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.

26 May 2021

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

Results for the year ended 31 March 2021 (“FY2021”)

100 day review complete; impairments taken to strengthen business for the future; decisive actions deliver early results

Richard Upton, Chief Executive, said:

“*We knew that if U+I was going to fulfil its huge potential to create more proud, inclusive and thriving communities that are good for people, society, the economy and our shareholders, a root and branch review of the way we manage our business was vital.*

Since I took over as CEO eighteen weeks ago, this is precisely what we have done. We have made some clinical decisions in many areas of the business, resulting in further development and trading asset impairments. Covid-related market issues further added to us reporting hugely disappointing financial results today. I am absolutely determined that these years of underperformance are now behind us. From here, we will build trust and shareholder value. We have reset the strategy, refocused management, monetised assets, removed costs, reduced debt and reviewed the Board’s composition. What we now have is a refreshed business that is not only sustainable for the long-term but one that is simpler, stronger and more shareholder focused. It is a business that is ready to deliver on its promises. We are on target to generate proceeds of £130 million by FY2022 from our monetisation programme, of which £54.5 million has already been completed. We have cut gross recurring overheads by 26% towards our targeted £12 million by FY2023. And we have reduced gearing to 35.5% towards our targeted level of between 25-35% by the end of FY2022. The business now has strong foundations.

We have refined our activity to focus on what we do best – creating thoughtful and inclusive regeneration that delivers significant socio-economic benefits. We intend, simply, to do more of this where we can demonstrably deliver exceptional total returns. The company’s distinction, the scale of our core regeneration pipeline and planned disposals of non-core projects present a strong opportunity for significant shareholder value growth in the coming years. The Covid-19 pandemic has changed the way we live, work and socialise, accelerating long-term behavioural shifts. Demand for thoughtful, flexible neighbourhoods, where communities can safely live, work and play is no longer niche; it is impossible to ignore. This means our proven track record in sustainable regeneration is more relevant than ever and we could not be better placed to deliver for our communities, our partners, and our shareholders. My colleagues and I commit that we will do just that.”

FY2021 financial summary:

	31 March 2021	31 March 2020
Development and trading (losses)/gains	£(39.1)m	£11.0m
(Loss) before tax	£(86.7)m	(£58.6)m
Basic NAV	£202.9m	£289.6m
Basic NAV per share	163p	232p
Basic (loss) per share	(70.2)p	(44.5)p
Total declared dividends per share including supplemental dividend	-	2.4p
Net debt	£72.1m	£129.9m
Gearing	35.5%	44.9%

FY2021 financial performance

- £(39.1) million development and trading losses mainly comprises impairments against four underperforming assets – exiting our Spectre joint venture platform; St Mark’s Square, Bromley; The Future Works, Slough and Beeston Park, Norwich
- £(86.7) million loss before tax is largely driven by development and trading asset impairments including our share of joint ventures, revaluation of investment portfolio assets and other operating and financing costs
- Investment portfolio capital value decline of 15.1% to £95.5 million (2020: £130.6 million), largely driven by reduced market confidence in retail assets and the impact of Covid-19

Review and reset – 100 day review completed:

- Disposals strategy underway – targeted proceeds of £130 million by FY2022
    - £54.5 million of proceeds received, of which £43.6 million is free cash and £10.9 million restricted cash, against the targeted £50 million in FY2021 from the monetisation programme. Sales generated gross receipts of £190.8 million
    - Additional £4.9 million of proceeds contracted post year end; on track to deliver £80 million proceeds target in FY2022 from monetisation programme
- Significant efficiencies programme implemented – targeted 43% reduction in gross recurring overheads to £12 million over three years to FY2023
    - 26% reduction in gross recurring overheads (excluding discretionary bonuses) to £15.5 million in FY2021 (2020: £21.0 million), ahead of our £16 million target
    - On target to reduce gross recurring overheads further to £14 million in FY2022 and £12 million in FY2023
    - Lease at Howick Place on the market; reviewing all options to enable us to occupy a more appropriately sized, cheaper office space for our reduced workforce by end of FY2022
- Business plan underway – simplified strategy focused on complex, mixed-use regeneration
    - Master developer role increases profit visibility and creates multiple routes to monetisation
    - Target to reduce on balance sheet gearing to 25-35% by the end of FY2022
    - Priming our core regeneration schemes - Mayfield in Manchester, Landmark Court, 8 Albert Embankment, Morden Wharf, Cambridge Northern Fringe East (CNFE) - for delivery and profits, in partnership with patient capital providers
    - Right-sized, incentivised workforce with the skillset to deliver our core pipeline, led by an experienced Senior Management Team (SMT)
- Strengthened cash position and reduced debt
    - Liquidity of £63.3 million free and restricted cash (2020: £31.1 million)
    - Barclays debt repaid in May 2021 and assets substituted into Aviva facility releasing £13.2 million of restricted cash
    - New £13.5 million loan facility and three-year extension to the maturity of U+I's €47.0 million of unsecured loan notes to April 2024; €11.8 million of these loan notes repaid in April 2021
    - Suspension of interim and final dividend in FY2021 to focus on maintaining liquidity during the Covid-19 pandemic; intention to resume dividend payments at the earliest opportunity; update will be provided at H1 FY2022
- Board review completed
    - Non-executive element of the Board to be reduced from six to four by the end of FY2022
    - Jamie Christmas joined the Board as Executive Director on 17 May 2021; assumes the role of Chief Financial Officer on 19 June 2021
- Programme for delivery on ESG agenda set out with a vision to realise positive change
    - Four objectives identified centred on inclusive places, inspiring buildings, engaged communities and a company fit for purpose
    - Detailed targets and capacity building programme to be rolled out throughout FY2022
    - Audit of social impact of entire portfolio to be published in Summer 2021
    - Detailed Positive Impact Report to be published at FY2022 outlining progress against our targets

Outlook – delivery has commenced on refreshed strategy

- Focus on a 'prove' strategy stage - executing our business model and delivering key milestones, including positive planning outcomes at 8 Albert Embankment and Morden Wharf in H1 FY2022 and entering into funding agreements with patient capital on the delivery of Landmark Court and the remainder of Phase 1 at Mayfield
- C.£1.0 billion GDV of planning consents or resolution to grant planning achieved at Landmark Court, Kingstanding, Newtown Works and Kensington Church Street. These contribute to over 6 million sq.ft. of shovel-ready schemes across our entire portfolio that can unlock value in brownfield land, whilst creating local jobs and supporting communities
- Major growth opportunities post-lockdown with supportive trends in mixed-use regeneration and close alignment with the UK government's "Build, Build, Build" and levelling up agendas

Conference call for analysts and investors
The Company will hold an audiocast for sell-side analysts and investors at 10am 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 results presentation will be posted on the corporate website: https://www.uandiplc.com/investors/results-and-presentations/

Audiocast link: https://webcasting.brrmedia.co.uk/broadcast/6087fcf80386285386ccb5f8
Participant dial-in numbers (listen only):
Dial-in: +44 (0)330 336 9125
Passcode: 2686558
Access code: Please quote U+I for access to the audiocast

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About U+I
U+I are experts in regeneration.

We use our creative, entrepreneurial and master developer knowledge to created thriving mixed-use places 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

Chief Executive's statement

When we commenced our 100 day review, we had a clear idea of what we wanted to achieve. We wanted to simplify a business that has often been described as too complex, too difficult to understand and too opaque on future strategy. First and foremost, we evaluated our development, trading and investment portfolios against a set of clear time, value and risk criteria and, in FY2021, we received £54.5 million of proceeds from disposals of non-core assets, of which £43.6 million is free cash and £10.9 million restricted cash. This is against the £50 million targeted from our monetisation programme in FY2021, announced at our Interim Results in January 2021. This monetisation programme continues throughout FY2022, allowing us to focus on our remaining core regeneration assets and a portfolio designed to deliver consistent returns for the future. Our 100 day review has informed a refocused strategy, leveraging our strengths as the master developer in value-add, complex, mixed-use regeneration projects, in our core markets.

Away from our projects, the review also included an overhaul of our environmental, social and governance (ESG) approach. To be the business we want to be we need to understand the impact of our work on the world around us, we need to attract and retain the best people and we need strong corporate governance to guide the business as it grows.

The 100 day review has allowed us to reset and over the coming year you will see the results of the review in action. We see it as the first 100 days of a longer 400 day campaign that takes us to FY2022, preparing us for long-term delivery and growth. In twelve months' time, we want U+I to be in a place from which we can demonstrate predictable returns, captured by developing inspiring, sustainable places that revive communities, create jobs, and boost local economies in a post-Covid-19 world – perfectly aligned to the government's economic recovery objectives.

FY2021 results

The operating environment during FY2021 was as challenging as we have ever experienced as the ongoing Covid-19 pandemic impacted planning decisions, delayed completions and lettings, and reduced asset values. As a result, U+I's development and trading losses were £(39.1) million (2020: £11.0 million gains) driven by impairments across twelve different projects. This included £30.3 million of impairments against four assets (exiting our joint venture Spectre platform: £10.6 million; St Mark's Square, Bromley: £7.9 million; The Future Works, Slough: £5.5 million and Beeston Park, Norwich: £6.3 million). We reported a loss before tax of £(86.7) million (2020: £(58.6) million) which is largely driven by development and trading impairments including our share of joint ventures, an £18.9 million valuation deficit from investment portfolio assets and other operating and financing costs.

We have substantially advanced our major regeneration projects in the period, to prime them for the 'prove' stage of our business in FY2022. We have secured approximately £1.0 billion Gross Development Value (GDV) of planning consents at Landmark Court, Kensington Church Street, Newtown Works and Kingstanding. We expect positive planning outcomes at 8 Albert Embankment and Morden Wharf in the next three months. If successful, this would mean that we would have over 8 million sq.ft. of shovel-ready schemes – and four out of our five core regeneration projects (Mayfield, Landmark Court, 8 Albert Embankment and Morden Wharf) – all primed for delivery. We expect to go to planning at Cambridge Northern Fringe East, our fifth core regeneration asset, in 2024, although, with our partners, we are reviewing the opportunity for phases of this scheme to be delivered before then. Progress in building Manchester's first park in over a century at our city-centre Mayfield site is continuing apace, following the government's £23.0 million grant in August 2020. The park is on target to open to visitors in September 2022.

In Brighton, the final phase of our Circus Street regeneration project is due to complete in Summer 2021 and building works at Preston Barracks are progressing on schedule, with our innovation hub Plus X and the student buildings operational since the end of 2020. These are prime examples of our master developer role, acting in partnership with the public and private sectors, delivering both exceptional places and exceptional returns. This includes £14.5 million of cash receipts in FY2021 from the completion of the sale of four new residential buildings at Circus Street to M&G Real Estate and the sale of a new medical centre at Preston Barracks to Assura plc, along with recovery of development loans and U+I's profit share upon completion of the student accommodation. At both schemes we have sold off parcels of land to specialists in student accommodation, offices and homes, where it is more cost efficient, whilst also delivering the infrastructure and building out some of the schemes ourselves, delivering land enablement and development profits. Our Brighton mixed-use schemes – the city's biggest ever – will, together, deliver approximately 2,000 jobs and inject circa £500 million into the local economy over the next ten years.

The investment portfolio reduced to £95.5 million (2020: £130.6 million) as a result of three asset disposals (Swanley Shopping Centre, Vicus House and Belsize Park) and a decline in valuation, largely driven by reduced market confidence in retail assets and the ongoing impact of Covid-19. This includes a 31.9% decline at Furlong Shopping Centre in Ringwood and a 43.1% decline at Borough Parade, Chippenham – two shopping centres assets which have been closed during much of the pandemic. Capital value was down £18.9 million, a decline of 15.1% (2020: 7.9% decline). The core portfolio net initial yield was 6.4% (2020: 6.2%) and the equivalent yield was 8.5% (2020: 8.0%). The estimated rental value of our core portfolio was £8.5 million (2020: £11.0 million). The occupancy was 81.9% (2020: 83.4%).

Immediate actions

Since my appointment on 19 January 2021, we have reset our strategy, refocused management, monetised assets, removed costs, reduced debt and reviewed the Board. We are on target to generate proceeds of £130 million by FY2022 from our monetisation programme, of which £54.5 million – comprising £43.6 million of free cash and £10.9 million of restricted cash – has been completed and a further £4.9 million of proceeds contracted post year end. We have already cut gross recurring overheads to £15.5 million (excluding discretionary bonuses) (2020: £21.0 million) as we move towards our target of £14 million by FY2022 and £12 million by the end of FY2023. At FY2021, gearing stands at 35.5% towards our targeted level of between 25-35% by the end of FY2022. We now have a refreshed business that is not only more efficient but one that is simpler, stronger and aligned to making thoughtful, authentic places alongside shareholder value. It is a business that is ready to deliver.

We have managed our balance sheet prudently and have a clear strategy to strengthen our cash position and reduce debt. We currently have liquidity of £63.3 million of free and restricted cash (2020: £31.1 million) and, during FY2021, we have raised £16.9 million of additional finance, including a £13.5 million two-year loan facility with NatWest. Since the year end, we have repaid our Barclays debt and substituted assets into the Aviva facility, releasing £13.2 million of restricted cash, paying down £5.0 million of loan and leaving £24.5 million of restricted cash on deposit. We also repaid €11.8 million of our €47m unsecured loan notes in April 2021 (25.0% reduction).

Strategy – our opportunity as master developer

U+I has a clear purpose, to unlock value for all through regeneration, driven by a strategy focused on delivering socio-economic benefits to communities and sustained shareholder returns. To achieve this ambition we have set out a refocused strategy, which is closely aligned to the government's "Build, Build, Build" and levelling up agendas, the UK's need for more quality homes and the increasing priority to stimulate economic growth in our towns and cities. The public sector is one of the most significant landowners in the UK, with 1.3 million acres of land in England owned by councils eager to leverage growth in towns and cities from their landholdings. The post Covid-19 recovery is supportive of greener, community, place-led aspirations for an evolving society. An under-resourced public sector relies on experts to help it to develop its landbank to meet demanding housing targets and changing needs. This creates a huge opportunity for our business as the public sector seeks trusted partners with a proven track record to help it to realise and unlock the potential in its underestimated sites, giving us a competitive edge. Going forward, our strategy is focused on using our expertise in complex regeneration – which is typically too complicated for REITs and too mixed-in-use for housebuilders – in the three markets that we know intimately by acting as the master developer. This allows us to leverage our core strengths but with a simpler, more focused model.

Acting as master developer will mean that we continue to seek out strategically important sites; work with local stakeholders to create a shared vision; secure an uplift in the land's value through planning enablement; partner with the public or private sector, either building out sites ourselves or with our partners, and we will often sell parcels of land to specialist house builders or office developers that we trust. When partnered with appropriate long-term capital, the master developer model allows us to benefit from land enablement gains, recurring development management fees, profits on sale or recurring income where we retain assets to capture their long-term value and grow our own profits where we build out schemes together. The model will also give us greater visibility on profits as we become less reliant on lumpier trading schemes, giving us cash to pay dividends, reduce debt and reinvest in our schemes. In line with our master developer strategy, we have set new targets to measure our performance in FY2022, which are detailed in the 'financial KPIs and guidance' section below.

We know our work is of huge socio-economic value to the areas we operate in. For example, in Brighton the completed Plus X innovation hub is designed to be one of the healthiest work spaces in the country, on track to be accredited Platinum standard by the WELL Building Institute, achieve BREEAM Excellent and generate as much as 160 times more social and economic value than a traditional office building. We have however never had a clear set of ESG targets – aligned to our business and its ambitions – against which we can be judged. During FY2021, we created a clear vision, framework and programme for delivery on our ESG agenda, centred on realising positive change. Within this framework, we have created four key objectives centred on inclusive places, inspiring buildings, engaged communities and a company fit for purpose – with material issues identified under each. Over the coming year, we are putting in place the infrastructure to measure our ESG performance, alongside capacity building and training programmes for staff and suppliers. In late Summer 2021 we will publish a complete audit of the socio-economic impact of our portfolio. We will also publish a set of detailed targets during the year ahead. In FY2022 we will publish our first annual Positive Impact Report which will provide further detail across our four objectives, as well as the progress we have made against our targets. In time, it is our ambition that our blueprint and reporting become benchmarks for best practice.

Corporate activity – portfolio review

As part of the 100 day review, we have scrutinised every element of the Group's portfolio so that we can refocus and reshape, simplifying the business and positioning U+I for long-term delivery. We have called this our 'reset'.

We will continue to focus on our core geographies where we have strong, trusted relationships and which will remain attractive markets as we emerge from the Covid-19 pandemic. Whilst the pandemic has accelerated a shift in behaviours, it has only strengthened the need for safe, flexible, agile living and working spaces that support health and wellbeing. Research has shown that three quarters of workers will want to return to the office and a quarter full time (JLL, December 2020). Companies will also continue to rely on physical offices to create a sense of brand, culture, identity and space, along with supporting networking, collaboration and learning opportunities. Needs have evolved to more thoughtful, safe spaces that can provide something extra, engage staff and increase productivity. This plays well into U+I's skillset.

Our pipeline contains significant, value-add entrepreneurial investments, like Plus X, which are complementary to our core business and aligned to demand and the government's political agenda to stimulate local economies. Our ambition is to open more innovation hubs across the UK, that are similar to Plus X, that can deliver c.£100 million of societal impact in every location, create jobs, support innovation and, most importantly, deliver profits on completion to U+I shareholders and recurring rental income through a retained stake in those sites.

In May 2021, we repaid our Barclays debt and substituted a number of assets into the Aviva facility reducing the Aviva restricted cash to £24.5 million. As part of our simplified approach, going forward our investment portfolio will therefore largely refer to those assets contained within the Aviva facility – which will be managed to prevent and minimise any short-term value erosion and benefit from medium to long-term recoveries – and Plus X Brighton, which sits outside the Aviva facility.

At close of business on 16 May 2021, we had collected or agreed alternative payments for 62% of rent for the March quarter. Across the business, £1.2 million of rent was due for payment in the March 2021 quarter before taking account of adjustments made in support of our customers as a result of Covid-19. We have continued proactive discussions with our occupiers to collect rent throughout these challenging times, whilst negotiating revised payment plans with our retail tenants.

Following the re-opening of non-essential retail on 12 April 2021, 86% of our retail and leisure tenants were trading. This compares to 47% in December quarter and 93% in September quarter. Annual rents lost or waived due to CVAs and administrations was reduced to £75,000 from the £412,000 reported at our Interim Results, due to successful re-tenanting of affected units. Our tenants should continue to benefit as more restrictions are lifted as part of the government's programme to open up the economy, which is expected to have a positive impact on rent collection and occupancy.

	FY2021			
	Jun QTR 1	**Sep QTR 2**	**Dec QTR 3**	**Mar QTR 4**
Collected	70%	74%	65%	60%
Deferred	1%	1%	1%	0%
Re-geared	9%	2%	3%	2%
Total collected/alternative payments agreed	**80%**	**77%**	**69%**	**62%**
Deferrals in negotiation	3%	0%	3%	0%
Re-gears in negotiation	1%	0%	0%	0%
Waived	11%	9%	4%	4%
Rent Outstanding	5%	14%	24%	34%
Total	**100%**	**100%**	**100%**	**100%**

Accelerated disposals and repositioning

In FY2021, sales effected by U+I generated gross receipts of £190.8 million, of which U+I received proceeds of £54.5 million, comprising £43.6 million of free cash and £10.9 million of restricted cash, against our £50 million target from our monetisation programme.

We have achieved a further £4.9 million of proceeds contracted post year end through the sale of Fleet Care Home in Dartmouth, against our target of generating proceeds of £80 million in FY2022, as we continue with our disposals programme.

Regeneration – priming our core pipeline for delivery

Our focus on value-add, complex, mixed-use regeneration is clear from the reset strategy we have explained. Within this strategy we have a core regeneration platform that consists of five major schemes that encapsulate how U+I can add value. These mixed-use, regeneration schemes will deliver sustainable and consistent returns to the Group through development management fees and development profits over the course of their build-out. These projects are the core of our business and require expertise like ours to be successful.

Project	**Mayfield**	**Landmark Court**	**Morden Wharf**	**8 Albert Embankment**	**CNFE**	**Total**
Current WIP	£24.9m	£4.3m	£16.1m	£11.0m	£1.7m	**£58.0m**
Future equity required	£2m	£1-1.5m	£3.5-4m	£2-3m	£5-6m	**£13.5-16.5m**
Debt	£0m	£0m	£0m	£0m	£0m	**£0m**
GDV	£1.5bn	£240m	£770m	£500m	£3.0bn	**£6.0bn**
Gross project margin	£400m	£65m	£200m	£100m	£600m	**£1.4bn**

Dividend update

In light of our financial performance, we do not intend to pay a final or supplemental dividend in FY2021. We did not pay an Interim dividend (2020: 2.4 pence). We recognise the importance of the dividend for our shareholders and intend to resume payments at the earliest opportunity. An update on dividend payments will be given at H1 FY2022.

Financial KPIs and guidance

Our existing Group KPIs of 12% total return per annum and £50 million development and trading gains per annum are under review as we consider over the coming year whether they remain right for the future direction of our business. From FY2022, we have reduced our on-balance sheet gearing target to 25-35% and 35-45% including our share of joint venture debt. This target is based on achieving the remaining £80 million target as part of our monetisation programme. We have removed our 10% investment portfolio total return target, as our focus is on total returns from across all our activity. We remain committed to our people KPI as they are at the cornerstone of our business. In light of the challenging year, we were particularly pleased to see 95% satisfaction with U+I as a place to work in FY2021, ahead of our 90% target.

The short-term KPIs we have set ourselves to measure performance in FY2022 are £80 million of proceeds from our monetisation programme; reduce gross recurring overhead to £14 million; and create an integrated ESG approach – including the launch of our first annual Positive Impact Report. At the end of FY2022, when we will be moving from the 'reset and prove' to the 'grow' stage, we will outline new targets for the following year and medium term.

Below is a table of our future disposal expectations from our non-core development and trading assets.

	Total	**Next 24 months**	**Beyond 24 months**
Number of projects	35	28	7
NAV	£112m	£100m	£12m
Sale proceeds (net of debt)	£125-195m	£110-145m	£15-50m
Expected project spend in period	£(35)m	£(35)m	-
Net cash from projects	£90-160m	£75-110m	£15-50m

Team and culture

Our growth would not be possible without the right people. We know it is the people within the business that will deliver the strategy, which is why we have been putting measures in place to empower and incentivise our team as we continue to evolve our values-led culture. This includes a new remuneration and incentive policy to ensure we attract and retain the best people in the industry, new wellbeing initiatives and we will shortly be launching a new Diversity and Inclusion policy.

We have reorganised our team, with a clear focus on project delivery and disposals, led by our Senior Management Team who have Planning, Delivery, Development and Creative expertise. We announced on 11 May 2021 the appointment of Jamie Christmas who joined the U+I Board as Executive Director on 17 May 2021 before assuming the role of CFO on 19 June 2021 when Marcus Shepherd steps down from the Board and his position as CFOO. Jamie has over seventeen years' experience in the real estate, private equity and financial services sectors, most recently as CFO of family office RCL Partners.

We also announced this morning that the Chairman has completed his review of the Board, which will reduce the Non-executive element from six to four by FY2022, aligned with a more simplified and focused business.

I believe that these changes will allow us to deliver the increasing opportunities for our business externally. I want to thank the team for their resilience and hard work during a particularly challenging year. The Board and I are very grateful for their good humour and team work and are excited by the journey ahead as we rebuild together.

Conclusion

The review has allowed us to reflect on U+I's strengths. We are a leader in complex mixed-use regeneration, and we have a distinctive skillset and approach that not many can match. We want to harness the potential to deliver attractive, consistent and more predictable returns for shareholders from our core regeneration business. We have laid the foundations through the delivery of the first phase of our strategy, monetisation of non-core assets, strengthening the balance sheet, driving forward our efficiencies programme and improving our ESG reporting. We have shaped the team accordingly. Our business model supports changed behavioural needs for quality, thoughtful – safe – places as we emerge from the Covid-19 pandemic. It is also closely aligned with the government's "Build, Build, Build" agenda. We have over 6 million sq.ft. of shovel-ready schemes in our portfolio that can unlock the value in brownfield land, whilst creating local jobs and supporting communities. We have identified a significant quantum of new Public Private Partnership opportunities that will come to the market in the short to medium term in the London City Region and key regional cities around the UK, demonstrating the future need for the work that we do.

This is an exciting moment for our business as we reset for long-term delivery and growth. I am confident that our strategy will enable us to deliver for both shareholders and capital partners who, through their respective investments, help deliver our schemes and benefit the communities who live and work in the places we create.

Top five occupiers as at 31 March 2021

	Annual Rent £'m	% of contracted rent
Sainsbury's Supermarket Ltd	0.5	7.2
B&M Retail Ltd	0.4	5.5
Carpetright Plc	0.3	4.6
Pure Gym Limited	0.3	4.4
JD Wetherspoon PLC	0.2	3.5

Income generating properties – like for like rental income received

Year ended 31 March 2021

	Property owned throughout the year £'000	Acquisitions £'000	Disposals £'000	Total net rental income £'000
Investment	8,157	75	1,268	9,500
Development and trading	3,583	445	497	4,525
Joint ventures	344	-	697	1,041
	12,084	520	2,462	15,066

Year ended 31 March 2020

	Property owned throughout the year £'000	Acquisitions £'000	Disposals £'000	Total net rental income £'000
Investment	8,486	59	4,441	12,986
Development and trading	3,518	149	696	4,362
Joint ventures	188	-	2,981	3,169
	12,192	208	8,118	20,517

Core investment portfolio – 31 March 2021

Gross rental income – tenant profile

1	PLC/Nationals	55.0%
2	Local Traders	35.0%
3	FTSE 100	7.2%
4	Regional Multiples	2.8%

Gross rental income – lease-term profile

1	0-5 years	59.5%
2	10-15 years	23.9%
3	5-10 years	8.7%
4	15-20 years	7.9%

Capital value – location profile

1	London	35.0%
2	South East	51.2%
3	Rest of UK	13.8%

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

During the year Covid-19 impacted all areas of our business and our principal risks. The Risk Management Committee reviewed the heightened risks as a result of the pandemic and the required mitigation strategies.

OUR OPERATIONAL KEY PERFORMANCE INDICATORS

A. MARKET RISK	B. SCARCITY OF VIABLE INVESTMENT AND DEVELOPMENT OPPORTUNITIES
The real estate market is directly linked to the health of the local and national economies. Lack of economic growth, recessionary conditions or economic uncertainty can translate into the negative sentiment towards, and performance of, real estate.	The Group's business is predominantly transactional and requires a flow of PPP, trading and investment opportunities to generate consistent returns. The risk is that the flow of suitably priced opportunities either reduces or stops.
Impact – Lack of liquidity in market may delay the ability to realise planned disposals leading to significantly reduced cash inflows. – Higher occupier risk, leading to significantly reduced values. – Lack of occupier demand, resulting in inability to realise gains.	**Impact** – Inability to source new deals leads to decline in development and trading profits in future years. – Higher pricing of acquisition opportunities leads to reduced ability to add value.
Mitigation – Risk-averse property development strategy, whereby projects are pre-funded, pre-let, or pre-sold where appropriate. – Long maturities of debt finance facilities. – Moderate level of gearing. – Regular meetings with economic forecasters to gauge economic trends.	**Mitigation** – Flexible approach to market opportunities, seeking out sectors where value can be generated and seeking funding partners with different return requirements. – Stringent deal underwriting procedures with minimum return hurdles. – Maintaining broad industry contacts for acquisitions rather than being dependent on a single source of opportunity. – Use of PPP model to secure regeneration opportunities in an innovative way.
Risk exposure change year-on-year → The UK economic fundamentals are highly stretched. The impact of Covid-19 on investment decision-making, together with escalating geopolitical risks and continuing trade uncertainties, continue to overshadow the market.	**Risk exposure change year-on-year** → Opportunities continue to be sourced for development, trading and investment, which satisfy Group underwriting criteria, albeit that the market is running late cycle with yield rents and house prices at historically high levels.

C. COUNTERPARTY RISK	D. BANK FUNDING RISK
Transaction counterparties, be they joint venture partners, purchasers under sale contracts or banks in respect of cash deposits or derivative arrangements, may suffer or fail financially.	The pressure on a large number of traditional real estate lending banks to reduce their exposure to real estate reduces the capacity and liquidity within the lending market and can impact upon the availability of debt to deliver business plans.
Impact – Failure of sales transaction counterparties may lead to an inability to produce trading profits. – Failure of financial counterparties may impact effectiveness of hedging or recoverability of deposits.	**Impact** – Inability to secure funding for new opportunities. – Inability to refinance existing facilities, leading to disposals at the wrong time in business plans and failure to maximise profits. – Unpredictability of cash flows.

Mitigation

- Proof of funding required prior to agreeing sales contracts.
- The Board regularly assesses the creditworthiness of financial counterparties prior to placing deposits and hedging transactions.
- Substantial deposits are required for pre-sold residential developments prior to commencing construction.

Risk exposure change year-on-year

→

The Group continues to have exposure to the private residential market through the development of pre-sold residential units both on and off-balance sheet. The risk of purchasers failing to complete due to the impact of Covid-19 on job security and personal finances at the previous year's heightened levels.

Mitigation

- The Group maintains relationships with a wide range of both bank and non-bank lenders, reducing over-reliance on any one partner.
- The Group is constantly seeking to widen its range of funding sources and liaises regularly with new entrants into the real estate lending market.

Risk exposure change year-on-year

→

Lenders' appetite for development risk, particularly on a speculative continues at the reduced level seen in the recent past in light of the continuing economic impact of both Brexit and the Covid-19 pandemic.

E. CONSTRUCTION RISK

There is a risk of being unable to secure a viable construction contract, post receipt of planning permission.

Real estate construction is subject to the risk of cost overruns, delay and the financial failure of an appointed contractor, which has been exacerbated by new working practices and stalled schemes as a result of Covid-19.

Impact

- Reduced profitability or potential loss on individual projects and/or guarantees being called.
- Construction work ceasing whilst a suitable replacement contractor is found, leading to delays in project completion and a reduction in profit.

Mitigation

- The Group retains in-house experienced project managers throughout the life of individual projects, to ensure that costs are appropriately budgeted and timetables are adhered to, hence the impact of these risks is minimised.
- The Group performs appropriate pre-contract due diligence on the capabilities and financial security of its material contractors and key sub-contractors.
- The Group continually monitors the financial position of key contractors to anticipate financial difficulties.
- If issues arise with contractors, the Group uses its professional teams and in-house expertise to mitigate the impact.
- The Group requires detailed design and specification throughout the tender process to enable it to maximise the risk transfer to contractors.
- The Group requires that all construction contracts include provisions for liquidated ascertained damages in the case of performance failures by contractors and that contractors provide performance bonds, typically to a level of 10% of the contract sum.

Risk exposure change year-on-year

→

Uncertainty over the availability of EU nationals working in the UK post the UK's exit from the EU is leading to construction workforce shortages and increasing labour costs. These are both impacting upon pricing and making the placement of construction contracts more difficult in terms of cost certainty and hence margin.

The risk of delays to construction due to new imposed social distancing working practices, in response to Covid-19 continues.

F. PLANNING RISK

Procuring appropriate and valuable planning consents is often a key element of value creation through property development.

Securing planning permission in a changing political and regulatory environment is a complex and uncertain process, with applications subject to objection from a wide range of potential stakeholders, and hence prone to delay, modification and rejection.

Impact

- Failure to secure planning consent can either cause delay or render a project unviable/unprofitable and lead to the write-off of considerable costs or reduced profit potential.

Mitigation

- The Group retains a team with a strong track record of achieving planning consents and an extensive local knowledge, supplemented by advisors and sector specialist partners, to maximise the chance of success and reduce the risks and costs of failure.
- An alternative exit strategy is always considered in case of planning failure.
- The Group's PPP model seeks to build partnerships with local statutory and planning authorities as a way of mitigating risk.

Risk exposure change year-on-year

→

The political landscape and planning decisions continue to be the battleground on which disagreements over social issues play out. The ever increasing financial strain on local authorities is also manifesting itself in under-resourcing of planning departments. Taken against a backdrop of ever-increasing complexity in both projects and planning regulations, especially in respect of mixed-use schemes with greater density, there is an urgent need to professionalise planning departments.

VIABILITY STATEMENT

Introduction

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

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

Assessment period

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

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

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

Consideration of principal risks

The nature of the Group's business and the industry in which it operates expose it to a variety of risks. The principal risks and uncertainties facing the Group are detailed above. The Board regularly reviews the principal risks and assesses the appropriate controls and mitigating actions required to manage the operations of the Group within an appropriate risk environment. This year has seen the persistence of Covid-19 as a material risk that continues having a significant impact upon all businesses and economies as well as upon the key drivers in delivering U+I's business model. The Board has further considered these risks' impact within the context of the Group's viability.

Assumptions

In assessing the long-term viability of the Group, the Board has produced a scenario using the following assumptions:
- Property investment valuations continue to be broadly stable with no prolonged significant downwards movements following those of the previous three years.
- The Group continues to be able to deliver cash-backed development and trading gains from its existing portfolio of projects sufficient to meet its operational requirements, principally driven by securing new planning permissions.
- The Group continues to be able to source new business opportunities capable of delivering both short-term trading gains and longer-term development gains to replace existing projects as they are exited.
- The Group continues with its policy of having a mixture of long-term debt associated with its long-term investment portfolio and shorter-term stand-alone debt associated with its development and trading projects.
- The Group continues to be able to source both replacement and new debt facilities as they are required from both existing and new lenders.
- The Group continues with its policy of maintaining a broad range of counterparties, including financial, contractor and purchaser, to mitigate the impact of potential counterparty failure.
- The Group continues its policy of de-risking developments by obtaining forward-funding for larger schemes and only carrying out limited on-balance sheet development.
- Construction contracts are entered into on a guaranteed maximum price basis where possible.
- The Group maintains gearing in accordance with its policy.

In performing this scenario assessment, the Group would still be able to continue to meet its day to day liabilities as they fall due over the five-year period. Although the review does not consider all of the risks that the Group may face, the Directors consider this scenario is reasonable in the circumstances of the inherent uncertainty involved. The Board believes that the Group's strategy of maintaining a broad portfolio of development and trading projects, a core investment portfolio and a diverse range of financial and operational counterparties provides the Group with a strong platform on which to continue its business.

A material uncertainty exists as at 31 March 2021 when the severe but plausible downside is applied, however when applying the Group's five year look forward forecast, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period to March 2026.

In considering the Group's adoption of the going concern basis, the Group's business model was stress-tested to produce a severe but plausible downside scenario over the short term, to simulate the impact of a deterioration in both economic and market conditions. Consideration was given to the following:
- Property valuations fall by a further 15% over the next twelve months and the resultant impact upon gearing covenants and cash levels if cash collateralisation of a loan facility is required.
- No new business opportunities are entered into over the next five years – hence the only profits and related cash that can be generated are from existing schemes and the majority of projects monetise over a five-year period, subject to an appropriate delay over the next twelve months relating to the potential impact of Covid-19 on investment markets.
- Debt facilities were stress-tested to see how much property valuations would need to fall before loan covenants would be breached

and how much cash or additional properties would be required to cure any loan covenant defaults.

- Rent collection rates continue to be severely reduced for the next twelve months as a result of the impact of the Covid-19 pandemic.
- Other than contracted receipts, there are no significant cash generating disposals over the next twelve months. Following which disposals proceed on a more regular basis i.e. deferral rather than loss of receipt.
- Consideration was given to whether the factors above enabled debt facilities to be repaid when they fall due.

Only the specific severe but plausible scenario previously detailed would indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Refer to the Board Statement in relation to going concern on page [150]. The Consolidated financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

FINANCIAL REVIEW

RESULTS FOR THE YEAR

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

	2021	2020
Development and trading (losses)/gains	**(£39.1)m**	£11.0m
Basic net asset value (NAV)	**£202.9m**	£289.6m
Basic NAV per share	**163p**	232p
Total declared dividends per share	**–**	2.4p
Loss before tax	**(£86.7)m**	(£58.6)m
Balance sheet gearing	**35.5%**	44.9%

The loss before tax for the year ending 31 March 2021 was £86.7 million (2020: £58.6 million loss), after development and trading losses (including joint ventures) of £39.1 million.

Development and trading loss

During the year, we realised net development and trading losses (including joint ventures) of £39.1 million. The key points to note are:

The Group acquired the shareholding 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 student element at the Preston Barracks site, which was developed out by Scape, has now opened enabling the Group to recognise a profit of £3.4 million during the year. Gains of £2.2 million were also recognised on completion of the residential site at Circus Street and the leisure scheme in Sittingbourne.

The sale of the Arts Building concluded in January 2021. A loss on sale of £2.4 million was recognised on disposal.

The Group has recognised a total impairment loss of £10.6 million in the year following the termination of the Spectre 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 and would have required significant further investment over a prolonged period of time.

As previously announced, the Group has carried out a 100-day portfolio review to critically appraise and 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. The Group has reviewed the net realisable value of non-core assets and has recognised development and trading and financial asset impairments across 12 different projects in the year.

These impairments include:

- £6.3 million 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.
- £5.5 million against the development in Slough where local power infrastructure costs and other factors deem the current scheme unviable.
- A further impairment of £7.9 million has also been made against our Bromley mixed-use scheme. The commercial element has been impacted by Covid-19 which has had a direct impact on the value of the asset.

Development and trading gains, including joint ventures, can be analysed as follows.

	2021 £m	2020 £m
Included in segmental analysis:		
Development and trading segment result	**(27.5)**	(17.7)
Share of results of joint ventures	**(1.1)**	(4.9)
Sale of investments	**0.1**	9.8
Impairment of Spectre JV	**(10.6)**	–
Adjustment in respect of legacy assets	**–**	20.1
Impairment of Dublin bid costs	**–**	3.7
	(39.1)	11.0

Investment property portfolio

The Group continued its policy of selectively disposing of investment property assets. During the year, the Group disposed of Swanley Shopping Centre, Vicus in Manchester and Belsize Park in London with a combined book value of £16.9m.

The Group's historic investment portfolio does still have a retail bias and as such it has suffered a £18.9 million decline in values during the year, heavily impacted by the Covid-19 pandemic with many assets unable to operate for a large part of the year. Overall, we have seen a 15.1% decline in values on a like-for-like basis, as market sentiment outweighed asset fundamentals, especially for retail property outside London and the South East.

Overheads
The overheads during the year comprised.

	2021 £m	2020 £m
Group overheads (including depreciation)	**21.1**	19.4
Non-recurring staff costs	**(3.3)**	(0.5)
Group restructuring costs	**(0.8)**	–
LTIP (charge)/credit	**(0.6)**	2.3
Discretionary bonuses	**(0.9)**	(0.2)
Recurring overheads excluding discretionary bonuses	**15.5**	21.0
Income from specialist platforms	**(1.5)**	(1.9)
Net recurring overheads	**14.0**	19.1

We remain rigorously focused on maintaining capital discipline and strengthening the balance sheet. During the year, the Group completed its redundancy program, significantly reducing the staff head count and terminating a number of temporary contracts and consultancy arrangements. This smaller team, along with more flexible working practices, means we are looking to reduce our office requirement and associated costs further. Our Howick Place lease is currently on the market.

An internal restructure of the Group corporate structure has also now completed. The Group has continued to rationalise the number of entities, including entities held in off-shore structures. The restructure will deliver cost savings associated with the volume of entities and associated professional fees, estimated at £0.4 million per annum.

We will continue to monitor the efficiencies programme to ensure that we manage our recurring overheads as effectively as possible, whilst identifying further opportunities for efficiencies, both this financial year and in the longer term.

Net finance costs
Net finance costs for the year of £12.8 million (2020: £12.7 million) include a foreign exchange gain of £1.8 million (2020: £1.1 million loss) in respect of the retranslation of Euro-denominated loans and deposits.

For entities where the reporting currency is in Euros, retranslation differences are charged to reserves. The movement for 2021 was a loss of £0.1 million (2020: £0.2 million gain). The net impact of these movements on NAV during the year was a £1.7 million gain (2020: £0.9 million loss).

BALANCE SHEET

The key balance sheet movements are summarised below:

	2021 £m	2020 £m	Comment
Non-current assets			
Investment properties	**95.5**	130.6	– Disposed of three assets with a book value of £16.9m – Valuation decline of £18.9m
Investment in joint ventures	**60.6**	64.2	– Cash invested of £13.5m – Disposal of joint venture interest in Shepherds Bush – £10.6m loss relating to Spectre joint venture
Financial assets (total)	**20.0**	25.8	– First instalment of Harwell loan notes received £3.5m – £2.1m proceeds received in repayment and disposal of medical centre at Preston Barracks
Current assets			
Inventory	**81.9**	137.7	– Additions – £14.0, disposals – £42.0m, impairments – £27.8m
Financial assets (total)	**20.4**	29.9	– Repayment of Preston Barracks student housing loan of £3.0m – £5.3m impairment of Northpoint loan
Trade receivables	**26.4**	66.3	– Proceeds from Harwell sale received in April 2020 – £36.3m
Monies held in restricted deposits	**43.2**	29.4	– Net proceeds from sale of Swanley retained by lender – £10.7m
Liabilities			
Total borrowings	**135.4**	161.1	– £16.9m of new bank debt drawn down – £40.5m of loans repaid

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

As a result, depending on the purchase and disposal activity around the year end, there may be large differences between the level of receivables and payables from one balance sheet to the next and consequently can cause a significant variation in cash balances from one balance sheet date to the next.

The disposal of our interest in the Harwell joint venture transacted on 31 March 2020. Initial net proceeds of £28.8 million were received in April with a further £14.0 million of unconditional deferred consideration to be received in equal instalments over the following four years, the first instalment of £3.5 million being received in March 2021.

GROUP'S BANK FACILITIES

Debt

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

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

								Principal financial highlights
Facility type	Notes	Utilised as at 31 March 2021 £'000	Total facility	Interest rate	Maturity	Loan to value ratio (LTV)	Interest cover ratio (ICR)[1]	Minimum net worth[1] £'000
On Balance Sheet Loans								
Investment facilities								
Term loan – investment properties	2	4,750	£19,710	Variable	25-Mar-22	50%	110%	–
Term loan – Plus X /other assets	3	13,500	£13,500	Variable	1-Jul-22	–	–	180,000
Term loan – Aviva assets	4	64,183	£66,667	Fixed	5-Dec-32	75%	125%	–
Development and trading facilities								
Term loan – Bromley residential		2,107	£26,000	Fixed	31-Jan-19	–	–	–
Term loan – White Heather, Dublin		~9,853	€11,565	Variable	13-Dec-22	70%	–	100,000
Term loan – Dublin Industrial Estate		~2,454	€2,880	Fixed	28-Mar-23	70%	–	100,000
Corporate facility								
Loan notes	5	~40,041	€47,000	Cap	24-Apr-24	–	–	–
Joint Venture Loans	6							
Development facilities								
Term loan – Kensington Church Street		13,596	£26,000	Variable	31-Dec-21	60%	125%	100,000
Term loan – Mecca Bingo		5,100	£5,610	Cap	30-Jun-21	60%	175%	–
Term loan – Keighley & Barnsley	7	4,399	£4,000	Fixed	09-Nov-21	–	–	–
Term loan – Hendy Wind Farm		9,611	£16,674	Variable	31-Dec-22	–	120%	–

1. Interest cover ratios (ICR) are specific to the loan and the relevant property. Minimum net worth refers to the net asset value of the Group per its latest balance sheet (31 March or 30 September).
2. The loan has been fully repaid since the year end.
3. The bank has temporarily reduced the minimum net worth covenant from £240.0 million to £180.0 million until 31 March 2022.
4. Due to deferred rental collection arrangements, as a result of Covid-19, this loan is currently in breach of its ICR covenant. We are in discussion with the lender to formalise a waiver while rental receipts are being deferred. A loan repayment of £5.0 million was made against this facility in May 2021.
5. These unsecured, variable rate loan notes are denominated in Euros, with a nominal value of €47 million. A repayment against this facility of €11.8 million was made in April 2021.
6. Loans relating to joint ventures represent the total loan facility and not the Group's share.
7. This facility has the provision to allow interest to be rolled into the loan. A loan repayment of £2.5m was made against this facility in April 2021.

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

Debt covenants are monitored on a quarterly basis and the Group maintains a constant dialogue with all its lenders.

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

- Drawdown of new £13.5 million investment facility charged against the Plus X Building at Preston Barracks and various other assets. A capital repayment of £3.5 million was made on 31 March 2021 in line with the facility however the bank did not apply the repayment against the loan until April 2021.
- Our White Heather Euro facility was extended during the year and a further €3.1 million was drawn down.
- The term of the Group's €47.0 million, unsecured loan notes was extended by three years to April 2024. A €11.8m loan repayment has been made since the year end.
- Repayment of £16.8 million of The Arts Building facility on sale in January 2021.
- £8.7 million investment property loan repayment on disposal of Gemini Building at Harwell, Vicus in Manchester and Belsize Park in London.
- £12.6 million loan repayment in respect of the Bromley facilities as residential units were sold during the year.

Our debt policy has been reviewed during the year and can be summarised as follows:

- Longer-term fixed rate facilities are used to fund longer-term income-producing assets. Target loan to value (LTV): 60-70%.
- Shorter-term asset-specific debt aligned to the business plan for shorter-term trading assets. Target LTV: 50-55%.
- Euro-denominated debt acts to hedge Euro-denominated assets in Dublin and will be gradually repaid as Euro exposure decreases.
- The Group has no specific debt on non-income producing assets or investments into PPP schemes.
- Joint venture arrangements are designed to leverage both our operational expertise and our balance sheet. When acting with third-party capital we deploy asset-specific debt, which is often at a higher LTV (65-75%), reflecting the risk appetite and cost of capital of our partners.

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

	Target	**2021**	2020
Gearing (excl. share of JVs)	25-35%	**35.5%**	44.9%
Gearing (incl. share of JVs)	35-45%	**37.9%**	80.4%

During the year, following the disposal of our Shepherds Bush Market joint venture interest and the sale of the Manchester Ski Slope asset and repayment their associated debt, the look through gearing has substantially reduced and is converging towards the on-balance sheet level.

The Group maintains a mix of variable and fixed rate facilities to provide a degree of certainty whilst also benefiting from historically low interest rates. Longer-term facilities tend to be structured with fixed rates.

		2021	2020
Group net debt and gearing:			
Gross debt	£m	**(135.4)**	(161.0)
Cash and cash equivalents	£m	**63.3**	31.1
Net debt	£m	**(72.1)**	(129.9)
Net assets	£m	**202.9**	289.6
Gearing	%	**35.5**	44.9
Weighted average debt maturity	years	**6.7**	5.9
Weighted average interest rate	%	**5.7**	4.7
Including joint ventures:			
Share of net debt in joint ventures	£m	**(4.8)**	(102.9)
Gearing	%	**37.9**	80.4
Weighted average debt maturity	years	**6.3**	3.7
Weighted average interest rate	%	**5.4**	5.6

Post the partial repayment of the Euro denominated loan notes in April 2021, the weighted average interest rate on balance sheet debt has reduced from 5.7% to 5.5%

Monies held in restrictive accounts and deposits
As at 31 March 2021 the Group held £43.2 million of restricted cash deposits (2020: £29.4 million). Restricted cash deposits primarily arise as a result of the operation of certain of the Group's debt facilities where, on disposal of an asset charged to the facility, the lender temporarily retains the sale proceeds as security pending reinvestment. The restricted cash deposits are deemed to be directly attributable to associated debt facility and as such are reported under financing activities in the Group's Consolidated cash flow statement.

Included in the balance above is £3.5m associated with the Group's £13.5 million investment facility. Under the terms of the facility, the Group repaid £3.5 million on 31 March 2021. The bank, however, did not apply the repayment against the loan until 5 April 2021. The Group's £3.5m repayment is therefore included in restricted cash at 31 March 2021 and the loan balance is £13.5 million.

In May 2021, the Group restructured the Aviva investment portfolio debt facility. Property assets previously charged under the Group's Barclays facility were substituted into the Aviva facility. As a result, £13.2 million of Aviva restricted cash was released, £5.0 million of the Aviva facility and the entire £4.8 million Barclays facility were repaid. £24.5 million remains restricted in relation to the Aviva facility.

Joint venture arrangements
The Group has a policy of working with joint venture partners as a way of leveraging our equity so we can participate in projects that would otherwise be too large for our balance sheet.

During the year, the Group restructured its joint venture investment in Shepherds Bush Market, generating a gain of £3.7 million and also recognised a gain of £1.1 million when the joint venture disposed of the Manchester ski slope. Additionally, the Group exited its Spectre joint venture with Colony Capital.

The Group's principal remaining joint ventures relate to Kensington Church Street in London and Mayfield in Manchester.

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

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

For the financial year the underlying tax rate, including deferred taxes, was (1.02)%. The Group's tax rate is sensitive to both geographical location of profits and business activity from which the profits are derived. Future year effective tax rates will be susceptible to the overall Group leverage position, and the interaction thereof with the UK Corporate Interest Restriction rules and international equivalents.

Dividends

In July 2020, given the economic uncertainty created by the Covid-19 pandemic, the Board suspended the payment of dividends in order to preserve cash reserves. The pandemic has caused delays in completing transactions, reduced market confidence leading to cautious decision making as well as planning delays all of which has significantly impacted the Group's performance. As such, the Board is not recommending the payment of a final or supplemental dividend in respect of the year ending 31 March 2021.

The Board will revisit this temporary measure at the next reporting date.

Foreign currency movements

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

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

At 31 March 2021, the Group had net Euro-denominated liabilities of €37.4 million (2020: €40.1 million).

During the year, the value of Sterling against the Euro has continued to fluctuate following the UK's exit from the EU and the continuing global economic crisis as a result of the Covid-19 pandemic, albeit improved since 31 March 2020. The impact on our NAV during the period was a gain of £1.7 million, which is the net result of a gain of £1.8 million recorded in finance income in the profit and loss account and a loss through reserves of £0.1 million. The deficit in Group's foreign currency hedging strategy arises as the Group has been in a net Euro liability position during the year.

Marcus Shepherd
Chief Financial Officer
25 May 2021

Five-year summary

		31 March 2021	31 March 2020	31 March 2019*	31 March 2018	31 March 2017
Revenue	£m	**45.8**	70.0	160.1	173.7	123.9
(Loss)/profit before taxation	£m	**(86.7)**	(58.6)	6.3	48.2	(1.7)
Net assets	£m	**202.9**	289.6	360.1	379.3	347.6
(Loss)/earnings per share	Pence	**(70.2)**	(44.5)	4.2	32.2	(2.4)
Net assets per share	Pence	**163**	232	289	303	278

* 13-month period to 31 March 2019.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	**Year ended 31 March 2021 £'000**	Year ended 31 March 2020 £'000
Revenue	2	**45,793**	70,049
Direct costs	2	**(69,086)**	(80,556)
Gross loss	2	**(23,293)**	(10,507)
Operating costs	2	**(21,073)**	(19,417)
Loss on disposal of investment properties	2	**(902)**	(960)
Loss on revaluation of property portfolio	6	**(18,886)**	(13,451)
Operating loss		**(64,154)**	(44,335)
Other income		**1,466**	1,932
Share of post tax losses of joint ventures and associates	7	**(11,561)**	(13,245)
Profit from sale of investments	2	**387**	9,710
Profit on sale of other plant and equipment		**–**	4
Loss before interest and income tax		**(73,862)**	(45,934)
Finance income	3(a)	**1,786**	652
Finance costs	3(b)	**(14,608)**	(13,349)
Loss before income tax		**(86,684)**	(58,631)
Income tax		**(844)**	3,203
Loss for the year		**(87,528)**	(55,428)
Other comprehensive income			
Loss for the year		**(87,528)**	(55,428)
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		**(76)**	161
Revaluation of operating property		**35**	10
Total comprehensive loss for the year		**(87,569)**	(55,257)
Basic loss per share attributable to the Parent*	5	**(70.2p)**	(44.5p)
Diluted loss per share attributable to the Parent*	5	**(70.2p)**	(44.5p)

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

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

CONSOLIDATED BALANCE SHEET
As at 31 March 2021

	Notes	**31 March 2021** £'000	**31 March 2021** £'000	31 March 2020 £'000	31 March 2020 £'000
Non-current assets					
Direct real estate interests					
Investment properties	6	**95,517**		130,578	
Operating property		**675**		700	
Right-of-use assets		**35,686**		38,704	
Trade and other receivables		**3,390**		5,398	
			135,268		175,380
Indirect real estate interests					
Investments in associates	7	**3,797**		5,463	
Investments in joint ventures	7	**60,641**		64,242	
Intangible assets – goodwill		**2,328**		2,328	
Financial assets at amortised cost		**7,000**		10,500	
Financial assets at fair value through profit or loss		**11,803**		14,092	
Financial assets at fair value through other comprehensive income		**1,158**		1,173	
			86,727		97,798
Other non-current assets					
Other plant and equipment		**3,244**		4,461	
Deferred income tax assets		**9,770**		10,042	
			13,014		14,503
Total non-current assets			**235,009**		287,681
Current assets					
Inventory – development and trading properties	8	**81,883**		137,654	
Financial assets at amortised cost		**7,300**		16,143	
Financial assets at fair value through profit or loss		**13,138**		13,788	
Trade and other receivables		**26,403**		66,308	
Monies held in restricted accounts and deposits		**43,171**		29,393	
Cash and cash equivalents		**20,094**		1,741	
			191,989		265,027
Total assets			**426,998**		552,708
Current liabilities					
Trade and other payables		**(36,790)**		(48,308)	
Current income tax liabilities		**(593)**		–	
Borrowings	9	**(10,733)**		(16,312)	
Lease liabilities		**(5,607)**		(5,517)	
Provisions		**(1,211)**		(9)	
			(54,934)		(70,146)
Non-current liabilities					
Borrowings	9	**(124,663)**		(144,752)	
Lease liabilities		**(34,246)**		(36,878)	
Deferred income tax liabilities		**(10,226)**		(10,305)	
Provisions		**–**		(1,046)	
			(169,135)		(192,981)
Total liabilities			**(224,069)**		(263,127)
Net assets			**202,929**		289,581
Equity					
Share capital		**62,716**		62,716	
Share premium		**104,590**		104,590	
Other reserves		**52,668**		51,792	
Retained earnings		**(17,045)**		70,483	
Total equity			**202,929**		289,581
Basic/diluted net assets per share attributable to the owners of the Parent	5		**163p/163p**		232p/232p

Approved and authorised for issue by the Board of Directors on [25 May 2021] and signed on its behalf by:
R Upton (Director)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Notes	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 March 2019		62,716	104,590	54,457	138,382	360,145
Profit for the year ended 31 March 2020		–	–	–	(55,428)	(55,428)
Other comprehensive income:						
– Revaluation of operating property		–	–	10	–	10
– Currency translation differences		–	–	161	–	161
Total comprehensive income/(expense) for the year ended 31 March 2020		–	–	171	(55,428)	(55,257)
Share-based payments (net movement)		–	–	(2,628)	–	(2,628)
Treasury shares (net movement)		–	–	(208)	–	(208)
Final dividend 2019	4	–	–	–	(4,358)	(4,358)
Supplemental dividend 2019	4	–	–	–	(5,107)	(5,107)
Interim dividend 2020	4	–	–	–	(3,006)	(3,006)
Total distributions to owners of the Company		–	–	(2,836)	(12,471)	(15,307)
Balance at 31 March 2020		62,716	104,590	51,792	70,483	289,581
Loss for the year ended 31 March 2021		–	–	–	(87,528)	(87,528)
Other comprehensive income:						
– Revaluation of operating property		–	–	35	–	35
– Currency translation differences		–	–	(76)	–	(76)
Total comprehensive expense for the year ended 31 March 2021		–	–	(41)	(87,528)	(87,569)
Share-based payments (net movement)		–	–	475	–	475
Treasury shares (net movement)		–	–	442	–	442
Total distributions to owners of the Company		–	–	917	–	917
Balance at 31 March 2021		**62,716**	**104,590**	**52,668**	**(17,045)**	**202,929**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2021

	Notes	**31 March 2021 £'000**	31 March 2020 £'000
Cash generated from operations			
Cash flows generated from operating activities	10	**54,722**	11,930
Interest paid		**(12,667)**	(8,778)
Income tax received		**24**	1
Net cash generated from operating activities		**42,079**	3,153
Cash flows from investing activities			
Interest received		**2,298**	70
Proceeds on disposal of other plant and equipment		**111**	4
Proceeds on disposal of investment properties		**16,702**	19,998
Proceeds from sale of investments		**3,224**	395
Purchase of other plant and equipment		**(344)**	(692)
Purchase of investment properties		**(755)**	(3,795)
Investment in joint ventures		**(15,259)**	(5,633)
Cash inflow from joint ventures and associates – repayment of loan		**3,628**	16,244
Cash outflow for financial asset loans		**(66)**	(1,954)
Cash inflow from financial assets – loans repaid by other real estate businesses		**9,426**	950
Net cash generated from investing activities		**18,965**	25,587
Cash flows from financing activities			
Dividends paid		**–**	(12,471)
Purchase of treasury shares		**–**	(208)
Repayments of borrowings		**(40,536)**	(22,851)
New bank loans raised		**16,943**	1,297
Transaction costs associated with borrowings		**(786)**	(62)
Lease payments		**(4,534)**	(4,063)
Cash released from restricted accounts		**2,160**	2,075
Cash retained by restricted accounts		**(15,938)**	(22,627)
Net cash used in financing activities		**(42,691)**	(58,910)
Net increase/(decrease) in cash and cash equivalents		**18,353**	(30,170)
Cash and cash equivalents at the beginning of the year		**1,741**	31,911
Cash and cash equivalents at the end of the year		**20,094**	1,741

Cash and cash equivalents comprise:			
Cash at bank and in hand		**20,094**	1,741
Bank overdrafts		**–**	–
Cash and cash equivalents at the end of the year		**20,094**	1,741

Net debt comprises:			
Monies held in restricted accounts and deposits		**43,171**	29,393
Cash and cash equivalents		**20,094**	1,741
Financial liabilities:			
– Current borrowings	9	**(10,733)**	(16,312)
– Non-current borrowings	9	**(124,663)**	(144,752)
Net debt		**(72,131)**	(129,930)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

1 Basis of preparation and accounting policies
a)
(i) General information
The Consolidated financial statements of the Group for the Year ended 31 March 2021 comprise the results of U and I Group PLC and its subsidiaries and were authorised by the Board for issue on 25 May 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.

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

The financial position of the Group, its cash flows and liquidity are described in the Financial Review. Note 9 details the Group's borrowing facilities. The Directors have considered the Group's financial risk management objectives 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 Consolidated financial statements. Accordingly, the Group continues to adopt the going concern basis in preparing its Consolidated financial statements.

The Group has also forecast a severe but plausible downside scenario in making its assessment of going concern. This forecast reflects the potential impact of more adverse economic and market events and in particular the impact of Covid-19 on its ability to dispose of assets, levels of rent collection, valuation of investment properties and availability of 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 31 March 2021, with a requirement to post additional collateral of either cash or properties to cure any resultant LTV covenant 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 expenditure for the next twelve months, the majority of which is discretionary.
- Leveraging several of the assets which would no longer assumed to be sold.

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

b) Basis of preparation
The Group's consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies to the European Union. The accounting policies which follow set out those policies which were applied consistently in preparing the financial statements for the years ended 31 March 2021 and 31 March 2020.

The Consolidated financial statements have been prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of investment property, operating property, financial assets classified as fair value through profit or loss (FVPL) or fair value through other comprehensive income (FVOCI), financial liabilities and derivative instruments at fair value through profit and loss.

The financial information included in the preliminary announcement does not constitute statutory Consolidated financial statements of the Group for the years ended 31 March 2021 and 31 March 2020 but is derived from those Consolidated financial statements. Statutory Consolidated financial statements for 2020 have been delivered to the registrar of companies and those for 31 March 2021 will be delivered in due course. The auditors have reported on those financial statements; their reports were (i) unmodified, (ii) did not include a reference to any matters which the auditors drew attention by way of emphasis without modifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

c)

(i) Significant changes in the current reporting year

The financial position and performance of the Group was particularly affected by the following events and transactions in the reporting period:

- The Covid-19 pandemic has impacted development and trading gains and Group results as at 31 March 2021. The pandemic has caused delays to project timelines and third-party decision-making, directly impacting the realisation of development and trading gains for the Group. In light of this, the Group has temporarily suspended dividend payments. This will be reviewed in the financial year ended 31 March 2022.

(ii) Material profit or loss items

The Group has identified a number of items which are material due to the significance of their nature or amount. These have been listed below to provide a better understanding of the financial performance of the Group.

- Investment property valuations have declined by £18,886,000 over the twelve months to 31 March 2021. 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 £3,439,000 has been recognised in the year.
- The Group has recognised a loss of £10,548,000 in respect of the Spectre joint venture with Colony Capital.
- The Directors have carried out an impairment review in respect of the development and trading portfolio's net realisable value. This review has identified £27,806,000 of impairments across ten different schemes.

d) Critical accounting judgements and estimates

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

Judgements other than estimates

1.1 Classification of directly owned property assets

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

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

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

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

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

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

1.2 Classification of projects in partnership

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

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

1.3 Acquisition of subsidiaries

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

1.4 Leases
Under IFRS 16, 'Leases', the Group is required to make judgements and estimates in respect of the following:

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

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

Estimates
1.5 Valuation of property assets
The key source of estimation uncertainty rests in the values of property assets, which affects several categories of assets in the Consolidated balance sheet.

The investment portfolio (and the operating property) are stated at fair value, which requires a number of judgements and estimates in assessing the qualities of the Group's assets relative to market transactions. In addition, valuers have needed to assess the implications of Covid-19 on the values of property assets, estimating the impact of unit closures and the risk of tenant default. Valuers have carried out their valuation assessments using RICS guidance on Covid-19.

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

The Group's development and trading properties are carried at the lower of cost and net realisable value. The determination of net realisable value relies upon similar estimates, with the added challenge, in some cases, of judgements about uncertain planning outcomes. These amounts are disclosed in note 8.

1.6 Impairment reviews
The Group has 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.

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

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

1.9 Revenue
The Group develops and sells properties. The development or sale contract will specify certain conditions which need to be satisfied and considered highly probable in order for revenue to be recognised. The Directors need to consider the terms within each contract in order to determine the amount and when revenue is recognised. The Directors will also need to consider the certainty surrounding the payment of contingent or variable consideration.

2 Segmental analysis
The segmental information presented consistently follows the information provided to the CODM and reflects the two sectors in which the Group operates. The CODM, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Senior Management Team. The Group is organised into two operating divisions, whose principal activities are as follows:
Investment – management of the Group's investment portfolio, generating rental income and valuation surpluses from property management; and
Development and trading – managing the Group's development and trading projects. Revenue is received from project management fees, development profits and the disposal of inventory.

These divisions are the basis on which the Group reports its primary segmental information. All operations occur and all assets are located in the United Kingdom, except assets of £17,903,000 (2020: £69,851,000) which are located in the Republic of Ireland. All revenue arises from continuing operations.

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

Year ended 31 March 2021	Investment £'000	Development and trading £'000	Total £'000
Segment revenue	**10,444**	**35,349**	**45,793**
Direct costs	**(6,278)**	**(62,808)**	**(69,086)**
Segment result	**4,166**	**(27,459)**	**(23,293)**
Operating costs	**(1,141)**	**(12,141)**	**(13,282)**
Unallocated overhead costs			**(7,791)**
Loss on disposal of investment properties	**(902)**	**–**	**(902)**
Loss on revaluation of property portfolio	**(18,886)**	**–**	**(18,886)**
Operating loss			**(64,154)**
Other income	**308**	**1,158**	**1,466**
Share of post tax losses of joint ventures and associates	**(10,455)**	**(1,106)**	**(11,561)**
Profit on sale of investment	**325**	**62**	**387**
Loss before interest and income tax			**(73,862)**
Finance income	**18**	**1,768**	**1,786**
Finance costs	**(6,544)**	**(8,064)**	**(14,608)**
Loss before income tax			**(86,684)**
Income tax			**(844)**
Loss for the year			**(87,528)**
Assets and liabilities			
Segment assets	**149,158**	**236,195**	**385,353**
Unallocated assets			**41,645**
Total assets			**426,998**
Segment liabilities	**(93,686)**	**(109,968)**	**(203,654)**
Unallocated liabilities			**(20,415)**
Total liabilities			**(224,069)**

Year ended 31 March 2021	Investment £'000	Development and trading £'000	Total £'000
Other segment information			
Capital expenditure	**833**	**89**	**922**
Unallocated capital expenditure			**177**
Impairment of assets	**–**	**(27,806)**	**(27,806)**
Depreciation	**(565)**	**(1,066)**	**(1,631)**
Unallocated depreciation			**(2,544)**
Development and trading expenditure	**–**	**14,574**	**14,574**
Revenue			
Rental income	**9,500**	**4,525**	**14,025**
Serviced office income	**910**	**–**	**910**
Development proceeds	**–**	**30,789**	**30,789**
Other	**34**	**35**	**69**
	10,444	**35,349**	**45,793**

In the year ended 31 March 2021, three projects with turnover totalling £23,681,000 generated in excess of 10.0% of total revenue and fell within the development and trading segment.

Year ended 31 March 2020	Investment £'000	Development and trading £'000	Total £'000
Segment revenue	15,238	54,811	70,049
Direct costs	(8,063)	(72,493)	(80,556)
Segment result	7,175	(17,682)	(10,507)
Operating costs	(841)	(10,494)	(11,335)
Unallocated overhead costs			(8,082)
Loss on disposal of investment properties	(960)	–	(960)
Loss on revaluation of property portfolio	(13,451)	–	(13,451)
Operating loss			(44,335)
Other income	432	1,500	1,932
Share of post tax losses of joint ventures and associates	(8,385)	(4,860)	(13,245)
(Loss)/profit on sale of investment	(59)	9,769	9,710
Unallocated profit on sale of other plant and equipment			4
Loss before interest and income tax			(45,934)
Finance income	136	516	652
Finance costs	(4,086)	(9,263)	(13,349)
Loss before income tax			(58,631)
Income tax			3,203
Loss for the year			(55,428)
Assets and liabilities			
Segment assets	176,236	342,043	518,279
Unallocated assets			34,429
Total assets			552,708
Segment liabilities	(80,652)	(157,612)	(238,264)
Unallocated liabilities			(24,863)
Total liabilities			(263,127)

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

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

	31 March 2021 £'000	31 March 2020 £'000
Unallocated assets can be analysed as follows:		
Other plant and equipment	**3,089**	4,306
Right-of-use assets	**8,020**	9,522
Trade and other receivables	**6,426**	10,221
Deferred income tax asset	**9,770**	10,042
Cash and cash equivalents	**14,340**	338
	41,645	34,429

Unallocated liabilities can be analysed as follows:		
Current borrowings	**(17)**	(17)
Lease liabilities	**(8,595)**	(10,299)
Trade and other payables	**(1,577)**	(4,242)
Deferred income tax liability	**(10,226)**	(10,305)
	(20,415)	(24,863)

3 Finance income and costs
a) Finance income

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Interest receivable on loans and deposits	**3**	457
Interest receivable on lease assets	**31**	195
Net foreign currency differences arising on retranslation of cash and cash equivalents	**1,752**	–
	1,786	652

b) Finance costs

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Interest on bank loans and other borrowings	**(11,521)**	(9,049)
Amortisation of transaction costs	**(633)**	(540)
Net foreign currency differences arising on retranslation of cash and cash equivalents	**–**	(1,073)
Interest on lease liabilities	**(2,454)**	(2,687)
Total finance costs	**(14,608)**	(13,349)
Net finance costs	**(12,822)**	(12,697)
Net finance costs before foreign currency differences	**(14,574)**	(11,624)

No interest was capitalised during the year. £1,886,000 of capitalised interest (2020: £2,549,000) was written off in the year. The tax treatment of capitalised interest follows the accounting treatment.

4 Dividends

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Declared and paid during the year		
Equity dividends on Ordinary shares:		
Final dividend for 31 March 2020: nil pence per share (2019: 3.50 pence per share)	**–**	4,358
Interim dividend for 31 March 2021: nil pence per share (2020: 2.40 pence per share)	**–**	3,006
Supplemental dividend for 31 March 2020: nil pence per share (2019: 4.10 pence per share)	**–**	5,107
	–	12,471

Given the Group's financial performance, the Board is not recommending the payment of a final or supplemental dividend in respect of the year ended 31 March 2021. The suspension of dividends will be reviewed at the next reporting date.

5 Earnings per share and net assets per share

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Loss		
Loss for the purpose of basic and diluted earnings per share	**(87,528)**	(55,428)
Revaluation deficit (including share of joint venture revaluation surplus)	**18,886**	11,834
Loss on disposal of investment properties	**902**	960
Impairment of development and trading properties	**27,806**	22,107
Impairment of financial asset	**5,300**	–
Mark-to-market adjustment on interest rate swaps (including share of joint venture mark-to-market adjustment)	**–**	501
Adjusted loss from continuing activities attributable to owners of the Company	**(34,634)**	(20,026)

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Number of shares		
Weighted average number of Ordinary shares for the purpose of earnings per share	**124,740**	124,580
Effect of dilutive potential Ordinary shares:		
Share options	**–**	6
Weighted average number of Ordinary shares for the purpose of diluted earnings per share	**124,740**	124,586
Basic loss per share (pence)	**(70.2)**	(44.5p)
Diluted loss per share (pence)	**(70.2)**	(44.5p)
Adjusted loss per share (pence)	**(27.8)**	(16.1p)
Adjusted diluted loss per share (pence)	**(27.8)**	(16.1p)

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

	Net assets £'000	**No. of shares '000**	**31 March 2021 Net assets per share Pence**	Net assets £'000	No. of shares '000	31 March 2020 Net assets per share Pence
Basic net assets per share attributable to the owners	**202,929**	**124,837**	**163**	289,581	124,623	232
Fair value of debt	**(22,964)**			(17,018)		
Adjusted net assets per share	**179,965**	**124,837**	**144**	272,563	124,623	219
Effect of dilutive potential Ordinary shares	**271**	**43**		403	246	
Diluted net assets per share	**203,200**	**124,880**	**163**	289,984	124,869	232
Adjusted diluted net assets per share	**180,236**	**124,880**	**144**	272,966	124,869	219

6 Investment properties

	Freehold £'000	Long leasehold £'000	Total £'000
At valuation 1 April 2019	114,797	41,367	156,164
Additions:			
– acquisitions	–	567	567
– capital expenditure	2,579	649	3,228
Transfer from development and trading assets	–	16,183	16,183
Disposals	(18,246)	(13,867)	(32,113)
Deficit on revaluation	(8,162)	(5,289)	(13,451)
At valuation 31 March 2020	90,968	39,610	130,578
Additions:			
– capital expenditure	240	515	755
Disposals	(16,930)	–	(16,930)
Deficit on revaluation	(13,408)	(5,478)	(18,886)
At valuation 31 March 2021	**60,870**	**34,647**	**95,517**

Direct costs of £4,578,000 (2020: £5,225,000) arose as a result of ownership of investment properties.

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

	31 March 2021 £'000	31 March 2020 £'000
Market value as assessed by the independent valuers or Directors	**95,813**	130,564
Right-of-use asset	**2,122**	2,123
Amount included in prepayments and accrued income in respect of lease incentives	**(2,418)**	(2,109)
Net book amount of Investment properties – non-current assets	**95,517**	130,578

At 31 March and 30 September each year, the Group engages professionally qualified valuers who hold a recognised professional qualification and who have recent experience in the locations and sectors of the investment portfolio. As at 31 March 2021, completed investment properties have been valued by CBRE Ltd at a value of £69,760,000 (2020: £99,661,000) with the exception of one leasehold asset which has been valued at £16,100,000 (2020: £16,850,000) by Savills (UK) Limited.

Although lockdown measures have now been eased, the impact of Covid-19 resulted in the temporary closure of a large number of non-essential retail and shopping centre units. Valuation methodology has remain unchanged, with no special assumptions applied as at 31 March 2021; however, some allowances have been made for the increased risk of default by tenants.

The current value equates to the highest and best use value of the asset.

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

Included within Investment properties are freehold land and buildings representing investment properties under development, amounting to £9,953,000 (2020: £11,945,000), which have been valued by the Directors. These properties comprise buildings and landholdings for current or future development as investment properties. This approach has been taken because the value of these properties is dependent on a detailed knowledge of the planning status, the competitive position of these assets and a range of complex project development appraisals.

Investment properties under development include £3,609,000 (2020: £4,459,000) of landholdings adjacent to retail properties within the Group's portfolio, acquired for the purpose of extending the existing shopping centres. The fair value of these properties rests in the planned extensions, and is difficult to estimate pending confirmation of designs and planning permission, and hence has been estimated by the Directors.

£82,817,000 (2020: £99,955,000) of total investment properties are charged as security against the Group's borrowings.

7 Investments

	Investments in associates £'000	Investments in joint ventures £'000
At 1 April 2019	5,763	103,870
Additions	70	21,640
Share of loss	(370)	(13,991)
Share of revaluation surplus	–	1,617
Share of mark-to-market adjustment on interest rate swaps	–	(501)
Share of results	(370)	(12,875)
Capital distributions – capital repayment	–	(154)
Capital distributions – repayment of loans	–	(32,162)
Disposals	–	(16,077)
At 31 March 2020	5,463	64,242
Additions	1,776	13,483
Share of profit/(loss)	1,910	(13,271)
Share of revaluation loss	–	(200)
Share of results	1,910	(13,471)
Capital distributions – capital repayment	(128)	–
Capital distributions – repayment of loans	–	(3,500)
Disposals	(5,224)	(113)
At 31 March 2021	**3,797**	**60,641**

8 Inventory

	Development properties £'000	Trading properties £'000	Total £'000
Development and trading properties			
At 1 April 2019	152,197	41,742	193,939
Additions:			
– development expenditure	16,624	1,587	18,211
– capitalised staff costs	1,146	36	1,182
Transfer to investment assets (refer note 9)	(16,183)	–	(16,183)
Disposals	(40,842)	–	(40,842)
Foreign currency differences	–	501	501
Net write down of development properties to net realisable value	(19,154)	–	(19,154)
At 31 March 2020	93,788	43,866	137,654
Additions:			
– development expenditure	10,584	3,373	13,957
– capitalised staff costs	589	28	617
Disposals	(19,513)	(22,368)	(41,881)
Foreign currency differences	–	(658)	(658)
Net write down of development properties to net realisable value	(26,661)	(1,145)	(27,806)
At 31 March 2021	**58,787**	**23,096**	**81,883**

Included in the above amounts are projects stated at net realisable value of £22,710,000 (2020: £44,925,000).

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

No interest (2020: £nil) was capitalised on development and trading properties during the year. Capitalised interest included within the carrying value of such properties on the balance sheet is £1,402,000 (2020: £3,288,000).

9 Financial assets and financial liabilities
Borrowings

	31 March 2021 £'000	31 March 2020 £'000
Current		
Bank overdrafts	**–**	–
Current instalments due on bank loans	**4,388**	844
Current loans maturing	**6,874**	16,007
Unamortised transaction costs	**(529)**	(539)
	10,733	16,312

	31 March 2021 £'000	31 March 2020 £'000
Non-current		
Bank loans and loan notes	**125,642**	145,682
Unamortised transaction costs	**(979)**	(930)
	124,663	144,752

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

10 Note to the cash flow statement

Reconciliation of profit before income tax to net cash inflow from operating activities:

	31 March 2021 £'000	31 March 2020 £'000
Loss before income tax	**(86,684)**	(58,631)
Adjustments for:		
Loss on disposal of investment properties	**902**	960
Loss on revaluation of property portfolio	**18,886**	13,451
Share of post tax losses of joint ventures and associates	**11,561**	13,245
Profit from sale of investments	**(387)**	(9,710)
Profit on sale of other plant and equipment	**–**	(4)
Finance income	**(1,786)**	(652)
Finance cost	**14,608**	13,349
Depreciation of leases, property, plant and equipment	**4,273**	4,025
Operating cash flows before movements in working capital	**(38,627)**	(23,967)
Decrease in development and trading properties	**55,771**	42,174
Decrease in receivables	**48,321**	14,190
Decrease in payables	**(10,899)**	(20,840)
Increase in provisions	**156**	373
Cash flows generated from operating activities	**54,722**	11,930

Analysis of movement in net debt

		31 March 2021			31 March 2020	
	Cash and deposits £'000	**Borrowings £'000**	**Net debt £'000**	Cash and deposits £'000	Borrowings £'000	Net debt £'000
At 1 April 2020/1 April 2019	**31,134**	**(161,064)**	**(129,930)**	40,752	(179,756)	(139,004)
Cash flow	**32,131**	**23,593**	**55,724**	(9,618)	21,554	11,936
Foreign currency exchange movements	**–**	**2,293**	**2,293**	–	(1,637)	(1,637)
Non-cash movements	**–**	**(218)**	**(218)**	–	(1,225)	(1,225)
At 31 March 2021/31 March 2020	**63,265**	**(135,396)**	**(72,131)**	31,134	(161,064)	(129,930)

11 Contingent liabilities

In the normal course of its development activity, the Group is required to guarantee performance bonds provided by banks in respect of certain obligations of Group companies. As at 31 March 2021, such guarantees amounted to £5,405,000 (2020: £5,405,000).

The Group has provided guarantees for rent liabilities in respect of properties previously occupied by Group companies. In the event that the current tenants ceased to pay rent, the Group would be liable to cover any shortfall until the building could be re-let. The Group has made provision against crystallised liabilities in this regard. In respect of potential liabilities where no provision has been made, the annual rent-roll of the buildings benefiting from such guarantees is £7,000 (2020: £7,000) with an average unexpired lease period of 65 years (2020: 66 years).

12 Post balance sheet events

In May 2021, the Group restructured the Aviva investment portfolio debt facility and repaid the Barclays £4.8 million loan facility.

In May 2021, the Group exchanged contracts for the sale of a trading asset for £4.9 million. The sale is due to complete in August 2021.

Definitions

Operating profit: stated after loss on disposal of investment properties, the revaluation of the investment portfolio and exceptional items and before the results of associates, jointly controlled entities and finance income and costs.

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

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

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

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

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

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

Diluted earnings per share: amounts are calculated by dividing the profit or loss attributable to owners of the Parent by the weighted average number of Ordinary shares outstanding during the period plus the weighted average number of Ordinary shares that would be issued on the conversion of all the dilutive potential Ordinary shares into Ordinary shares.

Basic net assets per share: amounts are calculated by dividing net assets by the number of Ordinary shares in issue at the balance sheet date excluding shares purchased by the Parent and held as treasury shares.

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

Adjusted earnings: is the profit or loss after taxation excluding investment property revaluations (including valuations of joint venture investment properties), impairment of development and trading properties, exceptional items and mark-to-market movements of derivative financial instruments (including those of joint ventures) and intangible asset movements and their related taxation. Adjusted earnings per share is calculated by dividing the adjusted earnings by the weighted average number of Ordinary shares outstanding during the period, excluding shares purchased by the Parent and held as treasury shares.

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