduction in investment portfolio valuations (£10.3 million deficit); net operating costs including overhead (£14.9 million); and development and trading losses (£25.0 million)
- Liquidity of £50 million free and restricted cash at 30 September 2020; raised a new £13.5 million loan facility in July 2020 and signed a three-year extension to the maturity of U+I's €47.0 million of unsecured loan notes to April 2024
- Suspension of interim dividend (H1 2020: 2.4 pence); decision on Final dividend will be made at FY2021

| **Financial summary (unaudited) for six months ended** | **30 Sept 2020** | 30 Sept 2019 | 31 Mar 2020 |
|---|---|---|---|
| Development and trading (losses)/gains | (£25.0) million | £3.6 million | £11.0 million |
| (Loss) before tax | (£50.2) million | (£23.9) million | (£58.6) million |
| Basic net asset value (NAV) | £240.5 million | £327.0 million | £289.6 million |
| Basic NAV per share | 193 pence | 263 pence | 232 pence |
| Basic (loss) per share | (40.1) pence | (18.3) pence | (44.5) pence |
| Dividend per share (in respect of period reported) | - | 2.4 pence | 2.4 pence |
| Net debt | £110.5 million | £154.1 million | £130.0 million |
| Gearing (on balance sheet) | 46.0% | 47.1% | 44.9% |
| Look through gearing (including share of Joint Ventures) | 57.6% | 80.5% | 80.4% |

### H1 2021 operational results summary

- Planning milestones being met; c.£1.0 billion GDV of planning consents or resolution to grant consent achieved at Landmark Court, Kensington Church Street, Newtown Works and Kingstanding in Tunbridge Wells in H1 2021, creating shovel ready schemes that can address demand for mixed-use regeneration
- £23 million Government grant secured at Mayfield in Manchester in August 2020, the largest UK grant for any single project. This grant will support delivery of the civic park as an early placemaking intervention in advance of all new master planned buildings at the scheme
- Independent ESG review underway. New strategy to be launched at the end of FY2021, outlining three priority areas and an action plan to measure and leverage U+I's distinctive approach to delivering positive socio-economic change to communities for the long-term

### Decisive action taken to strengthen balance sheet and reduce costs

- **Accelerated disposals programme to generate cash and pay down debt**
    - Disposals programme advanced with target to deliver proceeds of c.£50 million in FY2021 and in excess of £80 million in FY2022 by reducing the number of our development, trading and investment portfolio assets as they reach an appropriate monetisation milestone
    - At 18 January 2021, completed or contracted trading sales within the development, trading and investment portfolios are expected to generate c.£40 million of cash to the Company after repaying project related debt. The disposal of Swanley generates an additional £10.9 million of restricted cash. Further assets in the market as part of the planned monetisation programme could generate a further net c.£40 million of free and restricted cash, subject to pricing
    - Target is to reduce on balance sheet gearing to 25-35% by the end of FY2022, based on £130 million monetisations programme

- **Overhead cost reduction programme implemented**
    - Accelerated cost saving programme to reduce gross recurring overheads by 25% from £21.2 million in FY2020 to £16 million by the end of FY2021; and reducing down to £12 million by the end of FY2023 (43% reduction over three years)

- Includes a 41% reduction in staff headcount from FY2020, completing by 30 June 2021, a reduction in discretionary third-party costs and a proposed relocation to a smaller London office; the marketing of the lease at Howick Place has already commenced

### Board changes

- Matthew Weiner to step down from his role as Chief Executive Officer, with effect from 19 January 2021; will remain on the Board until the end of May 2021 to provide continuity and a smooth transition
- Richard Upton, Chief Development Officer, to become Chief Executive Officer with immediate effect. He will be supported in delivery of the strategy by the four-strong Senior Management Team, formed in 2020, with Planning, Development, Delivery and Creative expertise
- Marcus Shepherd will step down from the Board and his role as Chief Financial and Operating Officer (CFOO) after completion of the results for the year ending 31 March 2021. A search for his replacement will commence immediately
- Chairman Peter Williams will carry out a review of the Board to ensure it is the optimal structure for the Group. The outcome will be announced in the next few months

### Steps to increase liquidity, simplify and refocus the business

- 100-day review underway; findings to be announced at FY2021 results and strategy update on 26 May 2021
- Assessment of simplification, optimisation and liquidity potential for all of our existing assets and disposal strategies for mature or underperforming assets
- Review of the Group's financing arrangements to best support the refocused business strategy
- With regeneration as a consistent strategic theme, consideration of a new framework to weight future business towards more predictable income streams from land enablement, development profits and recurring development management fees
- Review of dividend policy to align with strategic direction of the business

### Richard Upton, Chief Executive, said:

*"The last six months has been an incredibly challenging period for the Company as we, alongside the real estate sector, have been dealing with the impacts of the wider health crisis and consequent economic uncertainty. Whilst we have been agile in changing the way that we work and improving our processes, we recognise the need to make pivotal changes and improve our performance to respond better to external pressures. We have taken immediate steps to reduce our recurring costs, through an overhead reduction plan, deliverable thanks to a smaller portfolio of projects, as we accelerate the near-term monetisation of our pipeline. We have taken difficult decisions to exit legacy and non-core assets, improving liquidity and reducing leverage significantly. This activity has been undertaken at pace, paving the way for a strong, clean platform for growth.*

*We have re-engaged and empowered our much leaner team and focused them on a new set of priorities, whilst implementing initiatives to support their health and wellbeing throughout the pandemic. We have immediately commenced a 100-day review of our portfolio to make our business simpler, more agile and more efficient. This review will focus on our strengths in value-add complex, mixed-use regeneration, whilst delivering more predictable, consistent returns as we leverage the opportunity to reveal the full potential of the business. The changes we are putting in place will enable us to capitalise on long-term behavioural shifts and the opportunities presented by the Government's "Build, Build, Build" agenda, whilst strengthening our cash reserves, reducing our debt, increasing our ability to pay dividends and generating shareholder value.*

*It is clear that demand for inspiring, sustainable places that revive communities, create jobs and boost local economies has never been more relevant than now. We are excited by the opportunity to capitalise on U+I's market leading position as an expert in regeneration and deliver a significant contribution to this agenda."*

### Conference call for analysts and investors

The Company will hold an audiocast for sell-side analysts and investors at 9.30am today. There will be a live Q&A session at the end of the formal presentation, with questions accepted by email only through the audiocast link.

The audiocast details are below and the interims presentation will be posted on the corporate website: https://www.uandiplc.com/investors/results-and-presentations/

**Audiocast link:**
https://webcasting.brrmedia.co.uk/broadcast/5ff46315c627bb518d5317e0

**Participant dial-in numbers (listen only):**

| | |
|---|---|
| Dial-in | +44 (0)330 336 9105 |
| Passcode | 3510534 |
| Access code | Please quote **U+I** for access to the audiocast |

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LEI number: 213800HTEQQEIOGR5A58

**About U+I**
U+I is a specialist regeneration developer and investor.

With a £10.5 billion pipeline of complex, mixed-use, community-focused regeneration projects including a £120.6 million investment portfolio, we are unlocking urban sites bristling with potential in the London City Region (within one hour's commute from Central London), Manchester and Dublin. We exist to create long-term socio-economic benefit for the communities in which we work and deliver sustainable returns to our shareholders.

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

## Chairman's Statement

With immediate effect, Matthew Weiner will step down from his role as Chief Executive Officer after more than twenty years of service with the Company, of which the last six have been as Chief Executive Officer. He will remain on the Board, as an Executive Director, until the end of May in order to provide continuity and a smooth transition.

Richard Upton, currently Chief Development Officer, is appointed Chief Executive Officer with immediate effect. Richard was the founder and Chief Executive of specialist regeneration property developer Cathedral Group, which was acquired by U+I in May 2014. He will be supported in the delivery of the strategy by the four-strong Senior Management Team, formed in 2020, that will run the day-to-day operations of the Company, reporting to the Board. This comprises Mike Hood, who joined as Director of Development in July 2020, Martyn Evans (Creative Director), Mark Richardson (Director of Delivery) and Malcolm Hockaday (Director of Planning).

Marcus Shepherd will step down from the Board and his role as Chief Financial and Operating Officer after the completion of the results for the year ending 31 March 2021. A search for his replacement will begin immediately and the Company will provide a further update as and when appropriate.

I will also carry out a review of the Board to ensure it is the optimal structure for the Group and will announce the outcome in the next few months.

On behalf of the Board, I want to thank both Matthew and Marcus for the huge contribution they have made to create the distinctive U+I brand we have today.

## Chief Executive's Statement

First half development and trading losses were (£25.0) million (31 March 2020: £11.0 million gains; 30 September 2019: £3.6 million gains), net debt reduced to £110.5 million (31 March 2020: £130.0 million), gearing was 46.0% (31 March 2020: 44.9%) and we reported losses before tax of (£50.2) million (31 March 2020: (£58.6) million; 30 September 2019: (£23.9) million). This was largely due to a reduction in investment portfolio valuations (£10.3 million deficit); net operating costs including overhead (£14.9 million); and development and trading losses (£25.0 million). Capital value in the investment portfolio was down 7.8% on a like for like basis in the first six months (31 March 2020: 7.9% decline), primarily driven by the performance of our retail sector assets.

U+I has a clear, unchanged purpose: to unlock value for all through regeneration, driven by a strategy focused on delivering socio-economic benefits to communities and sustained shareholder returns. The Company has built up a project pipeline controlling a valuable £10.5 billion Gross Development Value of development and regeneration projects, which will provide an important contribution to the UK's growing need for quality homes and the increasing priority to stimulate economic growth in our towns and cities through placemaking. This pipeline of largely shovel ready, mixed-use schemes and a trusted reputation for delivery give us confidence in U+I's potential.

However, the macro environment has changed significantly, exacerbated most recently by a structural shift in behaviours resulting from the Covid-19 pandemic. Delays in completing transactions; reduced market confidence leading to a more cautious approach to decision-making; and a backlog in the planning system, have all impacted our financial performance and made it more difficult to provide clear short-term guidance on the performance of our projects. With this in mind, we are undertaking a 100-day portfolio review, starting immediately, which will critically examine all our projects so that we can refocus and reshape, strengthening our position for the future. It will assess the financial optimisation potential for existing assets; financing arrangements; a new framework to deliver more predictable income streams; focused ESG delivery and review the dividend policy. The plan produced from the review will deliver improved short- and long-term liquidity and a more efficient approach, together with revealing the potential within U+I's business to deliver compelling and sustainable socio-economic change from our core regeneration projects. We will report on the findings at our FY2021 results and strategy update on 26 May 2021.

Over the last six months we have taken some initial and decisive steps, outlined below. These steps take us back to basics, allowing us to focus on delivery of our major mixed-use projects and strengthening our future cash position.

1. **Overhead reduction programme:**
   A cost savings programme will reduce gross recurring overhead by 25% from £21.2 million in FY2020 to £16 million by the end of FY2021; and reducing down to £12 million by the end of FY2023 (43% reduction over three years).

   By 30 June 2021, we will have completed a programme to reduce employee numbers, including consultants and temporary staff, by 41% from our FY2020 numbers. We are also looking for new office premises as a smaller team and more flexible office working mean we will no longer require such a large commercial space. We are confident we can continue to demonstrate our brand distinction from a new location and have placed our office headquarter lease in Howick Place on the market. We will simplify our Group structure to reduce annualised recurring corporate costs, primarily by decreasing the number of offshore entities we hold and rationalising our portfolio of assets. From FY2022, we expect this to deliver an additional annual saving of £0.4 million.

2. **Portfolio simplification: towards a total focus on regeneration:**
   By the end of April 2021 we will have completed a 100-day review of all of our projects, assessing each against a new matrix of time, value and risk, taking post Covid-19 conditions into account, as far as we can predict. This will allow us to re-categorise our development and trading portfolio into two areas: core regeneration schemes – such as Mayfield in Manchester, Landmark Court, 8 Albert Embankment, Morden Wharf and CNFE – and non-core assets which do not align with our new strategy and which we will dispose of over the coming 18-24 months as they reach an appropriate monetisation milestone.

We will also accelerate the transition and restructure of our investment portfolio, disposing of all non-core, mainly legacy, assets by the end of FY2022 and making it part of our integrated regeneration model, meaning that it will no longer be treated separately from development and trading. Going forward, we will be focused on investing in sites, on balance sheet and with third party capital, with growth potential through densification and change of use, using the breadth of U+I's regeneration expertise to add value – in effect pivoting the investment portfolio to one focused on total rather than purely income return. The combined monetisations programme, from the exit of assets that do not meet the regeneration focus across our development, trading and investment portfolios, will help to strengthen the balance sheet. This programme is expected to generate proceeds of c.£50 million in FY2021 and a further £80+ million in FY2022. Some of this will be assets within our Aviva facility. The free cash flow generated will be used to reduce debt, pay dividends, and/or reinvest in existing and new schemes that fit our regeneration focus. We intend to drive a more consistent flow of development management fees and development profits by increasing our capacity to build out elements of our regeneration projects with third party capital, with reduced overhead costs and a refocused team.

3. **Integrated ESG approach:**
Our ambition to deliver long-lasting, tangible socio-economic benefits to the communities we work in and sustainable returns for our shareholders has been the cornerstone of our approach since our inception in 2015. However, although an integral part of our approach when we start any project, we have not measured well enough the environmental or societal benefits our schemes are delivering or clearly defined ESG targets within our wider corporate strategy. We are working with an independent consultant to create a robust set of evidence based and measurable targets that are relevant to our business and projects, whilst reflecting our core values and ambitions to be an industry leader. By the end of FY2021, we will set out a new sustainability strategy. This will outline three immediate priority areas, where we believe we can deliver significant socio-economic benefit to the communities we operate in, whilst reducing our environmental footprint through the work that we do. These are centred around the themes of creating inclusive places, inspiring buildings and happy people through purposeful construction, affordability, wellbeing, energy reduction, diversity and aligned to the circular economy. In FY2022 we will publish our first Sustainable Impact Report, with KPIs that are relevant to our business and individual schemes.

**Debt**
Liquidity remains paramount and we continue to take proactive measures to strengthen our financial position. At 30 September 2020, we had liquidity of £20.7 million free and £29.3 million restricted cash (31 March 2020: c.£30 million free and restricted cash), an increase of 67%. This includes raising a new two-year £13.5 million loan facility secured against previously uncharged assets, in particular the Plus X building in Brighton, the construction of which had been funded from equity. In July 2020, U+I signed a three-year extension to the maturity of its €47 million of unsecured loan notes to April 2024.

**Dividend**
We have taken the decision to suspend the interim dividend, conserving £3.0 million in cash. We recognise the importance of the dividend for our shareholders and will review our position to reinstate our Final dividend at FY2021. We are also reviewing our wider dividend policy to ensure it aligns with the strategic direction of the business.

**Guidance**
Given the continued market uncertainty due to the ongoing Covid-19 pandemic, as well as the project reviews we are undertaking as part of our reshaped strategy, we are not providing detailed guidance for FY2021 beyond the monetisation targets set out above. However, our intention is to reinstate guidance at the Full Year, once our project reviews have completed. The development and trading portfolio table below provides a summary of progress across our largest regeneration projects and we have also given further updates on our expected cash and debt position in FY2021 and FY2022, which give greater clarity on our financial position at this time.

## Development and trading portfolio update

Development and trading losses total £25.0 million. This figure includes a £6.3 million impairment against the carrying value of a land promotion agreement at Beeston Park in East Anglia, where the contractual land value is not believed to be achievable in the current market. Whilst we continue to try to find a profitable resolution to this project, we have taken the necessary prudent actions at this time.

We have also taken a £10.6 million impairment as we exited our involvement in our joint venture Spectre platform with Colony Capital with immediate effect. The platform was created in 2016 to redevelop commercial properties in Dublin and London. The market for letting the five buildings in the platform has however been severely impacted by the lasting effects of the Covid-19 pandemic and a requirement for significant further investment to cure banking positions. The remaining £8.1 million comprises small net write downs across some of our legacy projects.

We continue to make progress on a number of our development and trading schemes. In the first half of our financial year, Yoo Capital Investment Management acquired a majority interest in the Shepherd's Bush Market project, with U+I maintaining a minority interest, to accelerate the regeneration of this market and surrounding unused land. This reduced our look through gearing by circa 8.5% and will deliver immediate development management fees. It also contributed a gain of £3.7 million to U+I. There were further profits at our smaller projects in the period.

In September 2020, we secured a positive planning decision at Kingstanding in Tunbridge Wells and we are now twin tracking detailed design discussions for this logistics-led project. In August 2020 we secured £23 million in grant funding from the Government's £900 million Getting Building Fund (the largest single grant in the UK) to support delivery of the 6.5-acre Mayfield Park in Manchester and, in December 2020, we became the first grant recipient to start on site.

Post 30 September 2020, our two Brighton projects have delivered solid returns for the business. Works on the penultimate phase of our mixed-use PPP development at Circus Street, delivered by U+I in joint venture with Highwire Ltd, completed in November 2020. This includes 142 residential apartments forward sold to Clarion Housing Group. The remaining 114 homes are under contract to a BTR (build to rent) operator and includes the ground floor workshop and retail space. At Preston Barracks, the student accommodation phase, which is being delivered and operated by Scape, is now open and occupied, triggering the recovery of U+I's £3.0 million development loan and profit payment. Combined, these projects delivered proceeds of c.£13 million, including £4 million in profit.

We have made good progress at our residential schemes at Bromley and 399 Edgware Road. Seven units have completed since half year at Bromley. We expect to have sold the final unit by FY2021. We completed on 32 units at 399 Edgware Road in the reporting period, contributing £2.1 million of cash post period end, and we expect a further c £2.5 million of cash from sales of the current pipeline at FY2021.

At 18 January 2021, within our development, trading and investment portfolios, we have completed or contracted trading sales, which combined are expected to generate c.£40 million of cash to the Company after repaying project related debt. The disposal of Swanley generates an additional £10.9 million of restricted cash. We have further assets in the market as part of the planned monetisation programme which could generate a further net c.£40 million of free and restricted cash, subject to pricing.

Below is an update on the status across our major regeneration projects:

| **Project** | **H1 2021 status** |
|---|---|
| Morden Wharf, Greenwich | Submitted for planning in June 2020. |
| 8 Albert Embankment, Lambeth | Inquiry completed in December 2020; awaiting outcome. |
| Mayfield, Manchester | Secured £23 million in grant funding from the Government's Getting Building Fund. Work commenced on the park in December 2020. |
| Faraday Works, Greenwich | Preparing new planning submission to protect the listed structures on the site, creating much sought-after employment space and homes. Submission targeted in FY2022. |
| Landmark Court, Southwark | Secured full planning consent in January 2021 to deliver over 200,000 sq.ft. of contemporary office, retail and workspace, as well as 36 new homes. Detailed design and archaeology investigations due to commence in the coming months. |
| CNFE, Cambridge | Anglian Water progressing consultation on relocation of the water recycling centre. £227 million in grant funding previously secured from the Housing Infrastructure Fund to 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 – integration into development and trading portfolio

At the half year, the investment portfolio was valued at £120.6 million (31 March 2020: £130.6 million; 30 September 2019: 147.1 million). Capital value was down £10.3 million, a decline of 7.8% (31 March 2020: 7.9% decline; 30 September 2019: 3.2% decline). Core portfolio net initial yield was 6.3% (31 March 2020: 6.2%), with an equivalent yield of 8.3% (31 March 2020: 8.0%). Estimated rental value of our core portfolio was £10.6 million (31 March 2020: £11.0 million). Occupancy was 79.7% (31 March 2020: 83.4%), including 86.7% for retail (31 March 2020: 94.7%) and 95.5% for shopping centres (31 March 2020: 96.4%).

Since the half year, we have disposed of Swanley Shopping Centre for £10.9 million, marginally above the apportioned March 2020 book value, and retaining two residential plots for a subsequent disposal. We have also exchanged contracts for the sale of Belsize Park, our second largest void, at book value. We have reviewed all the assets in our investment portfolio and are actively disposing of non-core assets. The proceeds from these will be invested into acquiring new assets that have growth potential through densification and change of use.

U+I's first purpose designed innovation hub, operated by our co-owned Plus X business, successfully opened in June 2020, during the Covid-19 pandemic. Occupancy rates are promising, retention rates are high and it is performing to business plan. Plus X is the first building in Brighton to be accredited Platinum Standard by the WELL Foundation, with its design and fit out focused solely on the health and wellness of its future occupants. We plan to scale this market leading business within a number of U+I core projects.

The 100-day portfolio review includes a review of the potential to accelerate the transition of the investment portfolio away from retail-led convenience assets into a regeneration portfolio focused on total returns. This will include further disposal targets.

**Rent collection**

Of the total rent demanded, at 10 January 2021, 74% of September quarter and 46% of December quarter has either been collected or had alternative payment plans agreed.

The second national lockdown from 5 November to 2 December 2020, subsequent Tier 3-4 restrictions ahead of Christmas and a third lockdown in January 2021 have forced non-essential retailers to close and will impact final December and March quarter rent collection. We have continued proactive discussions with our occupiers to collect rent throughout these challenging times, whilst negotiating revised payment plans with our retail tenants. Increased dialogue with our tenants and a better understanding of the impact of ongoing lockdowns and tier systems mean that the business is better placed than it was at the start of the pandemic. We are also hopeful that more sites will be able to re-open as the Government's vaccination roll out programme progresses and restrictions are reduced.

Below is the March, June, September and December quarter data across our retail, leisure, commercial and shopping centre assets as at 10 January 2021 compared to previously announced figures. Deferred rent is typically for a period of three to twelve months, averaging six months.

| | **Q1 FY2021 (previously announced)** | | **Q2 FY2021 (at 10.01.21)** | | | |
|---|---|---|---|---|---|---|
| | **Mar QTR** | **Jun QTR** | **Mar QTR** | **Jun QTR** | **Sept QTR** | **Dec QTR** |
| Collected | 63% | 55% | 71% | 66% | 71% | 44% |
| Deferred | 6% | 13%* | 2% | 4% | 1% | 1% |
| Re-geared | 4% | 6% | 6% | 9% | 2% | 1% |
| Total collected/alternative payments agreed | 73% | 74% | 79% | 79% | 74% | 46% |
| Deferrals in negotiation | 12% | 11% | 3% | 3% | 1% | 3% |
| Re-gears in negotiation | 7% | 6% | 1% | 1% | 0% | 3% |
| Waived | 4% | 5% | 10% | 11% | 9% | 1% |
| Rent Outstanding | 4% | 4% | 7% | 6% | 16% | 47% |
| Total | 100% | 100% | 100% | 100% | 100% | 100% |

*Monthly outstanding is included within deferred figure to ensure numbers align with prior reporting.

As at 10 January 2021, 47% of our retail and leisure tenants were trading compared to 66% at June quarter and 93% in September quarter. Rent lost/waived due to CVAs and administrations have increased to £412,000. Our continued realignment of the portfolio from core retail to assets with change of use potential will reduce our risk in the future as asset plans will be supportive of achieving vacant possession.

### Outlook – creating a more sustainable, profitable business aligned to future trends

The Covid-19 pandemic has accelerated the need for inspiring, sustainable placemaking, increasing opportunities for our business as our approach is closely aligned with the Government's "Build, Build, Build" agenda. We have c.6 million sq.ft. of shovel ready schemes that can unlock value in brownfield land, whilst creating local jobs and supporting communities. We will quickly move into a delivery phase of the regeneration and monetisation of these assets.

Our business plan targets realising proceeds of c.£130 million through its disposals programme. This will enable us to further increase our cash reserves, commence the repayment programme of our Taberna debt and concentrate on reinvesting in the successful development of the best assets in our pipeline.

I would like to thank all our stakeholders for their continued support and the U+I team for their commitment through these exceptionally challenging times. The Board and I also want to thank Matthew and Marcus, as well as all those colleagues who have left the business over the last few months. They have all contributed so much to creating the distinctive U+I brand, culture and quality schemes that we can be so proud of today. This is a pivotal moment for our business, and I am confident that the positive decisions we have taken in the last six months and the findings from our portfolio review will enable us to deliver for both the communities who live and work in the places we build as well as the shareholders and capital partners who, through their respective investment, help make these places happen.

# Financial review

Net assets attributable to shareholders decreased by £49.1 million to £240.5 million (31 March 2020: £289.6 million) reflecting the result for the period. As reported at 31 March 2020, the Group has temporarily suspended the payment of dividends in order to conserve cash reserves. This position will be reviewed as we move through the second half of the year.

The result for the six months to 30 September 2020 was a loss before tax of £50.2 million (30 September 2019: £23.9 million loss).

During the period, the Group acquired the interest of our 50% joint venture partner in the Shepherd's Bush Market project and then sold 75.5% of the shares to Yoo Capital Investment Management, maintaining a minority interest. The reorganisation and sale contributed a gain of £3.7 million to U+I.

The Group has recognised a loss of £10.6 million in the period in respect of the joint venture with Colony Capital. The joint venture was created to redevelop commercial properties in Dublin and London, progress of which has been severely impacted by the Covid-19 pandemic, leading to the platform requiring significant further investment. Subsequently, the joint venture has been terminated.

A further impairment of £6.3 million has been recognised in respect of the land promotion agreement at Beeston Park, East Anglia as the contractual land value is not believed to be achievable in the current market.

The exit from the European Union and Covid-19 pandemic has significantly impacted the Group's projects, causing delays in completing transactions, reducing market confidence leading to cautious decision making as well as causing planning delays. U+I are undertaking a 100-day portfolio review, starting immediately, which will critically examine all our projects so that we can refocus and reshape, strengthening our position for the future. We will assess the financial optimisation potential for existing assets; financing arrangements; a new framework to deliver more predictable income streams; focused ESG delivery and review the dividend policy. The plan produced from the review will deliver improved short- and long-term liquidity and a more efficient approach, together with revealing the potential within U+I's business to deliver compelling and sustainable socio-economic change from our core regeneration projects.

This review will simplify the Group's business model and make it more streamlined, identifying assets within the portfolio as either core or non-core with the latter being accelerated towards monetisation. As at 30 September 2020 the Group reviewed the net realisable value of non-core assets and has recognised development and trading and financial asset impairments totalling £14.1 million in the period.

As at 30 September 2020 net debt stood at £110.5 million representing gearing of 46.0% (31 March 2020: £130.0 million and 44.9%).

The movement in the Group's debt portfolio during the period comprised the following:

- New £13.5 million, two-year debt facility drawn down, secured against property and financial assets.
- £4.9 million debt repayment following the completion of the Gemini Building disposal.
- £10.6 million of debt repaid as Bromley residential sales continued.
- The term of the Group's €47.0 million, unsecured loan notes were extended by three years to April 2024.

Overall, the weighted average maturity of our debt is 6.3 years with a weighted average interest rate of 5.7%, excluding joint ventures.

The Group's principal debt facilities are as set out below

The Group has €47 million of unsecured loan notes which are repayable by April 2024 following a 3-year extension signed in July 2020. It is the Group's intention to partially repay these loan notes over the next 3 years, which it can do without penalty, so as to mitigate the refinancing risk in April 2024. There are no covenants associated with these loan notes.

The Group has a new £13.5 million facility expiring in July 2022 which is secured against the newly constructed Plus X building in Brighton and the £14.0 million of deferred consideration loan notes relating to the Harwell disposal, which will be used to repay the debt. There is no LTV covenant on this facility.

The Group's principal debt facility relating to its investment portfolio is with Aviva, a £66.7 million, long term facility, which expires in 2032, with a fixed interest rate coupon of 5.15% per annum. This facility underpins the investment portfolio and the security as at 30 September 2020 included approximately £27.0 million of restricted cash resulting from the disposal of previously secured investment property assets. In January 2021 the disposal of Swanley Shopping Centre was completed which increased the current restricted cash to £38.0 million. This cash is available for reinvestment and the Group has already agreed terms with Aviva to utilise a significant proportion of these funds for a new acquisition.

As at 30 September 2020 the LTV on the Aviva facility was 69.6% compared to a covenant of 75%.

Subsequently, the Group has agreed terms to substitute the assets currently held as security against the residual £8.5 million Barclays facility in to the Aviva Facility in return for repayment of the Barclays loan from the restricted cash. The impact of the above is that the LTV post restructure will be 59% compared to a restated covenant of 70%

In respect of development and trading properties, debt facilities are arranged on a project by project basis to align with the business plan of each asset. The principal debt facilities as at 30 September 2020 were as follows:

- The Arts Building, a £16.8 million facility which will be repaid in January 2021 upon completion of the sale of the asset.
- White Heather industrial Estate, an €8.5 million facility expiring in Dec 2022 to coincide with achievement of detailed planning consent.

In respect of joint venture interests, the Group's exit from the Shepherds Bush and Spectre projects has significantly reduced the Group's look through gearing from 80.4% at 30 March 2020 to 57.6% as at 30 September 2020. This has further reduced to 52.0% since the year end following successful completion of the sale of the joint venture residential scheme at Circus Street, Brighton.

The Group continues to monitor its risk profile on a regular basis, especially in light of the global pandemic. The main business risks continue to be construction and planning risk with an increasing element of market/political risk as the UK has exited the European Union. The Risk Management Committee continually reviews the Group's risk profile, reporting to the Audit and Risk Committee and the Board. Principal risks are categorised either as external risks, whose occurrence is beyond the control of the Group, or business risks which the Board manage as part of the Group's operations. Further details can be found in the U and I Group PLC 2020 Annual Report.

The Board's assessment in relation to going concern is included in Note 1(b) to the condensed consolidated interim financial statements.

# Portfolio analysis

**Tenant profile – gross rental income**

| | | |
|---|---|---|
| 1 | FTSE 100 | 5.5% |
| 2 | Government | 0.6% |
| 3 | PLC/Nationals | 52.6% |
| 4 | Regional Multiples | 5.6% |
| 5 | Local Traders | 35.7% |

**Location profile – capital value**

| | | |
|---|---|---|
| 1 | London | 31.8% |
| 2 | South East | 55.1% |
| 3 | South West | 5.1% |
| 4 | Manchester | 2.0% |
| 5 | North | 0.5% |
| 6 | Ireland | 5.5% |

**Lease profile – gross rental income**

| | | |
|---|---|---|
| 1 | 0-5 years | 61.3% |
| 2 | 5-10 years | 22.2% |
| 3 | 10-15 years | 9.6% |
| 4 | 15-20 years | 6.5% |
| 5 | 20 years+ | 0.4% |

**Analysis by sector – capital value**

| | | |
|---|---|---|
| 1 | Food store anchored retail | 31.8% |
| 2 | Other retail | 14.6% |
| 3 | Office | 30.6% |
| 4 | Leisure | 23.0% |

*Income generating properties as at 30 September 2020*

| **Top five occupiers** | | **30 September 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 | 3.6 |
| Pure Gym Ltd | 0.3 | 3.4 |
| J Wetherspoon PLC | 0.2 | 2.7 |

| **Top five occupiers** | | 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 Ltd | 0.3 | 3.3 |
| J Wetherspoon PLC | 0.2 | 2.7 |

| **Income generating properties – Like-for-like rental income received** | | | | **30 September 2020** |
|---|---|---|---|---|
| | Properties owned throughout the period £ million | Acquisitions £ million | Disposals £ million | Total net rental income £ million |
| Investment properties | 4.9 | – | – | 4.9 |
| Development and trading properties | 2.2 | 0.2 | – | 2.4 |
| Joint ventures | 0.8 | – | 0.1 | 0.9 |
| | **7.9** | **0.2** | **0.1** | **8.2** |

| | | | | 30 September 2019 |
|---|---|---|---|---|
| | Properties owned throughout the period £ million | Acquisitions £ million | Disposals £ million | Total net rental income £ million |
| Investment properties | 4.9 | – | 2.0 | 6.9 |
| Development and trading properties | 2.0 | – | – | 2.0 |
| Joint ventures | 0.8 | – | 1.2 | 2.0 |
| | 7.7 | – | 3.2 | 10.9 |

**Investment property – key statistics**

| | Portfolio value £ million | Contracted rent £ million | Number of assets held No. | New lettings in period £ million/ '000 sq.ft. | Initial yield in period* % | Equivalent yield* % | Voids* % |
|---|---|---|---|---|---|---|---|
| **30 September 2020** | **120.6** | **8.9** | 17 | **£0.1m/17 sq.ft.** | **6.3** | **8.3** | **20.3** |
| 31 March 2020 | 130.6 | 8.9 | 17 | £1.0m/65 sq.ft. | 6.2 | 8.0 | 16.6 |
| 30 September 2019 | 147.1 | 11.7 | 18 | £0.8m/53 sq.ft. | 7.0 | 8.0 | 8.5 |

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

# Consolidated statement of comprehensive income unaudited for the six months ended 30 September 2020

| | Notes | **Six months to 30 September 2020 unaudited £ million** | Six months to 30 September 2019 unaudited £ million | Year ended 31 March 2020 audited £ million |
|---|---|---|---|---|
| **Revenue** | 2 | **19.5** | 46.0 | 70.0 |
| Direct costs | 2 | **(32.1)** | (44.4) | (80.5) |
| **Gross (loss)/profit** | 2 | **(12.6)** | 1.6 | (10.5) |
| Operating costs | 2 | **(9.5)** | (10.1) | (19.4) |
| Loss on disposal of investment properties | 2 | **(0.8)** | (0.3) | (1.0) |
| Loss on revaluation of property portfolio | 2 | **(10.3)** | (5.6) | (13.4) |
| **Operating loss** | | **(33.2)** | (14.4) | (44.3) |
| Other income | 2 | **0.7** | 0.9 | 1.9 |
| Share of post-tax loss of joint ventures and associates | 10 | **(11.3)** | (4.5) | (13.2) |
| Impairment of financial asset at fair value through profit and loss | 2 | **(2.0)** | – | – |
| Profit on sale of investment | 2 | **2.7** | – | 9.7 |
| **Loss before interest and income tax** | 2 | **(43.1)** | (18.0) | (45.9) |
| Finance income | 3 | **0.3** | 0.3 | 0.6 |
| Finance costs | 3 | **(7.4)** | (6.2) | (13.3) |
| **Loss before income tax** | | **(50.2)** | (23.9) | (58.6) |
| Income tax | 4 | **0.2** | 1.1 | 3.2 |
| **Loss after income tax for the period attributable to owners of the parent** | | **(50.0)** | (22.8) | (55.4) |
| | | | | |
| **Other comprehensive income:** | | | | |
| **Loss for the period** | | **(50.0)** | (22.8) | (55.4) |
| **Items that will be reclassified subsequently to profit or loss:** | | | | |
| Currency translation differences | | **0.2** | 0.1 | 0.2 |
| **Total comprehensive loss for the period attributable to owners of the parent** | | **(49.8)** | (22.7) | (55.2) |
| | | | | |
| **Basic loss per share** | 6 | **(40.1)p** | (18.3)p | (44.5)p |
| **Diluted loss per share** | 6 | **(40.1)p** | (18.3)p | (44.5)p |

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

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

# Consolidated balance sheet
# unaudited as at 30 September 2020

| | Notes | **30 September 2020 unaudited £ million** | 30 September 2019 *(restated+)* unaudited £ million | 31 March 2020 audited £ million |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| **Direct real estate interests** | | | | |
| Investment properties | 7 | **110.0** | 149.2 | 130.6 |
| Operating property | | **0.7** | 0.8 | 0.7 |
| Right-of-use assets | 17 | **37.2** | 40.8 | 38.7 |
| Trade and other receivables | | **6.2** | 8.0 | 5.4 |
| | | **154.1** | 198.8 | 175.4 |
| **Indirect real estate interests** | | | | |
| Investments in associates | 10 | **2.2** | 5.8 | 5.5 |
| Investments in joint ventures | 10 | **58.3** | 113.4 | 64.2 |
| Intangible assets – goodwill | 8 | **2.3** | 2.3 | 2.3 |
| Financial assets at amortised cost | | **10.5** | 3.4 | 10.5 |
| Financial assets at fair value through profit and loss | | **14.1** | 13.3 | 14.1 |
| Financial assets at fair value through other comprehensive income | | **1.2** | 1.2 | 1.2 |
| | | **88.6** | 139.4 | 97.8 |
| **Other non-current assets** | | | | |
| Other plant and equipment | | **4.1** | 4.6 | 4.5 |
| Deferred income tax assets | | **11.2** | 2.1 | 10.0 |
| | | **15.3** | 6.7 | 14.5 |
| **Total non-current assets** | | **258.0** | 344.9 | 287.7 |
| **Current assets** | | | | |
| Inventory – development and trading properties | 9 | **121.1** | 177.7 | 137.7 |
| Other financial assets at amortised cost | | **16.3** | 9.0 | 16.1 |
| Other financial assets at fair value through profit or loss | | **11.8** | 13.8 | 13.8 |
| Trade and other receivables | | **32.0** | 46.2 | 66.3 |
| Monies held in restricted accounts and deposits | | **29.3** | 8.5 | 29.4 |
| Cash and cash equivalents | | **20.7** | 7.8 | 1.7 |
| | | **231.2** | 263.0 | 265.0 |
| Investment properties held for sale | 7 | **10.6** | – | – |
| **Total assets** | | **499.8** | 607.9 | 552.7 |
| **Current liabilities** | | | | |
| Trade and other payables | | **(45.2)** | (60.7) | (48.3) |
| Current income tax liabilities | | **–** | (1.2) | – |
| Borrowings | 11 | **(9.4)** | (25.6) | (16.3) |
| Lease liabilities | 17 | **(5.5)** | (5.3) | (5.5) |
| Provisions for other liabilities and charges | 12 | **(0.5)** | (0.2) | – |
| | | **(60.6)** | (93.0) | (70.1) |
| **Non-current liabilities** | | | | |
| Borrowings | 11 | **(151.1)** | (144.8) | (144.8) |
| Lease liabilities | 17 | **(35.7)** | (39.2) | (36.9) |
| Deferred income tax liabilities | | **(11.3)** | (3.2) | (10.3) |
| Provisions for other liabilities and charges | 12 | **(0.6)** | (0.7) | (1.0) |
| | | **(198.7)** | (187.9) | (193.0) |
| **Total liabilities** | | **(259.3)** | (280.9) | (263.1) |
| **Net assets** | | **240.5** | 327.0 | 289.6 |
| **Equity** | | | | |
| Share capital | 13 | **62.7** | 62.7 | 62.7 |
| Other reserves | | **157.3** | 158.2 | 156.4 |
| Retained earnings | | **20.5** | 106.1 | 70.5 |
| **Total equity** | | **240.5** | 327.0 | 289.6 |
| **Basic/diluted net assets per share attributable to owners of the Parent** | 6 | **193p/193p** | 263p/262p | 232p/232p |

+ Restatement – refer note 1d

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

# Consolidated statement of changes in equity unaudited as at 30 September 2020

| | Share capital £ million | Other reserves £ million | Retained earnings £ million | Total £ million |
|---|---|---|---|---|
| **Balance at 1 April 2019** | 62.7 | 159.0 | 138.4 | 360.1 |
| Loss for the six months ended 30 September 2019 | – | – | (22.8) | (22.8) |
| Other comprehensive income: | | | | |
| Currency translation differences - Group | – | 0.1 | – | 0.1 |
| **Total comprehensive income/(expense) for the six-month period ended 30 September 2019** | – | 0.1 | (22.8) | (22.7) |
| Share based payments | – | (0.6) | – | (0.6) |
| Treasury shares (net movement) | – | (0.3) | – | (0.3) |
| Final dividend relating to 2019 | – | – | (4.4) | (4.4) |
| Supplemental dividend 2019 | – | – | (5.1) | (5.1) |
| **Total contributions by and distributions to owners of the Company** | – | (0.9) | (9.5) | (10.4) |
| **Balance at 30 September 2019** | **62.7** | **158.2** | **106.1** | **327.0** |
| Loss for the six months ended 31 March 2020 | – | – | (32.6) | (32.6) |
| Other comprehensive income: | | | | |
| Currency translation differences - Group | – | 0.1 | – | 0.1 |
| **Total comprehensive expense for the six-month period ended 31 March 2020** | – | 0.1 | (32.6) | (32.5) |
| Share based payments (net movement) | – | (2.0) | – | (2.0) |
| Treasury shares (net movement) | – | 0.1 | – | 0.1 |
| Interim dividend 2020 | – | – | (3.0) | (3.0) |
| **Total contributions by and distributions to owners of the Company** | – | (1.9) | (3.0) | (4.9) |
| **Balance at 31 March 2020** | **62.7** | **156.4** | **70.5** | **289.6** |
| Loss for the six months ended 30 September 2020 | – | – | (50.0) | (50.0) |
| Other comprehensive income: | | | | |
| Currency translation differences - Group | – | 0.2 | – | 0.2 |
| **Total comprehensive income for the six-month period ended 30 September 2020** | – | 0.2 | (50.0) | (49.8) |
| Share based payments | – | 0.4 | – | 0.4 |
| Treasury shares (net movement) | – | 0.3 | – | 0.3 |
| **Total contributions by and distributions to owners of the Company** | – | 0.7 | – | 0.7 |
| **Balance at 30 September 2020** | **62.7** | **157.3** | **20.5** | **240.5** |

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

# Consolidated cash flow statement
# unaudited for the six months ended 30 September 2020

| | Notes | Six months to 30 September 2020 unaudited £ million | Six months to 30 September 2019 unaudited £ million | Year ended 31 March 2020 audited £ million |
|---|---|---|---|---|
| **Cash flows from operations** | | | | |
| Cash flows generated from operating activities | 14 | **30.0** | 19.3 | 11.9 |
| Interest paid | | **(3.9)** | (3.6) | (8.8) |
| **Net cash generated from operating activities** | | **26.1** | 15.7 | 3.1 |
| **Cash flows from investing activities:** | | | | |
| Interest received | | **0.1** | 0.2 | 0.1 |
| Proceeds on disposal of investment properties | | – | 0.1 | 20.0 |
| Proceeds from sale of investments | | **5.6** | – | 0.4 |
| Purchase of other plant and equipment | | **(0.2)** | (0.5) | (0.7) |
| Purchase of investment properties | | **(0.3)** | (2.7) | (3.8) |
| Investment in joint ventures and associates | | **(7.7)** | (14.1) | (5.6) |
| Cash inflow from joint ventures and associates – repayment of loans | | **0.2** | 0.1 | 16.2 |
| Cash outflow for financial asset loan | | **(0.2)** | (1.1) | (2.0) |
| Cash inflow from financial assets – loans repaid by other real estate businesses | | **–** | 0.8 | 1.0 |
| **Net cash (used in)/generated from investing activities** | | **(2.5)** | (17.2) | 25.6 |
| **Cash flows from financing activities:** | | | | |
| Dividends paid | | **–** | (9.5) | (12.5) |
| Purchase of treasury shares | | **–** | (0.3) | (0.2) |
| Repayments of borrowings | | **(15.9)** | (12.8) | (22.8) |
| New bank loans raised | | **14.2** | 1.0 | 1.3 |
| Transaction costs associated with borrowings | | **(0.7)** | – | (0.1) |
| Lease payments | | **(2.3)** | (1.3) | (4.1) |
| Cash released from restricted accounts | | **1.4** | 1.2 | 2.1 |
| Cash retained by restricted accounts | | **(1.3)** | (0.9) | (22.6) |
| **Net cash used in financing activities** | | **(4.6)** | (22.6) | (58.9) |
| **Net increase/(decrease) in cash and cash equivalents** | | **19.0** | (24.1) | (30.2) |
| Cash and cash equivalents at the beginning of the period | | **1.7** | 31.9 | 31.9 |
| **Cash and cash equivalents at the end of the period** | | **20.7** | 7.8 | 1.7 |
| **Cash and cash equivalents comprise:** | | | | |
| Cash at bank and in hand | | **20.7** | 7.8 | 1.7 |
| **Cash and cash equivalents at the end of the period** | | **20.7** | 7.8 | 1.7 |

| | Notes | Six months to 30 September 2020 unaudited £ million | Six months to 30 September 2019 unaudited £ million | Year ended 31 March 2020 Audited £ million |
|---|---|---|---|---|
| **Net debt comprises:** | | | | |
| Monies held in restricted accounts and deposits | | **29.3** | 8.5 | 29.4 |
| Cash and cash equivalents | | **20.7** | 7.8 | 1.7 |
| Financial liabilities: | | | | |
| Current borrowings | 11 | **(9.4)** | (25.6) | (16.3) |
| Non-current borrowings | 11 | **(151.1)** | (144.8) | (144.8) |
| **Net debt** | | **(110.5)** | (154.1) | (130.0) |

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

# Notes to the interim financial information unaudited for the six months ended 30 September 2020

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

### a) General information

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

The condensed consolidated interim financial statements for the six months ended 30 September 2020 comprise the results of the Company and its subsidiaries and were authorised by the Board for issue on 18 January 2021.

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

The condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2020, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, were approved by the Board of Directors on 7 July 2020 and delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified, but included a reference to matters to which the auditor drew attention by way of emphasis without qualifying the report, firstly in relation to the material uncertainty clause attached to the valuation of investment properties, either held directly or through joint ventures and secondly in relation to the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The auditors' report did not contain statements under section 498(2) or (3) of the Companies Act 2006.

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

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

These condensed consolidated interim financial statements for the six months ended 30 September 2020 have been prepared in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the Financial Conduct Authority and with IAS 34, 'Interim financial reporting', as adopted by the European Union. The condensed consolidated interim financial statements should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2020, which have been prepared in accordance with IFRS, as adopted by the European Union.

### Going concern basis

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 cash flows and liquidity are described in the Financial Review. Note 11 details the Group's borrowing facilities. The Directors have considered these when producing a forecast analysis to assess going concern.

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 condensed consolidated interim financial statements. Accordingly, the Group continues to adopt the going concern basis in preparing its condensed consolidated interim 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 continuing impact of Covid-19 on its ability to dispose of assets, levels of rent collection, valuation of investment properties and availability of cash flows. In preparing this analysis, the following key assumptions were used:

- A further 15% reduction in capital values across all investment properties compared with their carrying value at 30 September 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 September quarter day with a potential impact to cure any resultant ICR breach.
- No non-contracted capital sales.
- No additional financing secured.
- No payment 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 mitigate liquidity issues as they arise within the next 12 to 15 months.

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

- 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 and operational expenditure for the next twelve months, the majority of which is discretionary.
- Accelerating a number of sales by discounted pricing.

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 condensed consolidated interim financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

**c) Significant events and transaction**

Key events for the Group during the interim period were:

- The Group completed a new two-year, £13.5 million loan facility charged against various property assets.
- The Group has extended the term of its €47.0 million loan notes. The loan notes are now repayable on or before 25 April 2024.
- The Group's directly owned investment property portfolio suffered a valuation deficit of £10.3 million (7.8%). Valuers have carried out their valuation assessments using RICS guidance on Covid-19.
- The Group has exited its Shepherds Bush, joint venture arrangement with Orion Land and Leisure. The third-party finance has been restructured and the Group now holds a 24.5% associate holding in the new arrangement. A total profit of £3.7 million has been recognised in the period.
- The Group has recorded a total loss of £10.6 million in respect of a joint venture with Colony Capital comprising of £3.1 million operational loss and £7.5 million impairment.
- The Directors have carried out an impairment review in respect of the development and trading portfolio's net realisable value. This review has identified £12.1 million of impairments across five different schemes.

.
**d) Judgements and key sources of estimation uncertainty**

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

In preparing the condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2020.

The Group has continued to review its development and trading portfolio considering the implications of the Covid-19 pandemic. Assets have been impaired where Directors consider the recoverability of the assets have been impacted. A full review of tenant balance has also been carried out. New lease terms or rephasing of rent receipts have been considered when calculating revenue and recoverability of tenant balances.

Correction of error in respect of affordable housing sale – the September 2019 balance sheet has been restated following an error in respect of the transfer of the affordable housing element at the scheme at Bromley to Moat Homes. The affordable housing element of £9.8 million was incorrectly recognised as inventory with an equivalent deferred income balance relating to the forward funding included within trade and other payables. The error has been corrected by restating the September 2019 balances as shown below:

**Balance sheet (extract)**

| | 30 September 2019 £ million | (Decrease)/ increase £ million | 30 September 2019 *(restated)* £ million |
|---|---|---|---|
| Current assets: Inventory – development and trading properties | 187.5 | (9.8) | 177.7 |
| Current liabilities: Trade and other payables | (70.5) | 9.8 | (60.7) |
| **Net assets** | 327.0 | – | 327.0 |

The restatement has had no impact on net assets or profit or loss for the period and therefore no impact on earnings or net assets per share. More information is contained in the consolidated financial statements for the year ended 31 March 2020.

**e) Accounting policies**

The accounting policies applied in these condensed consolidated interim financial statements are consistent with those of the Group's financial statements for the year ended 31 March 2020, as described in those financial statements.

A number of new standards and amendments to standards have been issued and are effective from 1 April 2020. The Group has not had to amend its accounting policies or make any retrospective adjustments in respect of the new standards.

**f) Financial risk management**

**Financial risk factors**

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

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's financial statements as at 31 March 2020.

The United Kingdom's exit from the European Union in December 2020 continues to be an area of risk for the Group. The Group continues to monitor the potential impact to its commercial operations.

The other significant risk to the Group is the impact of the Covid-19 pandemic and the potential impact on construction, rent collection, sales and commercial negotiations. Following the latest national lockdown, Management continue to closely communicate with investment property tenants regarding the collection of rental income.

**Liquidity risk**

Compared to the period ended 31 March 2020, there is no material change in the contractual undiscounted cash out flows for financial liabilities.

**Currency risk**

The Directors closely monitor the Group's exposure to Euro denominated assets and liabilities. During the period, the Group has maintained investments in the Republic of Ireland. The Board will enter into foreign currency hedging instruments to limit exposure if deemed appropriate.

**Fair value estimation**

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

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

The following table presents the Group's assets that are measured at fair value at 30 September 2020:

| | Level 1 £ million | Level 2 £ million | Level 3 £ million | Total £ million |
|---|---|---|---|---|
| **Assets** | | | | |
| Investment properties | – | – | 110.0 | 110.0 |
| Investment properties – held for sale | – | – | 10.6 | 10.6 |
| Financial assets at fair value through other comprehensive income (FVOCI) | – | – | 1.2 | 1.2 |
| Financial assets at fair value through profit or loss (FVPL) | | | 25.9 | 25.9 |
| **Total assets** | **–** | **–** | **147.7** | **147.7** |

The following table presents the Group's assets and liabilities that are measured at fair value at 30 September 2019:

| | Level 1 £ million | Level 2 £ million | Level 3 £ million | Total £ million |
|---|---|---|---|---|
| **Assets** | | | | |
| Investment properties | – | – | 149.2 | 149.2 |
| Financial assets at fair value through other comprehensive income (FVOCI) | – | – | 1.2 | 1.2 |
| Financial assets at fair value through profit or loss (FVPL) | – | – | 27.1 | 27.1 |
| **Total assets** | **–** | **–** | **177.5** | **177.5** |

The following table presents the Group's assets that are measured at fair value at 31 March 2020:

| | Level 1 £ million | Level 2 £ million | Level 3 £ million | Total £ million |
|---|---|---|---|---|
| **Assets** | | | | |
| Investment properties | – | – | 130.6 | 130.6 |
| Financial assets at fair value through other comprehensive income (FVOCI) | – | – | 1.2 | 1.2 |
| Financial assets at fair value through profit or loss (FVPL) | – | – | 27.9 | 27.9 |
| **Total assets** | **–** | **–** | **159.7** | **159.7** |

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

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

| | Financial assets at fair value through other comprehensive income £ million | Financial assets at fair value through profit and loss £ million |
|---|---|---|
| **At 1 April 2019** | 1.3 | 26.9 |
| Loans advanced | – | 1.1 |
| Settlements | (0.1) | (0.9) |
| **At 30 September 2019** | **1.2** | **27.1** |
| Loans advanced | – | 0.8 |
| **At 31 March 2020** | **1.2** | **27.9** |
| Impairment of financial asset at fair value through profit or loss | – | (2.0) |
| **At 30 September 2020** | **1.2** | **25.9** |

A review of the fair value of financial assets is performed at each reporting date with any significant changes in value reported to the Board and Audit and Risk Committee. Level 3 assets consist of loans to other real estate businesses. Each receivable is reviewed as to its recoverability. If recoverability is in doubt an appropriate provision would be made based on the best estimate of the loan recoverable. For those assets valued at FVPL or FVOCI, the Board takes in to account future cashflows and risk adjusted discount rates.

**Contingent consideration in a business combination**

The Group had no contingent consideration liabilities at 30 September 2020, 30 September 2019 or 31 March 2020.

**Group's valuation processes**

The Group engages external, independent and qualified valuers to determine the fair value of Level 3 investment property assets (refer note 7). The valuation process involves the Investment Team, our asset service provider and valuers. Every six months, prior to the valuation date, full tenancy information, verified by both the Investment Team and asset service provider is provided to the valuers. New lettings, completed and pending lease events and asset management proposals are provided by the Investment Team on an asset by asset basis. The valuers assimilated income information is checked by the Investment Team before the valuers report numbers. There were no special measures or assumptions applied to the September 2020 valuations.

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

The key unobservable assumptions used in the valuations are:

| Valuation technique | Key unobservable input | Range |
|---|---|---|
| Income capitalisation | Equivalent yields | 5.25% - 12.84% |
| Residual development method | Price per acre/development margin | £0.45m per acre, 15.0% - 20.0% |
| Residual development method | Estimated profit margin | 15.0% - 20.0% |

More information relating to valuation methodology is contained within the Group's financial statements as at 31 March 2020.

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

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

**g) Related parties**

Related party disclosures are given in note 16.

**h) Capital commitments**

As at 30 September 2020, the Group had no contracted capital expenditure or commitments for loans to its joint venture or associate partners (30 September 2019: £nil, 31 March 2020: £0.1 million).

## 2. SEGMENTAL ANALYSIS

The Group is organised for management purposes into two operating divisions, whose principal activities are as follows:

| | |
|---|---|
| Investment | – management of the Group's investment property portfolio, generating rental income and valuation surpluses from property management; and |
| Development and trading | – managing the Group's development and trading properties. Revenue is received from rental income, project management fees, development profits and the disposal of inventory. |

Operating segmental information for the periods ending 30 September 2020, 30 September 2019 and 31 March 2020 are reported 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 or the Republic of Ireland. All revenue arises from continuing operations.

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

| | Six months to 30 September 2020 (unaudited) | | |
|---|---|---|---|
| | Investment £ million | Development and trading £ million | Total £ million |
| **Segment revenue** | **5.4** | **14.1** | **19.5** |
| Direct costs | **(3.8)** | **(28.3)** | **(32.1)** |
| **Segment result** | **1.6** | **(14.2)** | **(12.6)** |
| Operating costs | **(0.5)** | **(5.1)** | **(5.6)** |
| Unallocated operating costs | | | **(3.9)** |
| Loss on disposal of investment properties | **(0.8)** | – | **(0.8)** |
| Loss on revaluation of investment property portfolio | **(10.3)** | – | **(10.3)** |
| **Operating loss** | | | **(33.2)** |
| Other income | **0.2** | **0.5** | **0.7** |
| Share of post-tax (loss)/profit of joint ventures and associates | **(12.4)** | **1.1** | **(11.3)** |
| Impairment of financial asset at fair value through profit and loss | – | **(2.0)** | **(2.0)** |
| Profit on sale of investment | **0.3** | **2.4** | **2.7** |
| **Loss before interest and income tax** | | | **(43.1)** |
| Finance income | **0.1** | **0.2** | **0.3** |
| Finance costs | **(2.0)** | **(5.4)** | **(7.4)** |
| **Loss before income tax** | | | **(50.2)** |
| Income tax | | | **0.2** |
| **Loss after income tax** | | | **(50.0)** |

| | | | |
|---|---|---|---|
| **Assets and liabilities** | | | |
| Segment assets | **160.0** | **292.8** | **452.8** |
| Unallocated assets | | | **47.0** |
| **Total assets** | | | **499.8** |
| Segment liabilities | **(93.3)** | **(141.5)** | **(234.8)** |
| Unallocated liabilities | | | **(24.5)** |
| **Total liabilities** | | | **(259.3)** |

| | | | |
|---|---|---|---|
| **Revenue** | | | |
| Rental income | **4.9** | **2.4** | **7.3** |
| Serviced office income | **0.5** | **–** | **0.5** |
| Development proceeds | **–** | **11.6** | **11.6** |
| Other income | **–** | **0.1** | **0.1** |
| | **5.4** | **14.1** | **19.5** |

| | Six months to 30 September 2019 (unaudited) | | |
|---|---|---|---|
| | Investment £ million | Development and trading £ million | Total £ million |
| **Segment revenue** | 7.9 | 38.1 | 46.0 |
| Direct costs | (3.9) | (40.5) | (44.4) |
| **Segment result** | 4.0 | (2.4) | 1.6 |
| Operating costs | (0.5) | (5.7) | (6.2) |
| Unallocated operating costs | | | (3.9) |
| Loss on disposal of investment properties | (0.3) | – | (0.3) |
| Loss on revaluation of investment property portfolio | (5.6) | – | (5.6) |
| **Operating loss** | | | (14.4) |
| Other income | 0.2 | 0.7 | 0.9 |
| Share of post-tax loss of joint ventures | (4.0) | (0.5) | (4.5) |
| **Loss before interest and income tax** | | | (18.0) |
| Finance income | 0.1 | 0.2 | 0.3 |
| Finance costs | (2.1) | (4.1) | (6.2) |
| **Loss before income tax** | | | (23.9) |
| Income tax | | | 1.1 |
| **Loss after income tax** | | | (22.8) |

| | | | |
|---|---|---|---|
| **Assets and liabilities** | | | |
| Segment assets | 171.3 | 407.4 | 578.7 |
| Unallocated assets | | | 29.2 |
| **Total assets** | | | 607.9 |
| Segment liabilities | (79.6) | (183.5) | (263.1) |
| Unallocated liabilities | | | (17.8) |
| **Total liabilities** | | | (280.9) |

| Revenue | Six months to 30 September 2019 (unaudited) Investment £ million | Development and trading £ million | Total £ million |
|---|---|---|---|
| Rental income | 6.9 | 2.0 | 8.9 |
| Serviced office income | 0.9 | – | 0.9 |
| Trading property sales | – | 0.6 | 0.6 |
| Development proceeds | – | 35.1 | 35.1 |
| Other income | 0.1 | 0.4 | 0.5 |
| | 7.9 | 38.1 | 46.0 |

| | Year ended 31 March 2020 (audited) Investment £ million | Development and trading £ million | Total £ million |
|---|---|---|---|
| **Segment revenue** | 15.2 | 54.8 | 70.0 |
| Direct costs | (8.0) | (72.5) | (80.5) |
| **Segment result** | 7.2 | (17.7) | (10.5) |
| Operating costs | (0.8) | (10.5) | (11.3) |
| Unallocated operating costs | | | (8.1) |
| Loss on disposal of investment properties | (1.0) | – | (1.0) |
| Loss on revaluation of property portfolio | (13.4) | – | (13.4) |
| **Operating loss** | | | (44.3) |
| Other income | 0.4 | 1.5 | 1.9 |
| Share of post-tax losses of joint ventures and associates | (8.4) | (4.8) | (13.2) |
| (Loss)/profit on sale of investment | (0.1) | 9.8 | 9.7 |
| **Loss before interest and income tax** | | | (45.9) |
| Finance income | 0.1 | 0.5 | 0.6 |
| Finance costs | (4.1) | (9.2) | (13.3) |
| **Loss before income tax** | | | (58.6) |
| Income tax | | | 3.2 |
| **Loss after income tax** | | | (55.4) |
| | | | |
| **Assets and liabilities** | | | |
| Segment assets | 176.2 | 342.1 | 518.3 |
| Unallocated assets | | | 34.4 |
| **Total assets** | | | 552.7 |
| | | | |
| Segment liabilities | (80.7) | (157.6) | (238.3) |
| Unallocated liabilities | | | (24.8) |
| **Total liabilities** | | | (263.1) |
| | | | |
| **Revenue** | | | |
| Rental income | 13.0 | 4.4 | 17.4 |
| Serviced office income | 1.8 | – | 1.8 |
| Trading property sales | – | 1.9 | 1.9 |
| Development proceeds | – | 48.1 | 48.1 |
| Other income | 0.4 | 0.4 | 0.8 |
| | 15.2 | 54.8 | 70.0 |

## 3. FINANCE INCOME AND COSTS

| | Six months to 30 September 2020 unaudited £ million | Six months to 30 September 2019 unaudited £ million | Year ended 31 March 2020 audited £ million |
|---|---|---|---|
| **Finance income** | | | |
| Interest receivable | **0.3** | 0.3 | 0.6 |
| **Total finance income** | **0.3** | 0.3 | 0.6 |
| | | | |
| **Finance costs** | | | |
| Interest on bank loans and other borrowings | **(5.1)** | (5.2) | (9.0) |
| Interest on lease liabilities | **(1.2)** | (1.4) | (2.7) |
| Amortisation of transaction costs | **(0.3)** | (0.2) | (0.5) |
| Net foreign currency differences arising on retranslation of cash and cash equivalents | **(0.8)** | (0.7) | (1.1) |
| | **(7.4)** | (7.5) | (13.3) |
| Capitalised interest on development and trading properties | – | 1.3 | – |
| **Total finance costs** | **(7.4)** | (6.2) | (13.3) |
| | | | |
| **Net finance costs** | **(7.1)** | (5.9) | (12.7) |
| **Net finance costs before foreign currency differences** | **(6.3)** | (5.2) | (11.6) |

## 4. INCOME TAX

Income tax charge is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the period to 30 September 2020 is 19.0% (the estimated tax rate for 31 March 2020 was 19.0%).

| | Six months to 30 September 2020 unaudited £ million | Six months to 30 September 2019 unaudited £ million | Year ended 31 March 2020 audited £ million |
|---|---|---|---|
| Current tax credit | **–** | – | (1.3) |
| Deferred tax credit | **(0.2)** | (1.1) | (1.9) |
| Total income tax | **(0.2)** | (1.1) | (3.2) |

## 5. DIVIDENDS

| | Six months to 30 September 2020 unaudited £ million | Six months to 30 September 2019 unaudited £ million | Year ended 31 March 2020 audited £ million |
|---|---|---|---|
| Amounts recognised as distributions to equity holders in the period | **–** | 9.5 | 12.5 |
| Proposed dividend | **–** | 3.0 | – |
| Supplemental dividend declared | – | – | – |
| | Pence | Pence | Pence |
| Interim dividend per share | – | 2.40 | 2.40 |
| Final dividend per share | – | – | – |
| Supplemental dividend | – | – | – |

As a result of the Covid-19 pandemic, the Board suspended the payment of a final and supplemental dividend in order to preserve cash reserves. The Boards will revisit this temporary measure once there is greater clarity on the overall impact of Covid-19 on the business.

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

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

| | Six months to 30 September 2020 unaudited | Six months to 30 September 2019 unaudited | Year ended 31 March 2020 audited |
|---|---|---|---|
| **Loss (£ million):** | | | |
| Loss for the purposes of basic and diluted earnings per share | **(50.0)** | (22.8) | (55.4) |
| Revaluation loss (including share of joint venture revaluation (loss)/surplus) | **10.3** | 5.8 | 11.8 |
| Loss on disposal of investment properties | **0.8** | 0.3 | 1.0 |
| Net impairment of development and trading properties | **12.1** | – | 22.1 |
| Impairment of financial asset at fair value through profit and loss | **2.0** | – | – |
| Mark-to-market adjustment on interest rate swaps, caps and collars (including share of joint venture mark-to-market adjustment) | **(0.9)** | 0.5 | 0.5 |
| **Adjusted loss from continuing activities attributable to owners of the Company** | **(25.7)** | (16.2) | (20.0) |
| | | | |
| **Number of shares (million):** | | | |
| **Weighted average number of Ordinary shares for the purposes of basic earnings per share** | **124.7** | 124.6 | 124.6 |
| Effect of dilutive potential Ordinary shares: | | | |
| – Share options | **(0.2)** | – | – |
| **Weighted average number of Ordinary shares for the purpose of diluted earnings per share** | **124.5** | 124.6 | 124.6 |
| | | | |
| **Basic loss per share (pence)** | **(40.1)p** | (18.3)p | (44.5)p |
| **Diluted loss per share (pence)** | **(40.1)p** | (18.3)p | (44.5)p |
| **Adjusted loss per share (pence)** | **(20.7)p** | (13.1)p | (16.1)p |
| **Adjusted diluted loss per share (pence)** | **(20.7)p** | (13.1)p | (16.1)p |

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

| | Six months to 30 September 2020 unaudited | Six months to 30 September 2019 unaudited | Year ended 31 March 2020 Audited |
|---|---|---|---|
| **Net assets (£ million):** | | | |
| **Basic net assets per share attributable to the owners** | **240.5** | 327.0 | 289.6 |
| Fair value of debt | **(17.3)** | (16.7) | (17.0) |
| **Adjusted net assets** | **223.2** | 310.3 | 272.6 |
| Effect of dilutive potential Ordinary shares | **0.3** | 0.4 | 0.4 |
| **Diluted net assets** | **240.8** | 327.4 | 290.0 |
| **Adjusted diluted net assets** | **223.5** | 310.7 | 273.0 |
| | | | |
| **Number of shares (million):** | | | |
| **Number of shares in issue at the balance sheet date** | **124.8** | 124.5 | 124.6 |
| Effect of dilutive potential Ordinary shares | **0.2** | 0.3 | 0.3 |
| **Diluted number of shares in issue at the balance sheet date** | **125.0** | 124.8 | 124.9 |
| | | | |
| **Basic net assets per share (pence)** | **193p** | 263p | 232p |
| **Diluted net assets per share (pence)** | **193p** | 262p | 232p |
| **Adjusted net assets per share (pence)** | **179p** | 249p | 219p |
| **Adjusted diluted net assets per share (pence)** | **179p** | 249p | 219p |

**7. INVESTMENT PROPERTIES**

| | Freehold £ million | Long leasehold £ million | Total £ million |
|---|---|---|---|
| **At valuation 31 March 2019** | 114.8 | 39.2 | 154.0 |
| Recognition of right-of-use asset on initial application of IFRS 16 | – | 2.1 | 2.1 |
| **Adjusted balance 1 April 2019** | 114.8 | 41.3 | 156.1 |
| Additions: | | | |
| – capital expenditure | 2.3 | 0.4 | 2.7 |
| Disposals | (4.0) | – | (4.0) |
| Loss on revaluation | (2.3) | (3.3) | (5.6) |
| **At valuation 30 September 2019** | **110.8** | **38.4** | **149.2** |
| Additions: | | | |
| – acquisitions | – | 0.6 | 0.6 |
| – capital expenditure | 0.3 | 0.2 | 0.5 |
| Transfer from development and trading assets | – | 16.2 | 16.2 |
| Disposals | (14.2) | (13.9) | (28.1) |
| Loss on revaluation | (5.9) | (1.9) | (7.8) |
| **At valuation 31 March 2020** | **91.0** | **39.6** | **130.6** |
| Additions: | | | |
| – capital expenditure | 0.1 | 0.2 | 0.3 |
| Loss on revaluation | (5.8) | (4.5) | (10.3) |
| **At valuation 30 September 2020** | **85.3** | **35.3** | **120.6** |

| **Analysis of investment properties** | Six months to 30 September 2020 unaudited £ million | Six months to 30 September 2019 unaudited £ million | Year ended 31 March 2020 audited £ million |
|---|---|---|---|
| Non-current | **110.0** | 149.2 | 130.6 |
| Current – held for sale | **10.6** | – | – |
| | **120.6** | 149.2 | 130.6 |

The Group's investment properties have been valued at 30 September 2020 by independent valuers and by the Directors on the basis of market value in accordance with the Appraisal and Valuation Standards of the Royal Institute of Chartered Surveyors. Completed investment properties have been valued by CBRE Ltd at a value of £92.1 million (30 September 2019: £135.8 million, 31 March 2020: £99.7 million) and Savills (UK) Limited at a value of £16.1 million (30 September 2019: £nil million, 31 March 2020: £16.9 million).

In accordance with RICS guidelines there were no special measures or assumptions applied to the September 2020 valuations. The Covid-19 pandemic has continued to impact global financial markets and market activity in many sectors, with some real estate markets having experienced lower levels of transactional activity and liquidity. Nevertheless, as at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels which our valuers consider to be an adequate quantum of market evidence upon which to base their opinions of value. Accordingly, and for the avoidance of doubt, our valuers have not reported their valuations as being subject to `material valuation uncertainty` as defined by VPS 3 and VPGA 10 of the RICS Valuation- Global Standards. Our valuers have, however, highlighted the market context under which their opinions have been prepared and, in recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of Covid-19, the importance of the valuation date. A 25 basis point expansion of yields would result in a further reduction in asset value of £3.8 million.

Included within investment properties are freehold land and buildings representing investment properties under development, amounting to £10.3 million (30 September 2019: £11.3 million, 31 March 2020: £11.9 million), which have been valued by the

Directors. Of this, £3.6 million (30 September 2019: £4.4 million, 31 March 2020: £4.5 million) comprise buildings and landholdings adjacent to retail properties within the Group's portfolio, acquired for the purpose of extending existing shopping centres. The balance of £6.7 million relates to strategic land held for the future development of investment properties.

This approach has been taken because the value of these properties is dependent on a detailed knowledge of the planning status, the competitive position of these assets and a range of complex project development appraisals and hence has been estimated by the Directors at cost as an approximation to fair value.

As at 30 September 2020 £10.6 million of assets have been contracted for sale and have been valued at their sales price less costs of sale.

### 8. INTANGIBLE ASSETS – GOODWILL

| | £ million |
|---|---|
| **Goodwill** | |
| **At 1 April 2019, 30 September 2019, 31 March 2020 and 30 September 2020** | **2.3** |

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

### 9. INVENTORY – DEVELOPMENT AND TRADING PROPERTIES

| | Development properties *(restated+)* £ million | Trading properties £ million | Total £ million |
|---|---|---|---|
| **At 1 April 2019** | 152.2 | 41.8 | 194.0 |
| Additions: | | | |
| – development expenditure | 20.1 | 0.8 | 20.9 |
| – capitalised staff costs | 0.8 | – | 0.8 |
| Disposals | (31.9) | – | (31.9) |
| Foreign currency differences | – | 0.4 | 0.4 |
| Write-down of development asset to net realisable value | (6.5) | – | (6.5) |
| **At 30 September 2019** | **134.7** | **43.0** | **177.7** |
| Additions: | | | |
| – development expenditure | – | 0.8 | 0.8 |
| – capitalised staff costs | 0.3 | – | 0.3 |
| Transfer to investment assets | (16.2) | – | (16.2) |
| Disposals | (12.3) | – | (12.3) |
| Foreign currency differences | – | 0.1 | 0.1 |
| Write-down of trading properties to net realisable value | (12.7) | – | (12.7) |
| **At 31 March 2020** | **93.8** | **43.9** | **137.7** |
| Additions: | | | |
| – development expenditure | 3.7 | 1.6 | 5.3 |
| – capitalised staff costs | 0.3 | – | 0.3 |
| Disposals | (10.5) | – | (10.5) |
| Foreign currency differences | – | 0.4 | 0.4 |
| Write-down of development asset to net realisable value | (11.1) | (1.0) | (12.1) |
| **At 30 September 2020** | **76.2** | **44.9** | **121.1** |

+ Restatement – refer note 1d

Included in the above amounts are projects stated at net realisable value, being development and trading properties of £37.5 million (30 September 2019: £77.3 million, 31 March 2020: £44.9 million).

**10. INVESTMENTS**

| | Investments in associates £ million | Investments in joint ventures £ million |
|---|---|---|
| **At 1 April 2019** | 5.8 | 103.9 |
| Additions | – | 14.1 |
| Share of results of joint ventures | – | (4.3) |
| Share of revaluation loss of joint venture | – | (0.2) |
| Share of results of joint ventures | – | (4.5) |
| Capital distribution – repayment of loans | – | (0.1) |
| **At 30 September 2019** | **5.8** | **113.4** |
| Additions | 0.1 | 7.5 |
| Share of results of associate/joint ventures | (0.4) | (9.6) |
| Share of revaluation surplus of joint venture | – | 1.8 |
| Share of mark-to-market adjustment on interest rate swaps | – | (0.5) |
| Share of results of associate/joint ventures | (0.4) | (8.3) |
| Capital distribution – capital repayment | – | (0.2) |
| Capital distribution – repayment of loans | – | (32.1) |
| Disposals | – | (16.1) |
| **At 31 March 2020** | **5.5** | **64.2** |
| Additions | – | 7.7 |
| Share of results of associate/joint ventures | 2.1 | (5.9) |
| Impairment in joint venture | – | (7.5) |
| Share of results of associates/joint ventures | 2.1 | (13.4) |
| Disposals | (5.4) | (0.2) |
| **At 30 September 2020** | **2.2** | **58.3** |

In September 2020, the joint venture agreement with Orion Land and Leisure was terminated with the Group acquiring their 50% interest. On the same date the Group sold 75.5% of the share capital in Orion Shepherds Bush Limited, retaining an associate holding of 24.5%.

An impairment of £7.5 million has been made in respect of the Group's 50% joint venture with Colony as the Group does not expect to recover its investment in the joint venture.

**11. BORROWINGS**

| | 30 September 2020 unaudited £ million | 30 September 2019 unaudited £ million | 31 March 2020 audited £ million |
|---|---|---|---|
| Non – current | **151.1** | 144.8 | 144.8 |
| Current | **9.4** | 25.6 | 16.3 |
| | **160.5** | 170.4 | 161.1 |

| **Movements in loans and borrowings are analysed as follows:** | £ million |
|---|---|
| **At 1 April 2019** | 179.7 |
| New borrowings drawn down | 1.6 |
| Repayment of borrowings | (12.8) |
| Foreign currency movement of Euro denominated loans | 1.6 |
| Movement in unamortised transaction costs | 0.3 |
| **At 30 September 2019** | **170.4** |
| New borrowings drawn down | 0.3 |
| Repayment of borrowings | (10.0) |
| Foreign currency movement of Euro denominated loans | 0.1 |
| Movement in unamortised transaction costs | 0.3 |
| **At 31 March 2020** | **161.1** |
| New borrowings drawn down | 14.4 |
| Repayment of borrowings | (15.9) |
| Foreign currency movement of Euro denominated loans | 1.3 |
| Movement in unamortised transaction costs | (0.4) |
| **At 30 September 2020** | **160.5** |

Bank loans, loan notes and overdrafts comprise:

| | Maturity | 30 September 2020 unaudited £ million | 30 September 2019 unaudited £ million | 31 March 2020 audited £ million |
|---|---|---|---|---|
| Overdraft facility | On demand | **–** | – | – |
| £26.7 million variable rate loan | 31 Jan 2019 | **5.6** | 14.8 | 13.6 |
| £10.4 million variable rate loan | 31 Dec 2019 | **–** | 10.5 | 2.4 |
| £16.8m million fixed rate loan | 15 Jan 2022 | **16.8** | 16.8 | 16.8 |
| £19.7 million variable rate loan | 25 Mar 2022 | **8.5** | 13.4 | 13.4 |
| £13.5 million variable rate loan | 1 July 2022 | **13.5** | – | – |
| €8.5 million fixed rate loan | 13 Dec 2022 | **7.6** | 7.6 | 7.6 |
| €2.2 million fixed rate loan | 28 Mar 2023 | **2.6** | 1.9 | 1.9 |
| €47.0 million variable rate loan notes | 25 Apr 2024 | **42.8** | 41.7 | 41.8 |
| £66.7 million fixed rate loan | 5 Dec 2032 | **64.9** | 65.4 | 65.0 |
| | | **162.3** | 172.1 | 162.5 |
| Unamortised transaction costs | | **(1.8)** | (1.7) | (1.4) |
| | | **160.5** | 170.4 | 161.1 |

The Group remains in compliance with its loan to value covenants as at 30 September 2020. The Covid-19 pandemic however has had a significant impact on the collection of rent from tenants and therefore affected the look forward income elements of banking covenants. The Group is in constant dialogue with lenders and has agreed covenant waivers in respect of some loans where appropriate.

a) Cash balances shown on the Balance sheet at 30 September 2020 include £29.3 million (30 September 2019: £8.5 million, 31 March 2020: £29.4 million) of cash held as security against borrowings.

b) At 30 September 2020, an external valuation was carried out by independent valuers to calculate the market value of the Group's fixed rate debt on a replacement basis, taking into account the difference between fixed interest rates for the Group's borrowings and the market value and prevailing interest rates of appropriate debt instruments. Whilst the replacement basis provides a consistent method for valuation of fixed rate debt, such financing facilities are in place to provide continuing funding for the Group's activities. The valuation is therefore only an indication of a notional effect on the net asset value of the Group as at 30 September 2020 and may be subject to daily fluctuations in line with money market movements.

The fair value compared to the carrying amounts of the Group's fixed rate financial liabilities as at 30 September 2020 is analysed below:

| | 30 September 2020 | | 30 September 2019 | | 31 March 2020 | |
|---|---|---|---|---|---|---|
| | Book value £ million | Fair value £ million | Book value £ million | Fair value £ million | Book value £ million | Fair value £ million |
| Fixed rate term loan due 2032 | **64.6** | **81.9** | 65.4 | 82.1 | 65.0 | 82.0 |

The fair value difference of £17.3 million (30 September 2019: £16.7 million, 31 March 2020: £17.0 million) represents approximately 26.8% of gross, fixed rate borrowings (30 September 2019: 25.5%, 31 March 2020: 26.2%). The effect on net assets per share after tax of this adjustment would be a decrease of 11.2 pence after tax (30 September 2019: 11.0 pence, 31 March 2020: 11.0 pence).

A further £42.8 million of borrowings have appropriate swaps or caps in place providing certainty over future interest obligations. These instruments are marked to market at each balance sheet date with any gain or loss reflected in profit or loss.

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

| | Increase/decrease in interest rate in basis points | Effect on profit before tax £ million |
|---|---|---|
| **30 September 2020** | **+50** | **(0.1)** |
| | **-50** | **0.1** |
| 31 March 2020 | +50 | (0.3) |
| | -50 | 0.3 |
| 30 September 2019 | +50 | (0.2) |
| | -50 | 0.2 |

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

| | Increase/decrease in exchange rate | Effect on loan balances £'000 |
|---|---|---|
| **30 September 2020** | **+10%** | **8.2** |
| | **-10%** | **(10.0)** |
| 31 March 2020 | +10% | 4.7 |
| | -10% | (5.7) |
| 30 September 2019 | +10% | 4.7 |
| | -10% | (5.7) |

### 12. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

| | £ million |
|---|---|
| **At 1 April 2019** | 0.7 |
| New provision charged to profit or loss in the period | 0.2 |
| **At 30 September 2019** | **0.9** |
| New provision charged to profit or loss in the period | 0.1 |
| **At 31 March 2020** | **1.0** |
| New provision charged to profit or loss in the period | 0.1 |
| **At 30 September 2020** | **1.1** |

| | 30 September 2020 unaudited £ million | 30 September 2019 unaudited £ million | 31 March 2020 audited £ million |
|---|---|---|---|
| **Analysis of provisions:** | | | |
| Non-current | **0.6** | 0.7 | 1.0 |
| Current | **0.5** | 0.2 | – |
| | **1.1** | 0.9 | 1.0 |

A provision of £1.0 million remains in place in respect of the Group's service office business to cover closure costs of the remaining centres.

### 13. SHARE CAPITAL

| | 30 September 2020 unaudited £ million | 30 September 2019 unaudited £ million | 31 March 2020 audited £ million |
|---|---|---|---|
| **Issued, called up and fully paid:** | | | |
| 125,431,713 Ordinary shares of 50 pence (30 September 2019 and 31 March 2020: 125,431,713 Ordinary shares of 50 pence) | **62.7** | 62.7 | 62.7 |

The Company had acquired Treasury shares in order to satisfy obligations under the employee Long Term Incentive Plan and other bonus schemes. In July 2020, 160,896 shares were awarded in bonuses to members of the Senior Management Team. As at 30 September 2020, the Company holds a total of 648,234 Treasury shares at a cost of £1.3 million. This amount has been deducted from shareholder equity.

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

| | Six months to 30 September 2020 unaudited £ million | Six months to 30 September 2019 unaudited £ million | Year ended 31 March 2020 audited £ million |
|---|---|---|---|
| **Loss before income tax** | **(50.2)** | (23.9) | (58.6) |
| **Adjustments for:** | | | |
| Loss on disposal of investment properties | **0.8** | 0.3 | 1.0 |
| Net loss on revaluation of property portfolio | **10.3** | 5.6 | 13.4 |
| Share of post-tax losses of joint ventures and associates | **11.3** | 4.5 | 13.2 |
| Impairment of financial asset at fair value through profit and loss | **2.0** | – | – |
| Profit on sale of investment | **(2.7)** | – | (9.7) |
| Finance income | **(0.3)** | (0.3) | (0.6) |
| Finance costs | **7.4** | 6.2 | 13.3 |
| Depreciation of leases, property, plant and equipment | **1.9** | 2.1 | 4.0 |
| **Operating cash flows before movements in working capital** | **(19.5)** | (5.5) | (24.0) |
| Decrease in development and trading properties | **16.5** | 17.5 | 42.2 |
| Decrease in receivables | **35.5** | 14.5 | 14.2 |
| Decrease in payables | **(2.6)** | (7.4) | (20.8) |
| Increase in provisions | **0.1** | 0.2 | 0.3 |
| **Cash flow generated from operating activities** | **30.0** | 19.3 | 11.9 |

### 15. CONTINGENT LIABILITIES

Performance bonds given on behalf of Group companies are guaranteed by banks in favour of third parties for a total of £5.4 million (30 September 2019: £5.5 million, 31 March 2020: £5.4 million).

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

## 16. RELATED PARTIES

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

Transactions entered into and balances outstanding at 30 September 2020, 30 September 2019 and 31 March 2020 with related parties are set out below. Only Directors are considered to be key management personnel. There were no transactions with Directors other than remuneration. Details of remuneration for the year ended 31 March 2020 are set out in the Remuneration report on pages 151 to 171 of the 2020 Annual Report.

| | Finance income from related parties £ million | Amounts owed by related parties £ million | Amounts owed to related parties £ million |
|---|---|---|---|
| **Joint ventures** | | | |
| **30 September 2020** | **0.7** | **66.5** | – |
| 30 September 2019 | 0.8 | 81.7 | (0.6) |
| 31 March 2020 | 1.9 | 67.8 | – |
| **Associates** | | | |
| **30 September 2020** | **–** | **24.4** | – |
| 30 September 2019 | 0.1 | 23.7 | – |
| 31 March 2020 | – | 24.1 | – |

## 17. EVENTS OCCURRING AFTER THE REPORTING PERIOD

In October 2020, Colony Capital, our joint venture partner in Luxembourg Investment Company 112 Sarl, exercised their option to take over the Group’s share interest, terminating the joint venture arrangement.

In November 2020, the Group exchanged contracts to sell an investment property asset at book value.

In December 2020, the Group exchanged contracts to sell a trading asset for £20.7 million. The contracted sales price is lower than previous estimates and below the book value of the asset at the reporting date, which will result in a loss on sale estimated to be £2.1 million upon completion of the transaction. The directors’ have determined that the reduced sales price is as a result of events post the reporting date, including the additional Covid-19 strain and further lockdown restrictions in November 2020 and therefore the directors’ have concluded that the loss on disposal will be included in the 31 March 2021 year end results.

## 18. GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

Adjusted net assets: balance Sheet net assets adjusted for the fair value of debt and derivatives including the share of joint ventures.

Adjusted net assets per share: adjusted net assets divided by the number of Ordinary shares at the balance sheet date.

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

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The Directors of U and I Group PLC are listed in the U and I Group PLC Annual Report of 31 March 2020. A list of the current Directors is maintained on the U and I Group PLC website: www.uandiplc.com.

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

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

**M S Weiner**
Chief Executive
18 January 2021

**INDEPENDENT REVIEW REPORT TO U AND I GROUP PLC**

**REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**Our conclusion**

We have reviewed U and I Group PLC's condensed consolidated interim financial statements (the "interim financial statements") in the Interim Results of U and I Group PLC for the 6 month period ended 30 September 2020 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

**Emphasis of matter**

Without modifying our conclusion on the interim financial statements, we have considered the adequacy of the disclosure made in Note 1(b) to the interim financial statements concerning the Group's ability to continue as a going concern. The Group's forecast severe but plausible downside scenario highlights that there is a risk that the Group would not have the level of free cash required to mitigate liquidity issues as they arise within the next 12 to 15 months. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The interim financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

**What we have reviewed**

The interim financial statements comprise:

- the Consolidated Balance Sheet as at 30 September 2020;
- the Consolidated Statement of Comprehensive Income for the period then ended;
- the Consolidated Cash Flow Statement for the period then ended;
- the Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

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

**RESPONSIBILITIES FOR THE INTERIM FINANCIAL STATEMENTS AND THE REVIEW**

**Our responsibilities and those of the directors**

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

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

**What a review of interim financial statements involves**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

PricewaterhouseCoopers LLP
Chartered Accountants
London
18 January 2021