U and I Group PLC

ANNUAL REPORT AND ACCOUNTS 2016

What we believe

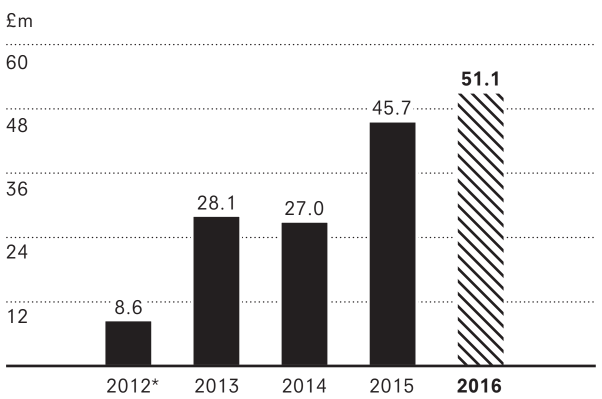
U+I is a property regeneration company that transforms undervalued parts of towns and cities into communities where people and enterprise can thrive.

In a fast-changing world where consumer trends and the model of community are constantly evolving, we unlock economic, cultural and social value by creating distinctive places that put people at their very heart.

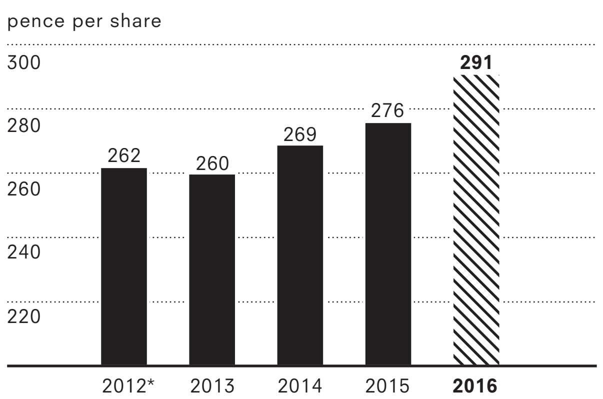
With a £4 billion portfolio of complex, mixed-use, community-focussed regeneration projects including a £200 million investment portfolio, we are unlocking urban sites bristling with potential in the London, Manchester and Dublin city regions. We create huge, long-lasting social and economic change for the communities in which we build, and sustainable value for our shareholders.

2016 financial highlights

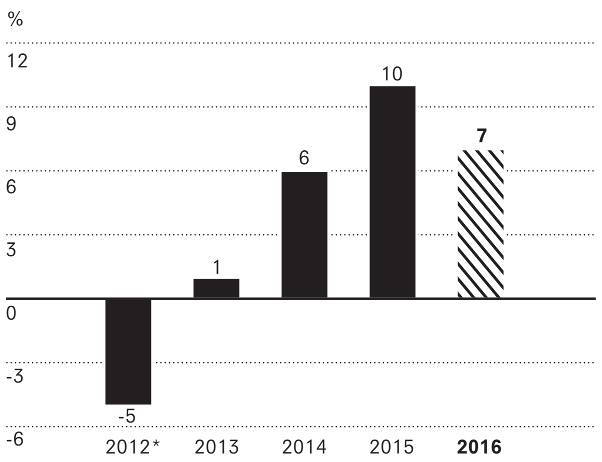
Development and trading gains



EPRA NAV per share



Total return



Total dividends per share declared in the year

13.9p
(2015: 13.9p)

Gearing

44.4%
(2015: 36.3%)

*14-month period

OUR VISION...

IS TO CREATE LONG-LASTING SOCIAL AND ECONOMIC CHANGE FOR THE COMMUNITIES IN WHICH WE BUILD, AND SUSTAINABLE VALUE FOR OUR SHAREHOLDERS

Driven by our values:

IMAGINATION
The creativity and verve to unlock the value within potential

INTELLIGENCE
Sharp minds, quick wits and forensic rigour

AUDACITY
A brave spirit and the confidence to reconsider fundamentals

Sustainability – Page 46-55
How we put people and places at the heart of what we do.

Chief Executive's Statement – Page 4-7
Another year of record-level gains and a clear strategy for the years ahead.

On the cover
The cover of our report was created by Morag Myerscough. We have worked with Morag on a number of occasions to create meanwhile spaces within our developments to help engage and excite communities.

See more of Morag's work at:
www.supergrouplondon.co.uk

How we create value – Page 14-15
Building a business that creates long-term value.

Finance Review – Page 56-69
Our approach to financial management and the successful execution of our strategic priorities is creating a strong platform for continued future growth.

Our portfolio review by Richard Upton – Page 28-43
Delivering some of the most exciting regeneration opportunities in the UK and Dublin.

Corporate governance – Page 72-121
A strong framework within which we deliver the long-term success of our Company.

Contents

WE HAVE VERY HIGH AMBITIONS AS A BUSINESS AND A CLEAR PLAN FOR HOW TO ACHIEVE THEM

Our performance
I am delighted to report our first set of full year results as U+I following the completion of the merger of Development Securities and Cathedral Group. Building on the step change in our performance last year, we have delivered a second year of record-level development and trading gains totalling £51.1 million (2015: £45.7 million), realising a profit before tax of £25.8 million (2015: £34.8 million). The reduction in profit was prinicipally caused by a reduced level of revaluation gains as well as the impact of foreign exchange movements and an element of non-recurring operating costs arising from the full integration of the business.

After paying £7.4 million of dividends, shareholder funds grew by £16.9 million to £363.3 million (2015: £346.4 million). Net assets per share grew by 5.4% to 291 pence per share compared to 276 pence per share as at 28th February 2015.

Our Balance Sheet is strong with net debt levels at 44.4% (2015: 36.3%), within our target gearing range of 40%-50%.

U+I is set for growth, with the platform, the projects and the people to deliver a sustained level of performance in the years ahead, and with a clear focus on our goal to be the best property regeneration company in the UK.

Dividend and changes to dividend policy
As a result of our positive performance and the strength of our Balance Sheet, the Board of U+I has recommended the payment of a final dividend of 3.5 pence per share, payable on 19th August 2016 to all shareholders on the register on 22nd July 2016. In addition to this, we will pay a supplemental dividend of 8.0 pence per share on 17th June 2016 to all shareholders on the register on 13th May 2016. This is the second supplemental dividend that we have declared in the last two financial years, taking

Matthew Weiner, Chief Executive, photographed in Deptford Market, the home of one of our latest developments

the total dividends declared in respect of the financial year ended 29th February 2016 to 13.9 pence per share (2015: 13.9 pence per share), paid from the strong cash flow generated from our regeneration activities.

Going forwards, we are proposing a new dividend policy which we believe better reflects our approach to value creation: delivering gains through regeneration. The reasons for this change are twofold: to enable shareholders to participate more directly in the tangible value created by the business; and to provide shareholders with greater clarity on the potential for future income streams.

Our revised dividend policy will consist of two elements as follows:

1) An ordinary dividend, fixed at its current level
2) A supplemental dividend related to the level of net free cash flow secured in the financial year

Net free cash flow represents the surplus cash generated from development and trading gains after deducting the Group's net finance cost, net operating costs, corporation tax charge and the ordinary dividend. The quantum of supplemental dividend paid as a proportion of net free cash flow will be decided by the Board following the end of each financial year and announced alongside its full year results. It is expected to be of a similar proportion to that paid in April 2015 and June 2016. The Board's decision will be influenced by considering the Group's future working capital requirements, the economic cycle, the Group's current risk profile and its position in relation to its target gearing level.

This evolved policy will enable the business to maintain an efficient Balance Sheet whilst delivering sustainable returns to shareholders.

Strategic initiatives
At our interim results in October 2015, we laid out a number of new strategic initiatives. These are designed to enable the Group to drive the maximum value from across the business, and to deliver a target post-tax total return of 12% per annum within the next three to five years. We are making good progress against these strategic initiatives.

Fewer, larger projects
Since 28th February 2015, we have further established ourselves as a leading regeneration developer, and the public sector's preferred partner, recently winning two new Public Private Partnership (PPP) projects, a £100 million mixed-use project in Holborn, Cockpit Yard, and a £380 million regeneration project in partnership with the London Fire and Emergency Planning Authority (LFEPA), 8 Albert Embankment. We were also delighted to be selected, in partnership with Notting Hill Housing Trust, as one of TfL's preferred development partners for the delivery of their significant pipeline of station-related development opportunities. Over 50 developers submitted bids and the final list of 13 includes a strong line up of REITS, major housebuilders and regeneration developers. All of these project successes underline our growing focus on larger regeneration projects and demonstrate our leading reputation within this market.

Improving the performance of our investment portfolio
We continue to transition our investment portfolio to optimise its value, to rationalise it in line with a more dynamic strategy, and to better integrate it into the centre of our business activity. Our plans are laid out in full in our portfolio review.

Specialist platforms
Across our portfolio of mixed-use development opportunities, we have the ability to aggregate product within specific asset classes to build scalable platforms. These platforms will be delivered off-balance sheet, in partnership with longer-term capital providers, enabling us to monetise our portfolio more efficiently and to generate revenue streams and profit potential. We are pleased to have signed heads of terms with a major UK-based capital partner for our first specialist platform in the Build to Rent sector.

Read more in the portfolio review on page 28-43

Executive Committee
To ensure greater responsibility and accountability for delivering our strategic initiatives and business plan, a new Executive Committee (ExCo) has been formed. The ExCo will be convened by the Executive Directors, reporting directly to the Board, and initially comprising five members of the senior management team who will each be responsible for one of our key work streams, namely, land acquisition, development and regeneration, delivery, investment activity, new business, and business communication. Further details on the role of the ExCo are provided in our Corporate Governance section on page 82.

Culture and people
During the year, we completed the integration of the former Development Securities and Cathedral Group teams, moving into a single headquarters in November 2015. Reflecting the vision and values of our business, we carefully designed our office space to create a dynamic and collaborative environment that encourages engagement between teams and inspires creativity. Already, the new office is creating great synergies and efficiencies within our team, allowing us to build a strong culture and drive value across our projects.

Our team is focussed on transforming land and property through regeneration with a full range of skills that encompass deal origination, planning, construction and development management, asset management, community engagement and sales. We have selectively added to our team during the year to further enhance these capabilities and to put us in the best position to grow our pipeline and capitalise on further regeneration opportunities. I would like to thank our team for their continued efforts during the year, meeting our high expectations as a business with professionalism and dedication.

Sustainability
Communities are at the heart of our approach. It is our core belief that we can only achieve our goal to be the UK's best property regeneration company by building sustainable financial, socio-economic and cultural value for all of our stakeholders. We focus on places, buildings and people as key points of intervention for delivering sustainability: places that build prosperity and pride within their communities; improving the performance and energy efficiency of the buildings we own; and investing in our team's well-being, education and training to encourage new thinking, productivity and health.

Board changes
We have announced a number of changes to the Board over the past few months. After nine years of service to the Board, David Jenkins will stand down as Chairman at the Annual General Meeting (AGM) on 14th July 2016, with Peter Williams taking over the role of Chairman. David has steered the Board through a number of major changes over the past couple of years, including a new management team, a new brand and a new strategic focus. We are grateful for his expert stewardship of the Company during the past years.

Sarah Bates, the Senior Independent Director and Chair of the Audit and Risk Committee, will also step down as a Non-executive Director at the AGM after six years of excellent service. She will be replaced in her role as Chair of the Audit and Risk Committee by Lynn Krige whom we welcomed to our Board in March 2016. Nick Thomlinson will replace Sarah in her role as Senior Independent Director. Finally, Michael Marx, formerly Chief Executive of Development Securities, who has been with the Company for over 20 years, retired from the Board in February 2016.

Outlook
This has been a significant year for the Group as we have fully integrated two businesses to create U+I. Our ambition to be the best property regeneration company in the UK is founded on our belief that we can create sustainable value for all of our stakeholders, from shareholders, to local authorities, to our partners, tenants and suppliers and, ultimately, the communities in which we develop. Within a context of rapid and widespread economic, social and cultural change, this ambition is challenging. The pressure on the limited resources in our towns and cities is intensifying, wider economic and political uncertainty prevails both in the UK and outside, and consumer behaviour seems to shift with increasing speed.

Our approach to regeneration puts people at the heart of what we do, focussing on the challenges and opportunities that wider market changes present. With a clear strategy and an exceptional team, we are committed to our journey, building on our extensive track record and our reputation for delivering best in class regeneration projects in the London City Region, Manchester and Dublin. We believe we are well set to continue to deliver long-term, sustainable returns to our shareholders whilst enhancing the communities in which we develop.

Matthew Weiner,
Chief Executive
28th April 2016

EMBRACE THE CHANGE

In our dynamic society, property fundamentals will always be subject to big-picture upheavals.

This creates plenty of opportunities...

UK economy
The UK economy is providing mixed messages but performing reasonably well when considered against the challenging backdrop of slower global demand and equity market volatility. Job creation is still healthy, inflation is low, nominal wage growth is edging up and retail sales have strengthened. Rising house prices and increased consumer confidence have helped to support this positive shift. These trends should help to mitigate the wider pressures on the UK economy from turbulence in the commodity and equity markets. Sentiment surveys, however, are less positive, perhaps reflecting this increased financial volatility and this is likely to feed into business confidence and investment. We expect GDP growth to continue to trend at around 2.0% per annum and anticipate that interest rates will remain lower for a while longer.

The economic backdrop remains supportive to our activities and we expect occupier demand to help to sustain property returns, particularly in the parts of the market in which we are active which largely cater to the middle-income UK consumer. Our three core markets, the London City Region, Manchester and Dublin, continue to show strong underlying fundamentals as further outlined on page 12.

Commercial property market
We are in the phase of the property cycle where rents are rising and yield compression is slowing to static. This would, in turn, indicate slower rates of capital growth. However, the weight and breadth of capital looking to invest in real estate is wide ranging and seeking yield, with the UK continuing to be a key destination for this capital. The cyclical recovery in property values has been far less dependent on debt, with real estate's share of bank loan books at a 14-year low (Capital Economics) helping to maintain stability. Lenders also remain cautious with respect to their involvement in new development, helping to keep supply in check.

However, 2016 has, to date, seen particularly subdued investment activity due to a combination of macro-economic concerns and more latterly, speculation over the outcome of the Brexit vote. The Bank of England's recent Brexit warning, highlighted that Britain would face a period of uncertainty and dampened demand, with the delays in investment decisions and property transactions at the impending decision. The recent 1.0% rise in stamp duty for commercial property is a further factor to cause a market pause and could impact further on values and liquidity.

The outlook for occupier demand looks positive as "real" availability remains low. Office occupier demand is supported by strong job growth mainly in the information and communication sectors and we therefore expect rental levels to continue an upward trend. However, with yields close to their floor, capital value growth will continue to moderate. Taken together, these themes are supportive of our activities which provide a pipeline of well-located, high quality commercial developments, for the most part, forward-funded by long-term institutional capital partners.

Retail market
Shoppers no longer need or want to rely on the high street alone to deliver what they want and are also showing signs of greater promiscuity and less brand loyalty. This is particularly apparent amongst millennials who are now coming of age and truly defining consumer trends. The millennial typically has an indifference to tradition and defines their social status through novel and diverse experiences rather than through owning tangible assets. This is radical for real estate. We are now living in an immaterial world.

These changing consumer patterns, set against the continual rise of internet shopping, present new challenges for retailers operating via physical locations. They are now having to work hard to make their businesses attract and retain spend with much retail space at risk of facing structural obsolescence. Retail locations are increasingly driven by either optimising the consumer experience or maximising convenience. Our retail developments are designed with the consumer at their heart, delivering quality environments and experiences that retain and grow footfall so that they become destinations in their own right.

Residential market
Our residential activity is primarily linked to mixed-use regeneration projects in the London City Region and towards the more affordable end of the market outside of Zone 1. We continue to see demand in this market, with mortgage approvals at levels that indicate continued moderate price growth, driven by a strengthening labour market and improved consumer confidence. The gulf between demand and supply continues to widen with supply constrained by the planning system and high construction costs. This disconnect presents a positive backdrop for our regeneration activities.

"THE GULF BETWEEN DEMAND AND SUPPLY CONTINUES TO WIDEN WITH SUPPLY CONSTRAINED BY THE PLANNING SYSTEM AND HIGH CONSTRUCTION COSTS"

International buyers remain active in our core markets and weakening Sterling might provide further support. In particular, Chinese buyers continue to increase with there appearing to be two distinct types of Chinese buyers in London: Those looking at expensive high end prime Central London properties, and a much more active, lower tier purchaser, interested in buying two bedroom apartments for between £600 and £900 per sq. ft. as buy to let investments or to use while their children study here.

With the average house price at 8.7 times the average income (Jones Lang LaSalle – JLL) and only a marginal number of mortgage providers willing to lend more than 4.5 times annual salary, the barriers to home ownership are sizeable. The Build to Rent (BTR) sector is set to expand significantly in the coming years providing a more professional and regulated market for long-term renters. The British Property Federation estimates that over £30 billion is looking to enter the BTR market in the next five years. We expect this trend to continue and we are well-positioned to take advantage of this opportunity with a number of sites that are perfectly suited to a long-term rental model.

Our core geographic markets

We are focussed on the London City Region, Manchester and Dublin, markets in which we see sufficient liquidity, depth and demand for development and investment activity through the cycle.

01. London City Region
60% of portfolio
Over 30 projects

02. Manchester
1 major city centre residential development

03. Dublin
16% of portfolio
7 projects

London City region*

London is forecast to be the UK's main driver of economic expansion, growing at an average of 3.0% per annum (PricewaterhouseCoopers) and accounting for 23.0% of the UK's GVA in 2014 (Office of National Statistics). In JLL's recent City Momentum Index, London ranked first as the most dynamic global city with the fastest pace of infrastructure and technological change. We expect the London City Region to continue to dominate the UK's economy and will continue to focus on opportunities here.

"LONDON RANKED 1ST AS THE MOST DYNAMIC GLOBAL CITY WITH THE FASTEST PACE OF INFRASTRUCTURE AND TECHNOLOGICAL CHANGE"

Manchester

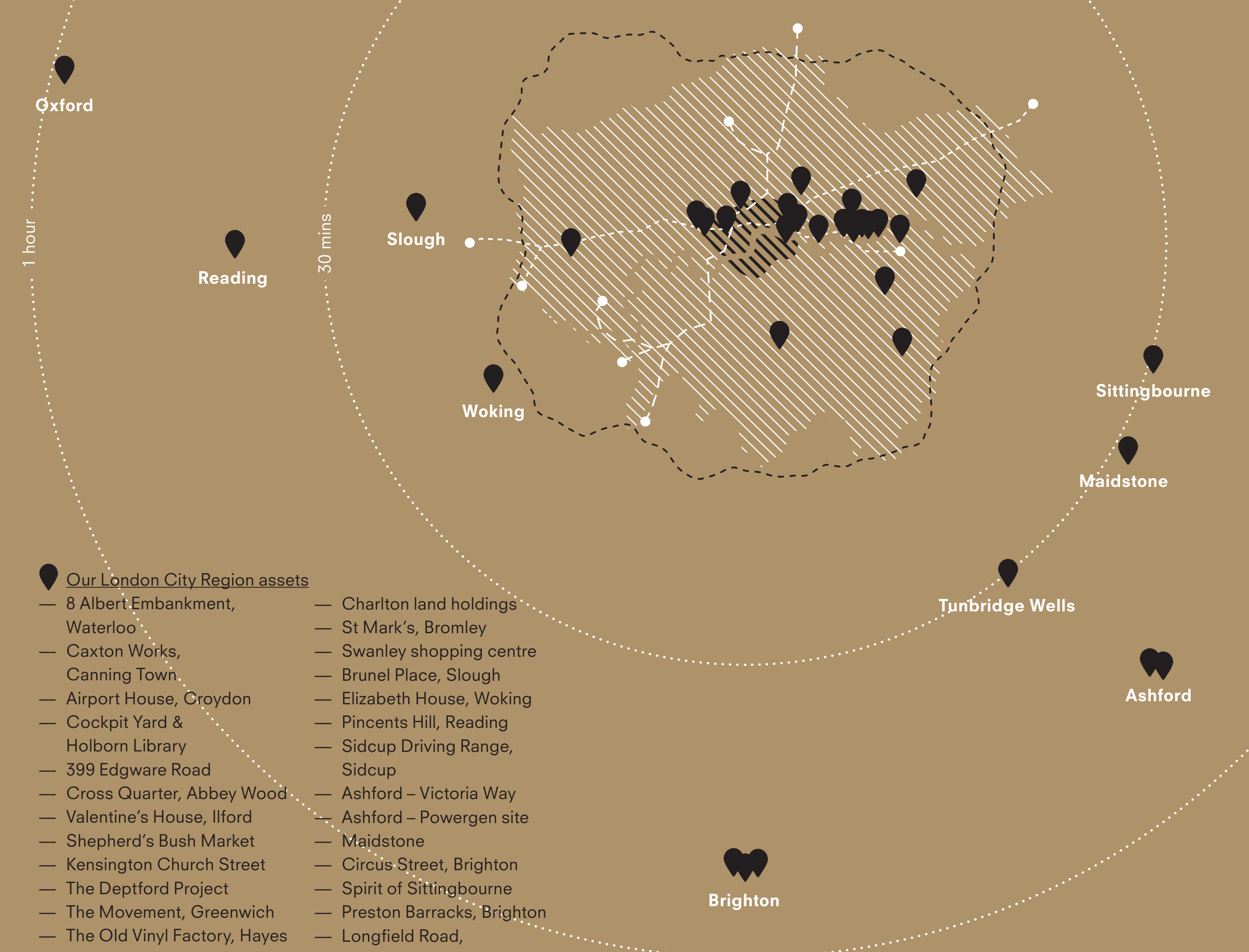
Forming the heart of the UK's Northern Powerhouse, Manchester is a city governed by a strong leadership, underpinned by expanding infrastructure and with the population growth, talent, quality of life and employment prospects to grow its position as an international city. In 2015, it was named the UK's best city to live in (Economist Intelligence Unit) and is the second largest contributor to the UK's GVA, after London (Centre for Cities). We see significant liquidity and depth in this market and are noticing an increasing trend of international capital seeking opportunities in the city.

Dublin

The Irish economy grew by 6.0% in 2015 (ESRI) and this pace of growth looks set to continue, putting it comfortably at the top of the European growth league table. Dublin has particularly benefited from the significant expansion of jobs within the high value technology sector, a major contributor to the health of the city's economy. Occupier demand continues to strengthen supporting rental growth and we see ample opportunity for our mixed-use regeneration activities in this important international capital.

***London City Region definition**

As a global city and the UK's dominant city in terms of GDP, we recognise that London's influence and reach stretches far beyond the boundaries of Greater London. There are a number of satellite towns and locations that we view as firmly within London's catchment and which are intrinsically linked to the health of our capital. These locations are broadly classified as being within 90km or one hour's journey time from London city centre. We are already very active within this growing market and we are actively pursuing further opportunities within the London City Region.



Our London City Region assets

- 8 Albert Embankment, Waterloo
- Caxton Works, Canning Town
- Airport House, Croydon
- Cockpit Yard & Holborn Library
- 399 Edgware Road
- Cross Quarter, Abbey Wood
- Valentine's House, Ilford
- Shepherd's Bush Market
- Kensington Church Street
- The Deptford Project
- The Movement, Greenwich
- The Old Vinyl Factory, Hayes
- Telegraph Works, Greenwich
- Morden Wharf, Greenwich
- Algarve House, Southwark
- 12 Hammersmith Grove
- Charlton land holdings
- St Mark's, Bromley
- Swanley shopping centre
- Brunel Place, Slough
- Elizabeth House, Woking
- Pincents Hill, Reading
- Sidcup Driving Range, Sidcup
- Ashford – Victoria Way
- Ashford – Powergen site
- Maidstone
- Circus Street, Brighton
- Spirit of Sittingbourne
- Preston Barracks, Brighton
- Longfield Road, Tunbridge Wells
- Harwell, Oxford
- Cambourne Business Park

How we create value

U+I is a specialist mixed-use regeneration developer and investor. We realise gains by successfully repositioning undervalued parts of towns and cities into new places that deliver social and economic value to a wide range of stakeholders. Placing people at the heart of everything we do, we are committed to delivering profitable projects that unlock the value of complex sites to create places that build legacy and socio-economic prosperity for their communities. We have a talent for buying well, focussing on opportunities where our size and expertise afford us competitive advantage.

Our activity is focussed on three core geographical areas – the London City Region, Manchester and Dublin – where we see liquidity and sufficient depth through the cycle as well as growth in demand. These locations have the talent, tourism and tenants to succeed.

Planning gain is the key value driver for our business and we are experts in managing the complexities of the planning system to deliver high quality developments that create legacy for their communities and neighbourhoods.

With a track record of over 25 years of mixed-use investment and development and a diverse team of property experts, we have the capacity to deliver large, complex regeneration projects. We do so in a number of ways, but always maintaining an appropriate balance of risk across our portfolio.

With an equity-light approach to development, we limit our financial exposure by pre-funding or pre-selling our development projects or by securing public sector development land through the Public Private Partnership (PPP) model. In so doing, we reduce our risk exposure in any one individual project whilst enabling us to build a portfolio that has significant upside potential.

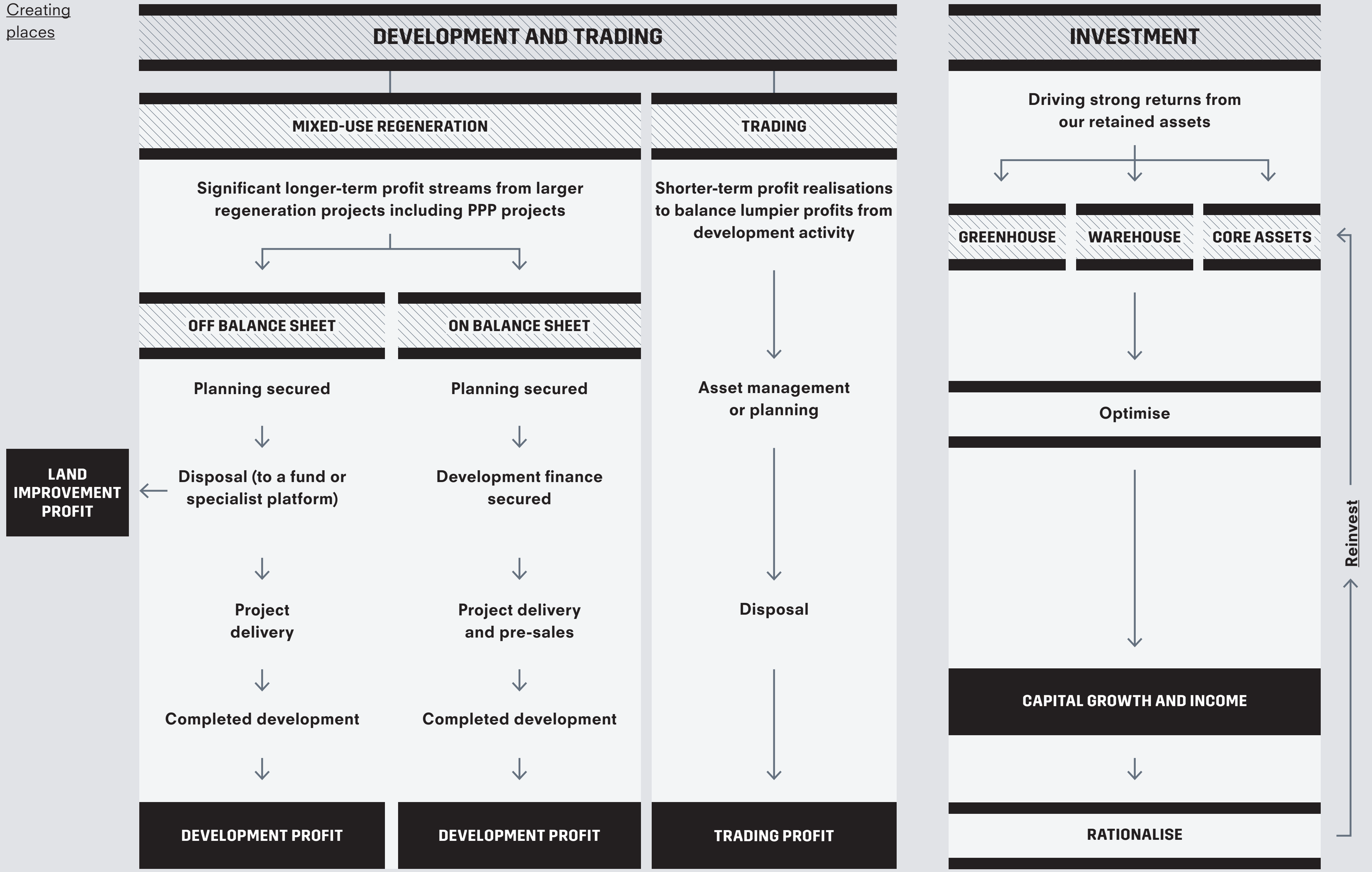
We are also nimble enough to identify value-enhancing trading deals where we can apply our asset management and planning expertise to deliver superior returns over a shorter term.

In this way, we are able to build a pipeline of projects that balance the longer-term, larger gains from significant regeneration projects with the shorter-term profit streams from trading activity.

Our investment portfolio acts as an anchor for our business. Through proactive asset management, redevelopment or regeneration, we are able to drive income and value growth across our investment assets to add to our overall returns as a business. We are also able to house income-producing, longer-term development opportunities within our investment portfolio, adding to our pipeline of future projects.

This combined strategy has guided us successfully and securely through many property and economic cycles.

Creating places



A balanced approach to development and trading

Off balance sheet development
We carry out our large-scale regeneration projects in partnership with longer-term capital/delivery partners. This allows us to share financial and project risk, often with institutional partners, whilst ultimately realising gains from land improvement profits and profit share agreements.

Examples from the year:
12 Hammersmith Grove,
399 Edgware Road, Vertium in Dublin

On balance sheet development
We have the capacity to deliver modest scale, shorter-lifecycle development projects on our own Balance Sheet taking the project from acquisition, through planning, construction and ultimately to disposal.

Examples from the year:
The Deptford Project,
Percy Place

Trading activity
We are able to acquire assets and realise gains over the short-term via our trading activities which focus on opportunities where terms of trade are in our favour and where can efficiently unlock value via planning or asset management.

Examples from the year:
Charlemont Clinic, Robswall

An integrated portfolio
Across our portfolio, we strive for an integrated approach that best combines the expertise within our business. The combination of our development and asset management expertise allows us to create places for the long-term, maintaining an involvement over the full life span of a project where appropriate. The balance of our activities also allows us to manage risk, creating a mix of long-dated development profits, shorter-cycle trading profits and recurring income streams from our investment activities.

Development and trading portfolio

63% of gross assets*

£359m capital value

Objectives
Generate profit from regeneration activities.

Key value drivers
Arbitrage/mispricing.
Planning gain.
Quality of place.

Investment portfolio

37% of gross assets*

£212m capital value

Objectives
Drive recurring income streams and add value to assets, contributing to NAV growth.
'Warehouse' longer-term development opportunities.
Capture the value uplift of our completed regeneration projects ("Greenhouse").

Key value drivers
Lease re-structures.
Improving tenant mix and rental tone.
Asset management including potential development opportunities.

*Group share

YOU WILL KNOW US BY THE PLACES WE CREATE

FIND OUT HOW WE CREATE PLACES

Behind this page, there is more detail on our integrated portfolio and our business model.

PRIORITY	OVERVIEW	FY 2016 KPIs		PRINCIPAL RISK	ALSO SEE
1. GROW PIPELINE Build a pipeline of larger regeneration projects	Our focus is to build a pipeline of larger, complex regeneration projects that generate excellent shareholder returns and best suit our skill set. We target development sites that are too small for the REITs, too mixed-in-use for the house builders, and which offer an attractive upfront land/asset cost and high upside potential. We also specialise in PPP projects, our particular area of expertise. We de-risk the development process through forward sales and forward funding. This allows us to build a pipeline of projects that are through-cycle.	**£43.8m** Acquisitions in the year **£480m** GDV of large-scale PPP projects secured since 28th February 2015	**£4.7bn** Gross development value of whole portfolio	– Scarcity of viable investment and development opportunities	Chief Executive's Statement **Page 4-7** Risk **Page 20-23**
2. DRIVE VALUE Optimise the value within our portfolio through an integrated business model	We are experts in manufacturing value by transforming overlooked sites into distinctive, vibrant new places that generate huge socio-economic value. Through our complementary regeneration and asset management skills we proactively drive value across our portfolio of land and assets.	**6** No. of planning consents in the year	**£203.3m** Investment portfolio valuation	– Market risk – Planning risk – Construction risk	Portfolio review **Page 28-43** Investment strategy **Page 38-43**
3. DELIVER RETURNS Deliver excellent returns on a through-cycle basis	The business has the capacity to generate solid, consistent returns through the property cycle. These returns are driven by cash profits as we manufacture tangible value through regeneration rather than accounting value driven by market momentum. Specialist platforms will also allow us to generate revenue streams through off-balance sheet activity and will also enable us to monetise land through the property cycle.	**£25.8m** Profit before tax **£51.1m** Development and trading gains **7.2%** Total returns	**£363.5m** EPRA net asset value	– Scarcity of viable investment and development opportunities – Planning risk – Construction risk	Remuneration **Page 91-113** Business model **Page 14** Dividend policy **Page 5-6**
4. MAINTAIN CAPITAL EFFICIENCY Maintain capital discipline and a strong Balance Sheet with a rigorous approach to risk	We do not hoard capital on our Balance Sheet but with our strong cash flows we choose to either reinvest, pay down debt or return capital to shareholders. We maintain an efficient Balance Sheet with appropriate gearing levels and a sizeable cash buffer to keep us stable through the property cycle. This year we have revised our dividend policy to better align it with our business model as outlined on page 5 and 6.	**44.4%** Gearing – group loan to valuation **13.9 Pence** Dividends per share	**4.9%** Average cost of debt **4.5 years** Average maturity of drawn debt	– Counterparty risk – Bank funding risk Risk **Page 20-23**	Financial review **Page 56-69** Risk **Page 20-23** Dividend policy **Page 5-6**

The following KPIs are used to measure the success of the Group's strategic performance

Key performance indicators (KPIs) are important in assessing the overall health and performance of the business. We measure a range of metrics to help manage our long-term performance and achieve our business plans.

Development and trading gains

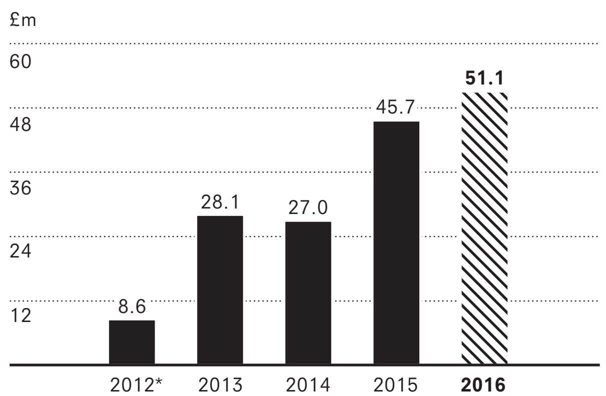
We deliver development and trading gains as we dispose of regenerated land and assets, where we have added value through a process of planning betterment, asset management or development. As such development and trading gains are a key measure of the Group's success.

Gains realised in FY2016

£51.1m

Increase in gains

11.8%

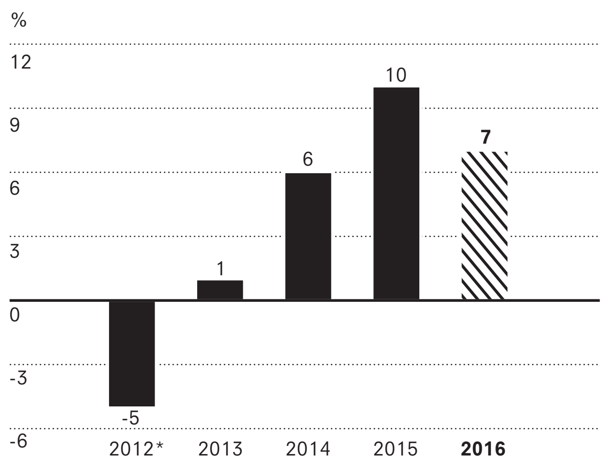


Total return

Total return, the growth in our basic NAV including dividends, is the most direct way of measuring returns to shareholders during the year. Under the Group's remuneration policy, the corporate Long Term Investment Plan is calculated according to a scale of total returns targets. As such, total return is considered a key performance measure for the Group.

Total return

7.2%



Dividends per share

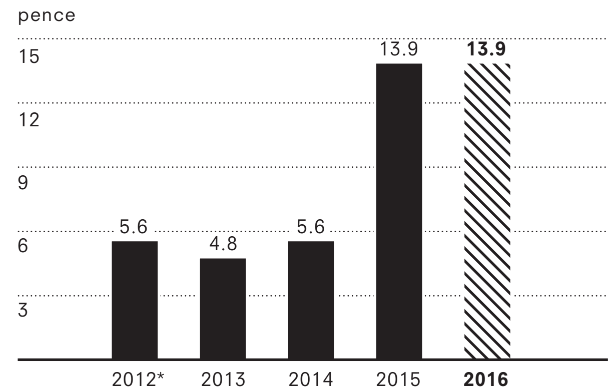
The final dividend of 3.5 pence per share was in line with the final dividend paid in previous years. In April 2016 we declared a supplemental dividend of 8.0 pence per share, amounting to £10.0 million, to be paid from the strong cash flows that the Group has generated. As detailed in the Chief Executive's statement, the Group has evolved and provided greater clarity around its dividend policy going forwards.

Total dividend declared

13.9 PENCE PER SHARE

This includes a supplemental dividend of

8.0 PENCE PER SHARE



EPRA NAV

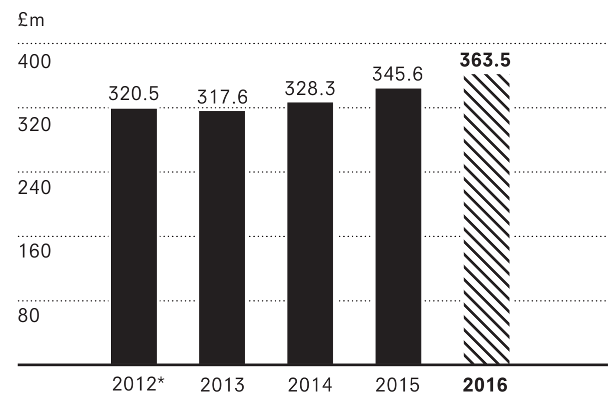
The EPRA NAV includes the fair value of the Group's assets and liabilities. The Group's development and trading assets are currently carried at the lower of cost and net realisable value according to accounting principles. As discussed in the Financial Review, from 28th February 2017 onwards, the Group will provide a third party revaluation of its development and trading assets, moving towards full EPRA valuation in line with the real estate sector.

EPRA NAV per share

£363.5m

Growth in EPRA NAV per share

5.4%

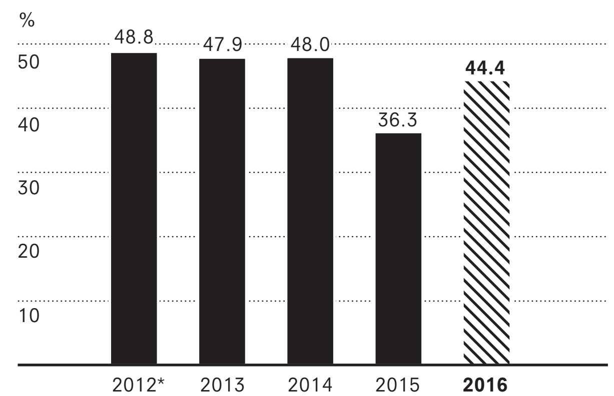


Gearing

The Group seeks to maintain a conservative level of debt. At certain points in time, the Group's gearing may increase as a result of an increased level of construction debt against specific assets. However, construction finance is usually only ever secured on properties where the exit has been secured through pre-sales or forward-funding. This enables us to maintain a low risk financial structure and to protect shareholder value throughout the property and economic cycles.

Gearing

44.4%

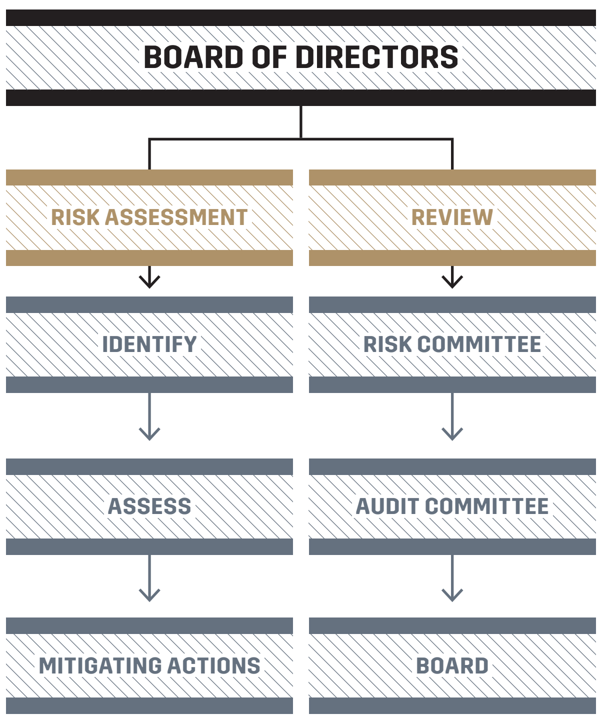


* 14-month period

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

Risk management structure

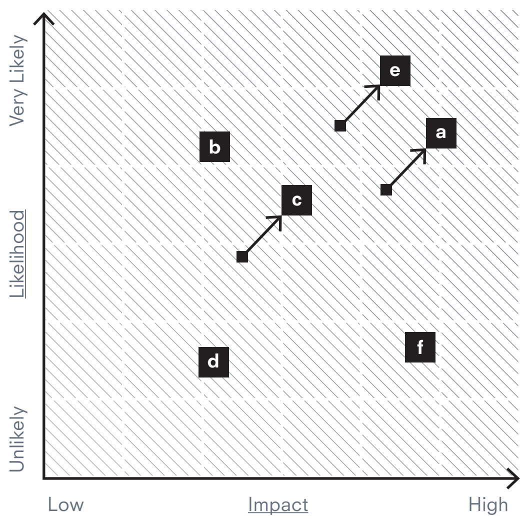
The Group's risk profile is maintained under continual review by its Audit and Risk Committee and by the Board. In addition, the Group has a Risk Management Committee which oversees the Group's risk register and risk control processes on behalf of the Audit and Risk Committee. The Risk Management Committee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



Mapping our risks

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

These risks have been grouped as either:
— External risks – whose occurrence is beyond the control of the Group; or
— Business risks – which the Directors choose to manage as part of the Group's operations.



Key
a. Market risk
b. Scarcity of viable investment and development opportunities
c. Counterparty risk
d. Bank funding risk
e. Construction risk
f. Planning risk

EXTERNAL RISKS

RISK	IMPACT	MITIGATION	RISK EXPOSURE CHANGE YEAR ON YEAR
a. Market risk The real estate market is directly linked with the health of the local and national economies. Lack of economic growth, recessionary conditions or economic uncertainty can translate into negative sentiment towards, and performance of real estate.	– Lack of liquidity available to prospective purchasers of completed projects may delay ability to realise planned disposals or reduce prices, leading to significantly reduced cash inflows. – Higher occupier risk leading to significantly reduced values. – Lack of occupier demand resulting in inability to realise gains.	– Risk-averse property development strategy whereby projects are pre-funded, pre-let, or pre-sold where appropriate. – Long maturities of debt finance facilities. – Moderate level of gearing. – Regular meetings with economic forecasters to gauge economic trends.	The UK economy remains supportive to our activities however, instability in commodity and equity markets and the impending European Union referendum vote have created some uncertainty in the market.
b. Scarcity of viable investment and development opportunities The Group's business is predominantly transactional and requires a flow of opportunities for either development/ regeneration or to acquire for long-term income and capital appreciation. The risk is that the flow of suitably priced opportunities either reduces or stops.	– Inability to source new deals leads to decline in development and trading profits in future years. – Higher pricing of acquisition opportunities leads to reduced ability to add value.	– Flexible approach to market opportunities, seeking out sectors where value can be generated and seeking funding partners with different return requirements. – Stringent deal underwriting procedures with minimum return hurdles. – Maintaining broad industry contacts for acquisitions rather than being dependent on a single source of opportunity. – Use of PPP model to secure regeneration opportunities in an innovative way.	Opportunities continue to be sourced for both development and investment which satisfy Group underwriting criteria.
c. Counterparty risk Transaction counterparties, be they joint venture partners, purchasers under sale contracts or banks in respect of cash deposits or derivative arrangements, may suffer or fail financially.	– Failure of sales transaction counterparties may lead to an inability to produce trading profits. – Failure of financial counterparties may impact on effectiveness of hedging or recoverability of deposits.	– Proof of funding required prior to agreeing sales contracts. – The Board regularly assesses the credit worthiness of financial counterparties prior to placing deposits and hedging transactions. – Substantial deposits are required for pre-sold residential developments.	The Group now has a higher exposure to the private residential market through the development of pre-sold residential units both on and off balance sheet. The risk therefore of purchasers failing to complete has increased, albeit this has not occurred to any material extent during the year.
d. Bank funding risk The pressure on a large number of traditional real estate lending banks to reduce their exposure to real estate reduces the capacity and liquidity within the lending market.	– Inability to secure funding for new opportunities. – Inability to refinance existing facilities leading to disposals at the wrong time in business plans and failing to maximise profits. – Unpredictability of cash flows.	– The Group maintains relationships with a wide range of both bank and non-bank lenders, reducing overreliance on any one partner. – The Group is constantly seeking to widen its range of funding sources and liaises with new entrants into the real estate lending market.	The lending market continues to see new entrants. Competitive pressures have led to a reduction in margins, an increase in maturities available and a higher tolerance of development risk.

Our risk management in action:

ABBEY WOOD

What risks we had to consider
Our £85.0 million regeneration scheme adjacent to Abbey Wood Crossrail Station was originally envisaged to create a new mixed-use community, anchored by an 81,000 sq. ft. foodstore, 220 residential units and a 100-key hotel. As a standalone development, the project was too large to be delivered on our own Balance Sheet, therefore, we needed to secure a funding solution to deliver each part of the scheme. In addition, we had to secure a profitable planning consent to deliver the whole scheme and then to manage a complex mix of building types and construction issues.

How we mitigated the risks
Planning risk was effectively managed by an extensive community consultation process, working closely with the Local Authority, the London Borough of Greenwich, with whom we have a longstanding, valued relationship.

The foodstore was pre-let to Sainsbury's and we then secured forward-funding from Canada Life to enable the construction to be completed off balance sheet.

In respect of the residential element, we disposed of 188 of the 220 proposed units to a housebuilder before construction commenced. We then developed the residual 32 units on our own balance sheet, but only once all of the units had been pre-sold, thus de-risking our exit from this part of the development. The remaining hotel site was replanned as a residential development via a pre-app process with the Local Authority and has since been sold to a housebuilder.

The construction process, from design and tendering through to development management to practical completion, was managed by our experienced in-house team of project and development managers, and in August 2015 we completed the project, on time and within budget.

BUSINESS RISKS

RISK	IMPACT	MITIGATION	RISK EXPOSURE CHANGE YEAR ON YEAR
e. Construction risk Real estate construction is subject to the risk of cost overruns, delay and the financial failure of an appointed contractor. There is also a risk of being unable to secure a viable construction contract post receipt of planning permission.	– Reduced profitability or potential loss on individual projects, guarantees being called or projects becoming unviable. – Construction work ceasing whilst a suitable replacement contractor is found.	– The Group retains in-house experienced project managers throughout the life of individual projects to ensure that costs are appropriately budgeted, timetables are adhered to and 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 10.0% of the contract sum.	↑ Several contractors are experiencing difficulties due to the impact of fixed price, low margin contracts entered into during previous years where they are now having to absorb higher material and sub-contractor costs as they build out scheme. This can lead to delays and disagreements with contractors. This is at times leading to contractors increasing pricing on new tenders so as to build in additional contingencies for the losses they have suffered from in the last two to three years. This can lead to a lengthening of periods and the need for more detailed design before a viable construction contract can be agreed. These positions are being regularly monitored.
f. Planning risk Procuring an appropriate and valuable planning consent is often a key element of the creation of value 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 is prone to delay, modification and rejection.	– Failure to secure planning consent can either cause delay or render a project unviable/unprofitable and lead to the write off of considerable costs or reduced profit potential.	– The Group retains a team with extensive experience of achieving planning consents and local knowledge, supplemented by advisors and sector specialist partners, to maximise the chance of success and reduce the risks and costs of failure. – An alternative exit strategy is always considered in case of planning failure. – The Group's PPP model seeks to build partnerships with local statutory and planning authorities as a way of mitigating risk.	→ The ability to obtain clear planning decisions is potentially compromised as key political events, such as elections, approach. In 2015, this occurred as a result of the UK General Election, whilst in 2016 the London Mayoral Election and any resultant change in policy could have a similar impact.

VIABILITY STATEMENT

"THE GROUP'S FIVE YEAR BUSINESS MODEL WAS STRESS TESTED TO SIMULATE EITHER A DETERIORATION IN MARKET CONDITIONS OR A FAILURE OF THESE ASSUMPTIONS"

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

The key drivers in delivering the model are:

- Ability to source a regular supply of new business opportunities which can deliver profits in future years.
- Sourcing debt finance to leverage both new business opportunities and refinance existing facilities where appropriate.
- Access to a wide range of capital partners to both 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 both to support business activities and sustain corporate overheads.
- Maintaining a diversified portfolio of projects so as to reduce property specific risk across the overall portfolio.

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

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

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

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

Consideration of principal risks
The nature of the Group's business and the industry in which it operates expose it to a variety of risks. The principal risks and uncertainties facing the Group are detailed on pages 20 to 23. The Board regularly reviews the principal risks and assesses the appropriate controls and mitigating actions required to manage the operations of the Group within an appropriate risk environment. The Board has further considered their impact within the context of the Group's viability.

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

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

In addition, the Group's five-year business model was stress tested to simulate either a deterioration in market conditions or a failure of these assumptions. In particular consideration was given to:

- Persistent valuation falls of 2.5%, 5.0% and 10.0% per annum for each of the next five years and the resultant impact upon NAV, gearing covenants and cash levels.
- Inability to win any new business opportunities over the next five years and hence the only profits that can be generated are from existing schemes.

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

The Directors therefore have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period to February 2021.

See our Going Concern:
Page 64

COMPLEXITY

=

ADVANTAGE

Our integrated approach

Richard Upton photographed at Charlton, talking to our project team

Within these pages you will find stories about places – mixed-use places that reflect real people's mixed-use lives. Our portfolio is focussed on overlooked sites across the London City Region, Manchester and Dublin, all of them bristling with individuality, hidden history and untapped potential.

Their stories may not interest our competitors, with plots too complex or long-term to grasp, but these sites are perfectly suited to us: with low upfront costs and huge upside potential, we are able to apply our creativity, our attention to quality and design, our vast experience of community engagement and placemaking, and our development and asset management expertise to add value from start to finish.

We do this through unique mixed-use strategies that are too granular and detailed for a REIT, too varied for a volume house builder, and too large-scale and complex for a smaller developer.

The mixed-use nature of the U+I portfolio is our biggest advantage: we are not yoked to the narrow fortunes of a specific sector, geography, or market viewpoint. On the contrary – our schemes are responsive, providing diversity of use, location, investment type and project phase.

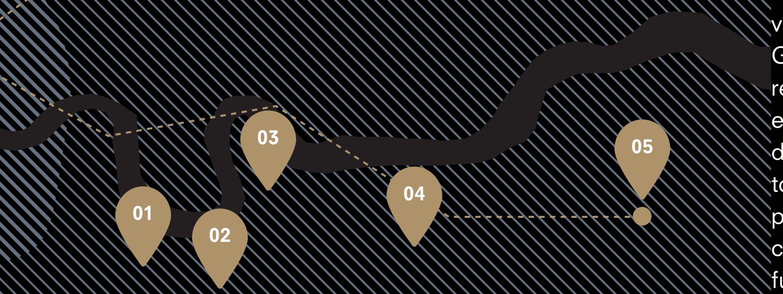
This allows our portfolio to move with the times, as we manufacture value at any point in the cycle rather than relying on market momentum and surrendering to the mercy of economic changes beyond our control.

We get to know these places intimately, and the real people and communities there, with their unique backgrounds, hopes and aspirations. By putting these people's needs and wants centre-stage, we extend the U+I track record and create a virtuous circle of goodwill that enables future successful collaborations with public bodies and planning authorities.

Woven together, these property stories are as compelling as they are diverse. Our integrated, mixed-use mentality sustains us, because we believe it reflects a mixed-use future for urban areas: communities are crying out for diverse, integrated and vibrant places in which to live, work and play.

Richard Upton,
Deputy Chief Executive
28th April 2016

South East London activities



The full range of our activities are captured in our projects in South East London. In November 2015, we celebrated the opening of a new street in Greenwich at **The Movement**, an off-balance sheet mixed-use regeneration project that has delivered significant development gains to the business. The completion of **The Deptford Project** in February 2016 has also delivered significant gains and we are retaining part of the development within our investment portfolio so that we can further establish the place and optimise its long-term value as part of our greenhouse strategy. Close by on the Greenwich Peninsula, we are delivering a long-term regeneration strategy for **Morden Wharf** where our equity exposure is limited but the upside potential from the development of this emerging London location continues to build. Meanwhile, we have acquired ten acres of income-producing developable land in **Charlton** with a long-term capital partner as part of our warehouse strategy. Travelling further East into Thamesmead, our project in **Abbey Wood** has completed, realising development gains via our off-balance sheet development model and delivering new homes, retail space, a nursery and library for the community.

1 THE MOVEMENT

A brand new gateway for the Royal Borough of Greenwich

Type of development: Trading

2 THE DEPTFORD PROJECT

Bringing economic regeneration to a great London high street

Type of development: Public Private Partnership

3 MORDEN WHARF

19 acres of rare riverside development opportunity

Type of development: Mixed-use regeneration

4 CHARLTON

Low-risk, long-term development potential in an emerging London location

Type of development: Warehouse

5 ABBEY WOOD

A new mixed-use community hub next to Crossrail's South East terminus

Type of development: Mixed-use regeneration

The case for mixed-use

Our focus on large, mixed-use regeneration projects in suburban locations looks set to benefit from wider societal shifts. As the population of our target urban areas, notably London, Manchester and Dublin, continues to grow, the challenges of affordability and congestion come ever more sharply into focus. The outward shift of our cities continues, as increasing numbers of city dwellers are priced out of the centre. Well-connected suburban locations continue to act as the pressure valve for the city and the demand for these locations continues apace.

Against this urban expansion, millennials and baby boomers are demanding increasingly creative, dynamic and urban environments that offer a variety of uses and experiences "24-7". These trends are shifting demand to suburban developments that provide the amenities, community and efficient links to the centre to create an "urban-lite" experience.

Our model for mixed-use regeneration and our emphasis on placemaking perfectly play into these wider trends.

FY2016 operating highlights:

Development and trading portfolio

Delivering gains

Building on our performance over the past few years, we have delivered another year of record-level gains from our regeneration activities and this level of performance is set to continue. The principal projects that have contributed towards the £51.1 million of development and trading gains are outlined below.

PROJECT NAME	OVERVIEW	PROFIT TRIGGER	PROFIT DELIVERED
399 Edgware Road, North London	*A significant new mixed-use quarter for North London.* 399 Edgware Road is being delivered in two phases. Phase one is now complete and has created: – an 80,000 sq. ft. Morrisons foodstore – 50,000 sq. ft. of retail/restaurant space Phase 2 will deliver 183 residential apartments in partnership with L&Q.	We achieved practical completion of phase one in February 2016, generating a development profit from the Morrisons foodstore and the sale of the retail/restaurant element.	**£8.0m**
The Old Vinyl Factory, Hayes	*A £250 million regeneration project that is delivering a new mixed-use quarter for Hayes.* We acquired this 18-acre site in April 2011 and are delivering a major regeneration project that includes: – 600 plus residential units – 550,000 sq. ft. of commercial space – extensive new public realm that opens up the site and provides a cohesive and inviting journey from Hayes and Harlington Crossrail station into the heart of our development.	This year we have realised further gains from the sale of two elements of the site: The Picture House which was sold to Global for the development of the UK's first media academy; and the Shipping Building, a 100,000 sq. ft. office building which was sold to a fund managed by Moorfield.	**£6.0m**
Cross Quarter, Abbey Wood	*A new mixed-use development adjacent to Abbey Wood train station.* We acquired this four-acre site in May 2011, securing planning consent for an £85.0 million mixed-use regeneration project which is anchored by an 81,000 sq. ft. Sainsbury's foodstore alongside over 200 new homes.	During the year we completed the construction of this project generating a development profit from the foodstore and sale of the 32 residential units. An additional land improvement profit has been realised from the sale of the remaining land.	**£4.9m**
Brentwood, Essex	*85 new mid-market homes for Essex on a formerly derelict industrial site.* A previously non-income producing, ten-acre site in Essex.	In March 2015, we secured planning consent for a new residential development and subsequently sold the consented site to a housebuilder, realising a significant land improvement profit.	**£4.1m**

PROJECT NAME	OVERVIEW	PROFIT TRIGGER	PROFIT DELIVERED
Wick Lane Wharf, East London	*A 112-unit residential building in Hackney, a desirable and growing location in East London.* We have owned Wick Lane Wharf in JV with Realstar since April 2012. During our ownership, the value of this residential community in an emerging part of East London has increased by 38.0% as a result of our refurbishment works to the building, and our successful ongoing lettings campaign which has allowed us to maintain near 100% occupancy rates throughout.	Having completed our business plan for maximising the value of this investment asset, we undertook a sales process to dispose of the apartments. We have now sold all of the apartments by private treaty.	**£3.9m**
The Deptford Project, South East London	*South East London's newest mixed-use community at the gateway to Deptford town centre.* Located next door to Deptford train station, The Deptford Project has created a striking new arrival to the high street with bustling new public realm, new shops, a street market and 132 homes.	In February 2016, we completed construction of The Deptford Project which had been almost entirely pre-sold. We have retained the ground floor retail units and market space as part of our 'Greenhouse' investment strategy.	**£3.9m**
Becket House	*A prime office building next to Waterloo Station and the River Thames.* We acquired this 146,000 sq. ft. fully- let office building in June 2014 in a 15:85 JV with Proprium Capital Partners for £87.0 million at 5.1% net initial yield.	In February 2016, we sold Becket House for £112.0 million at a 4.0% yield as a result of an off-market approach from the building's Freeholder, Guy's and St Thomas' Charity.	**£3.3m**
Charlemont Clinic, Dublin	*Enabling the development of a new 4* 181-bed hotel on a formerly vacant site in Central Dublin.*	During the year we secured planning consent to redevelop this site in the centre of Dublin, which has since been sold to an Irish hotel operator realising a land improvement profit.	**£2.3m**
The Square, Hale Barns	*A retail-led mixed-use regeneration project in a popular suburb of Manchester.* The Square has been developed on the site of a formerly underused 1960s shopping centre. The completed project has delivered: – a 30,000 sq. ft. foodstore, (pre-let to Booths and forward-funded by clients of CBRE Global Investors) – 12,000 sq. ft. of additional retail space – 24 high-end residential apartments.	In April 2015, we completed the construction of the development, realising a development profit from the delivery of the foodstore and the sale of all of the apartments.	**£1.6m**
Robswall, Malahide	*A residential community in a desirable coastal town near Dublin.* Our site in Robswall includes 83 homes including apartments, townhouses and family homes. The majority of these are let on assured shorthold tenancies generating a net yield of 6.0%.	Acquired in December 2014, during the year, we have undertaken a series of rolling refurbishment works to a number of the homes to prepare them for sale. To date we have sold 46 units.	**£1.5m**

Cockpit Yard

Building our pipeline

Since 28th February 2015, we have added to our portfolio with a specific focus on larger regeneration opportunities and PPP projects. Three of these new opportunities were secured through a competitive bidding process and we are delighted that our focus on quality of place, design and the long-term legacy of our projects continues to pay off.

In February 2016, we were delighted to be selected by TfL as one of its appointed partners to help deliver value across its London real estate holdings. The result of a competitive process with bids from over 50 of the UK's leading property companies, we are one of 13 developers who will work with TfL to help with the delivery of thousands of homes, offices and retail spaces for London.

Adding to our treasury of PPP projects, in March 2016 we were selected by Camden Council as its partner for the redevelopment of **Cockpit Yard**, a one-acre site in Bloomsbury which is currently home to Holborn Library and an arts-based social enterprise project. Our plans to regenerate the site will deliver a new mixed-use community, with a fully remodelled library and artist studio space, 105 new homes and new public spaces, transforming this into a busy, creative hub for the community.

In March 2016, we were delighted to be selected by LFEPA as their development partner at **8 Albert Embankment**. This PPP project with a GDV of over £350 million will see an iconic Central London riverside site transformed into a new fire station, museum, residential community, offices and hotel.

We are specifically focussed on opportunities that offer us a limited entry cost to the scale of the project, and the ability to generate significant upside. In so doing, we are able to limit our position in any single asset whilst building a considerable portfolio of projects that can be delivered through volatile property cycles. Our land holdings in **Charlton**, which is expanded upon in more detail in the following pages, is an example of such a project. Secured through a series of off-market transactions, we have now acquired ten acres of land in joint venture with our funding partner Proprium and aim to bring forward proposals for a residential-led regeneration project in the near-term.

8 Albert Embankment


Adding value

The principal driver of value across our portfolio is planning improvement and our team of regeneration experts has a long track record for securing value-enhancing planning consents. These enable overlooked land and assets to be transformed into economically active places. We have outlined some of the major planning consents that we have secured during the year in the table below.

PROJECT NAME	OVERVIEW	VALUE ADD KEY STATS
Mill Green, Cannock	We have exchanged conditional contracts with Cannock Chase Council to acquire a 35-acre greenfield site in Cannock, West Midlands, earmarked as a site with significant regeneration potential. Given its location just off the M6 toll road and with a vast catchment within the West Midlands, we identified this derelict site as an ideal location for a regional designer outlet retail destination. In January 2016 we were pleased to secure Resolution to Grant planning for a factory outlet village that will generate considerable new investment spend and tourism into the local area, providing a huge economic boost for the West Midlands.	**£110m GDV** – 1,200 new jobs to be created – 26,000 sq. m. of retail and leisure space
Valentine's House, Ilford	We were pleased to secure planning consent for our development project, Valentine's House, in 2015 which will see a vacant office building adjacent to Ilford train station transformed into a striking new residential scheme. Designed by Sir Terry Farrell, the building will deliver 122 new homes and we have since forward-sold all of the residential units to IP Global allowing us to de-risk the development. Construction is due to commence in Q3 2016 and complete in Q3 2018, in time for the arrival of Crossrail making this an important gateway development for Ilford.	**£47m GDV** – 122 residential units – 55,000 sq. ft. of office space
Spirit of Sittingbourne	In March 2015, we secured planning consent for the first phase of the Spirit of Sittingbourne project, a significant regeneration project that will revitalise Sittingbourne town centre. The development will be anchored by an eight-screen cinema to be operated by The Light Cinemas alongside 23,000 sq. ft. of new restaurant space and 27,800 sq. ft. of big box retail space. We have also exchanged contracts with PRS specialist, Neighbour, to deliver 213 residential units as part of the first phase of development. Construction is due to commence in Q4 2016.	**£57m GDV** (1st phase only) – 1,100 new jobs – £338 million of Gross Value Add into Sittingbourne over the next ten years

Visibility on future profits

Our performance in the past two years demonstrates the Group's enhanced capacity for delivering strong returns since the merger of Development Securities and Cathedral Group. Our target is to deliver £50 million plus of gains per annum to support our journey towards annualised post-tax total returns of 12%. We have a clear strategy and focus on larger regeneration projects in the London City Region, Manchester and Dublin and we have good visibility on our ability to add value and monetise gains across a number of projects in the years ahead. A selection of our key regeneration projects that will drive value in the next few years are outlined on the opposite page.

PROJECT NAME	OVERVIEW	TARGET FOR FY2017
12 Hammersmith Grove	The second of two office buildings that we have delivered in Hammersmith town centre. With a GDV of £130 million, 12 Hammersmith Grove reached practical completion in February 2016 adding a further 170,000 sq. ft. of West End quality office space to this undersupplied but established commercial hub. As with No.10, 12 Hammersmith Grove was forward-funded by Aberdeen Asset Management demonstrating our de-risked approach to major developments. Our lettings campaign to secure big name tenants is underway. – Read more in the Risk section on pages 20 – 23	– Fully let the building enabling us to deliver a development profit
The Old Vinyl Factory, Hayes	We are over half way through the delivery of The Old Vinyl Factory having disposed of a number of elements of the project which are now under construction. This significant mixed-use project perfectly demonstrates our approach to large scale regeneration, a key focus for us going forwards. – Read more in the Business Model on page 14	– Refurbishment of Record Store. Planning for Machine and Assembly Buildings
Circus Street, Brighton	A former fruit and vegetable market in Brighton where we are bringing forward the regeneration of a new mixed-use community in partnership with the University of Brighton and Brighton and Hove Council. This £100 million project will deliver: – 142 new homes – 38,000 sq. ft. of commercial space – a new dance studio for South East Dance – 450 student beds – a new library for Brighton university We are in advanced discussions with a funding partner for the delivery of the whole project, enabling construction works to commence this year.	– Close funding – Start on site
Vertium, Dublin (previously known as Burlington House)	In partnership with Union Investment and Ronan Group, we are delivering the best new office building in Dublin city centre. This €170 million, 172,000 sq. ft. office building is the first new speculative office to come to market for six years. Construction is currently underway with practical completion due in Q2 2017.	– Secure pre-lets
399 Edgware Road, North London	We are underway with phase two of this major mixed-use regeneration project. In partnership with L&Q, we are delivering a new residential quarter including 183 homes to accompany the completed foodstore, retail and restaurant space that was delivered in phase one	– Commence construction of phase 2 – Commence residential pre-sales
Donnybrook House, Dublin	We acquired Donnybrook House, a derelict office building in central Dublin in December 2014 and have since secured planning consent to completely refurbish and extend the building delivering 45,000 sq. ft. of new office space and 26,400 sq. ft. of ground floor retail, restaurant and leisure space. We are now underway with our pre-lettings campaign to secure an interesting mix of commercial and retail tenants for the project.	– Secure planning – Start on site – Achieve funding solution
Brunel Place, Slough	We have commenced works on site with the first phase of this major regeneration project in the heart of Slough within the next few months having secured forward-funding from AshbyCapital. In total, this £190 million project will deliver a 350,000 sq. ft. new commercial quarter that connects Slough's train and bus stations with the town centre. Phase 1 will kick start the project with 100,000 sq. ft. of Grade A office space and significant public realm improvements that will vastly improve the physical landscape of this important Crossrail location.	– Progress construction
Kensington Church Street, Central London	In joint venture with Brockton Capital, we are seeking planning permission for a residential-led regeneration project on the corner of Kensington Church Street and Notting Hill Gate. The project will see an existing office building transformed into 46 new homes, new public realm, 40,000 sq. ft. of office space and 30,000 sq. ft. of ground floor retail space which will revitalise this gateway site next to Notting Hill tube station.	– Secure planning permission

FY2016 operating highlights:

Investment Portfolio

Key statistics

Portfolio value

£203.3m

(2015: £203.3m)

Number of assets held

20

(2015: 21)

Initial yield* in period

6.75%

(2015: 6.87%)

Voids

4.46%

(2015: 4.97%)

Contracted rent

£13.57m

(2015: £13.77m)

New lettings in period

£0.36m/ 42,700 sq. ft.

(2015: £0.29m/31,400 sq. ft.)

Equivalent yield*

7.20%

(2015: 7.38%)

* Based on the core investment property assets only and on a like-for-like basis.

Swanley shopping centre: *In Q2 2016, we will be submitting a planning application to redevelop the surface car park at Swanley shopping centre into a residential-led mixed-use extension to the scheme comprising up to 300 new homes and 25,000 sq. ft. of commercial space. This redevelopment would deliver significant value and drive footfall and critical mass to the shopping centre, making it a more vibrant destination within the town.*

Strategic review

Having undertaken a thorough review of each of our investment assets, we are progressing with our plans to improve the performance of our investment portfolio, bringing it into the heart of our regeneration activities so that it becomes a dynamic part of the business and better contributes to our overall returns target.

As outlined at our interim results in October 2015, our plans are focussed around optimising our existing assets, rationalising our portfolio to dispose of non-core/ex-growth assets and reinvesting in assets that better suit our core skills to drive value.

Optimisation

We have identified seven assets with a current valuation of c.£130 million within our existing portfolio where we see opportunities to drive value through asset enhancement, planning gain or redevelopment. We are now progressing these individual asset business plans, for example our redevelopment plans for Swanley shopping centre, outlined below.

Rationalisation

The review of our portfolio also identified a number of assets where opportunities to add further value are limited. During the year, we sold assets with a book value of £10.7 million and are progressing plans to dispose of a further nine assets with a current valuation of c.£70 million in the short- to medium-term. As assets are optimised they will be moved to rationalisation depending on market conditions.

Reinvestment

Our reinvestment activities are focussed on assets that provide growing income streams, high growth potential or which can feed and benefit our regeneration and development activities. The aim is to create a blended portfolio of assets that better contributes to the overall 12% pre-tax total returns target for the business.

Our reinvestment plans focus on three core areas:

Core portfolio – income plus value add

'Core' investment assets will make up the majority of our portfolio (c.£120 million, which corresponds to assets required within the Aviva debt facility), with a focus on long-term income streams from robust assets with strong covenants and potential to add value through our asset management activities and where possible, development and redevelopment potential.

Top five occupiers as at 29th February 2016

	Annual rent £'m	% of contracted rent
1. Waitrose	**1.44**	**10.61**
2. Matalan	**0.72**	**5.27**
3. J Sainsbury	**0.49**	**3.61**
4. Sports Direct	**0.31**	**2.26**
5. Wilkinson	**0.26**	**1.90**

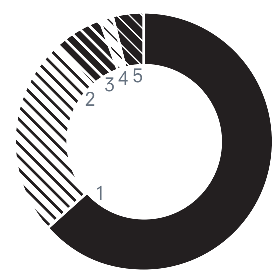
Income generating properties – Like-for-like rental income received

Year ended 29th February 2016	Property owned throughout the year £'000	Acquisitions £'000	Disposals £'000	Total rental income £'000
Investment	**12,613**	**1,338**	**291**	**14,242**
Development and trading	**1,251**	**3,200**	**198**	**4,649**
Joint ventures	**2,015**	**1,523**	**–**	**3,538**
	15,879	**6,061**	**489**	**22,429**

Year ended 28th February 2015				
Investment	10,541	771	1,409	12,721
Development and trading	1,436	1,805	1,586	4,827
Joint ventures	1,906	1,306	–	3,212
	13,883	**3,882**	**2,995**	**20,760**

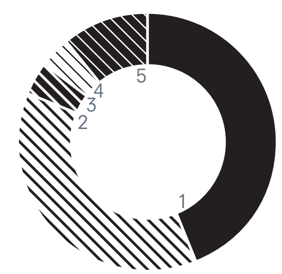
Core investment portfolio — 29th February 2016

Gross rental income – tenant profile



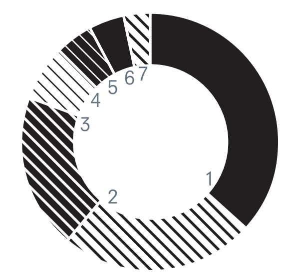
1. PLC/nationals – (63.4%)
2. Local traders – (25.2%)
3. Regional multiples – (6.0%)
4. Government – (1.7%)
5. FTSE 100 – (3.7%)

Gross rental income – lease term profile



1. 0 – <5 years – (44.1%)
2. 5 – <10 years – (37.2%)
3. 10 – <15 years – (4.1%)
4. 15 – <20 years – (3.8%)
5. 20 years+ – (10.8%)

Capital value – location profile



1. South East – (36.8%)
2. South West – (24.5%)
3. North – (19.5%)
4. Midlands – (6.9%)
5. Wales –(4.7%)
6. Northern Ireland – (4.3%)
7. London – (3.3%)

Greenhouse – high growth potential
Within our completed mixed-use regeneration schemes, we have the opportunity to transfer certain elements of these projects within our investment portfolio, allowing us to capture the value uplift as the place becomes more established. In the years following practical completion, our projects continue to grow in value and by retaining a longer-term stake, driving footfall and rental growth through intensive asset management activities, we can generate significant value growth. Within our existing regeneration pipeline, we see several opportunities to transfer parts of the completed developments into our investment portfolio with an initial five projects identified over the next three years.

During the year, we transferred the ground floor retail and commercial elements of The Deptford Project (see case study) into our investment portfolio at a fair value of £3.6 million. We see significant opportunity to drive the value of this new retail destination which is due to open to the public in the next couple of months.

In Hayes, we plan to bring 35,500 sq. ft. of retail and office space within our major mixed-use project, The Old Vinyl Factory, into our investment portfolio. This development is on site with new residents due to move into the first residential phase in summer 2016. As this place becomes an established hub within Hayes, boosted by the arrival of Crossrail, we expect to drive significant rental and value growth within our retained element of this project.

GREENHOUSE ASSETS
OUR STRATEGY:

1
RETAIN
Ground floor retail, leisure or commercial space of completed mixed-use regeneration project transferred to investment portfolio.

2
GROW
Use detailed knowledge and experience of the location to attract the best tenants, to mature the development, drive footfall and add value.

3
HARVEST
Mature the investment asset, capturing rental and value uplift ahead of ultimate sale.

The Deptford Project: *We completed the construction of The Deptford Project in February 2016 delivering a standout new mixed-use community that is just one element of the wider regeneration of this growing South East London location. We have disposed of the majority of the project realising considerable development profit, but have retained the final element of the scheme, the ground floor retail space, within our investment portfolio.*

The ground floor space comprises 2 restaurants, 14 workshops in refurbished railway arches and a new street market. 70% of this space is now exchanged or under offer ahead of the new market and retail units opening this summer. Retaining the retail space will allow us to capture the value uplift generated as we establish this as an intrinsic part of the Deptford offer and as the wider area benefits from further investment and growth.

c.£70m
of portfolio to be rationalised over next year

10 acres
of income-producing land acquired in Charlton

Warehouse – feeding the development pipeline
Warehouse assets are income-producing and offer medium to long-term regeneration potential. Albeit generating lower income yields, by warehousing these assets within our investment portfolio, we are able to build our pipeline of development opportunities in a controlled and de-risked manner, generating income during the planning process. During the year, we have acquired over ten acres of income-producing land in Charlton (see case study).

In Sidcup, we acquired a golf driving range yielding 7.0% in September 2014. We have added this asset to our investment portfolio and are considering options for a residential-led redevelopment of the site.

WAREHOUSE ASSETS
OUR STRATEGY:

1
ACQUISITION OF ASSETS
Target undervalued, income-producing land or assets which have a strategic planning case in our three core geographies.

2
GROW INCOME
Manage assets to drive short to medium-term income streams. Start process of community engagement early in the process.

3
DEVELOP MASTERPLAN
Create development proposals for new mixed-use place and secure planning consent.

4
REGENERATION OF PLACE
Deliver new place.

Charlton Riverside: *Charlton Riverside is an historic area of Greenwich, in suburban South East London. It has been largely overlooked by other developers due to complex land ownership structures and because to date, it has been overshadowed by neighbouring areas that have attracted greater investment and growth. We see Charlton as a key part of London's growth story and future.*

Through a series of off market transactions, we have acquired over ten-acres of investment income-producing industrial land in JV with Proprium Capital. We are now putting together proposals in line with the Charlton Riverside masterplan to bring forward a significant residential-led regeneration project that helps to address local housing need, specifically the middle-income/affordable end of the market where demand continues to vastly outstrip supply.

Whilst we develop our masterplan for this project, we are able to 'warehouse' the land. Yielding c.3.5%, our upfront equity investment is kept low whilst the upside development potential is considerable.

FY2016 performance

During the year, our investment portfolio value remained stable at £203.3 million (2015: £203.3 million) generating an initial yield of 6.75% (2015: 6.72%). Our focus going forward is to reposition our portfolio to drive optimum growth and best utilise our skills as a regeneration developer as outlined in the previous pages. This will drive an improved performance from our investment portfolio over the next three to five years.

TOP FIVE ASSETS BY VALUE

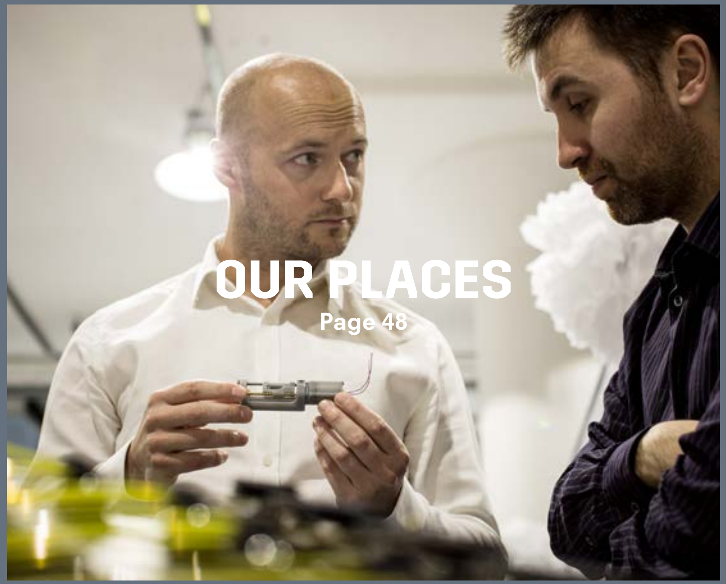
PROJECT NAME	OVERVIEW	PROGRESS IN FY2016	KEY STATS
The Furlong Shopping Centre, Ringwood	An 85,000 sq. ft. retail centre anchored by Waitrose in an affluent catchment area near the New Forest. *Key tenants:* Jaeger, Hobbs, AGA, Fat Face, Phase Eight, Gerry Weber, Jones Bootmaker, Joules, Waterstones, Crew Clothing, Holland & Barrett and Paperchase	During the year 100% of leases were renewed on expiry, maintaining an attractive mix of national and independent uses in the centre and putting us in good stead to drive rental values in 2016. We simultaneously surrendered and re-let one unit to Paperchase adding another aspirational retailer to the tenant line-up, and we exchanged with a major national retailer on the only remaining vacant unit. Footfall numbers ended the year 11% up with certain tenants reporting their best sales and profits in the country. We have rolled out new initiatives to drive footfall including regular food and craft markets. Over this year we also began promoting click and collect in Waitrose and a handful of stores to capture convenience spend. We are now in discussions with anchor occupiers for a new phase of development that would extend the centre, with a view to applying for planning permission later this year.	Valuation: £35.2m Valuation change: 3.5% increase Running yield: 5.3% WAULT: 8.6 years ERV growth: 1.2%
The Killingworth Centre, Newcastle	The Killingworth Centre is the principal retail and leisure destination within Killingworth, a suburban commuter town five miles from Newcastle City Centre. The covered shopping centre comprises a 73,000 sq. ft. Morrisons foodstore, a 70,000 sq. ft. Matalan and 28 further retail units totalling 106,000 sq. ft. which are let to a range of national and local operators. *Key tenants:* Morrisons, Matalan, Poundworld, Wilkinson, Card Factory and Boots	We successfully agreed lease re-gears with a number of tenants to boost WAULT and are currently working through a number of outstanding lease renewals and rent reviews. During the year we secured planning consent to develop two new units in the car park and have pre-let both spaces to Bet Fred and Specsavers. We are now working on a rebranding exercise for the scheme which includes a new website and signage aimed at better connecting with our customer base.	Valuation: £20.7m Valuation change: 2.3% increase Running yield: 7.4% WAULT: 4.3 years ERV growth: 3.2%

PROJECT NAME	OVERVIEW	PROGRESS IN FY2016	KEY STATS
Borough Parade, Chippenham	A popular local shopping centre anchored by Waitrose and New Look in Chippenham near Bristol. *Key tenants:* Waitrose, New Look, Patisserie Valerie, Waterstones, Argos, Café Nero	We have agreed terms with Patisserie Valerie for the one vacant unit within the scheme adding a national retailer to our tenant line up that will increase dwell time footfall and boost the quality of the centre. Terms have been agreed with Pandora (jeweller) to take two units within the centre which will be combined, enhancing the quality of the tenant line up within the centre.	Valuation: £16.4m Valuation change: 0.8% decrease Running yield: 6.5% WAULT: 4.3 years ERV growth: 4.7%
Kingsland Shopping Centre, Thatcham	A local shopping centre located 15 miles from Reading, anchored by a Waitrose food store. *Key tenants:* Waitrose, Costa Coffee, Lloyds Pharmacy	The centre remains fully let. During the year we extended Waitrose's lease and added a café and external sales area to their store, improving the environment at the centre. We achieved vacant possession over part of an adjoining site where we plan to extend the centre and are now in discussion with potential occupiers.	Valuation: £15.4m Valuation change: 6.6% increase Running yield: 7.5% WAULT: 3.5 years ERV growth: 8.4%
Crown Glass Shopping Centre, Nailsea	A local shopping centre in a Bristol suburb anchored by Waitrose (not in ownership) and a mixture of national multiple and local retailers. Ownership also includes a large car park with development potential for additional retail floorspace. *Key tenants:* WHSmith, JD Wetherspoon, Poundland, Costa Coffee, Boots and HSBC	We completed the re-gear of Poundland removing the tenant's break option and increasing the rental income by 9%. Subject to increasing the size of their unit, we have also signed an agreement for lease with Costa Coffee adding to the tenant line up and driving footfall to the centre. During the year, we completed the conversion of a first phase of office space to create seven flats which have all now been sold. A second phase of residential conversions is now underway to create a further six new flats.	Valuation: £14.5m Valuation change: 6.0% increase Running yield: 7.5% WAULT: 3.5 years ERV growth: 7.1%

THINKING IN DECADES

Our Sustainability Strategy

We create places where people and enterprise can thrive



The Old Vinyl Factory, Hayes: *Because British manufacturing needs a boost.*
We've created The Central Research Laboratory (CRL), a pioneering research and design hub that will become the UK's first full service incubator for manufacturing entrepreneurs. Reinvigorating the history of this inspiring site, we've been distinguished for the arts and culture activities we've brought to the local community over the course of the scheme's development.

Atlantic Village, Bideford: *Because buildings account for 37% of the UK's greenhouse gas emissions*
We've implemented a range of best practice initiatives to deliver more efficient and sustainable operational practices at asset level, including LED lighting retrofits, on-site waste separation and recycling and landscaping.

Our Workplace: *Because work should be joyful.*
The U+I team has moved into a new home, 7A Howick Place, Victoria. Designed to inspire and engage, the office space features colourful and airy meeting rooms, collaborative working spaces and numerous visual features – among them a giant horse, floating figurines on umbrellas and a neon pink lamp fringe – to keep our team bright, creative and active.

Overview
We transform overlooked places into vibrant communities, delivering true value and legacy for local residents and businesses as well as our investors. Our core focus on complex mixed-use regeneration development and specialism in PPP allows us to unlock significant opportunities to deliver sustainable socio-economic growth. Our unwavering commitment to quality design underpins our endeavour to manage and improve the environmental aspects of the places we create.

Our approach
For us, 'sustainability' means investing in the long-term success of our developments, assets and team. It is a strategic approach that is fully aligned with our vision to create places where people and enterprise can thrive, and it involves taking account of socio-economic and environmental aspects alongside financial ones. Hence sustainability is integral to our existing governance structures and management procedures, and we believe this approach is more effective than having stand-alone sustainability committees and policies. Environmental and social aspects are considered as part of a broader conversation around specific projects at Board level and are incorporated into the overarching brief used for all projects.

We have identified 'places', 'buildings' and 'people' as key intervention points for delivering sustainability. Maintaining a first-rate approach to community engagement and delivering the greatest possible social value on all of our projects remains our main focus area in terms of socio-economic impact, and we consider our major environmental impacts to be energy, water, waste and materials.

We are aware that the issue of sustainability is becoming increasingly important to our stakeholders, and with this in mind we are undertaking to review our strategy, combining the past strengths of Development Securities and Cathedral Group to set an ambitious approach based around the environmental and social risks and opportunities which are most material to our business and our stakeholders. Having already established processes to manage energy-related risks across our development and investment portfolios, we are particularly keen to engage our tenants to support them in meeting their sustainability aspirations, as well as making sure that sustainability risks are identified and managed within our supply chain.

Key focus areas
We focus our sustainability strategy on three main areas: the places we create (both communities and environmental aspects), the buildings we own and operate and the people who work for us.

OUR PLACES

COMMUNITIES

We maximise the positive place-making impacts of our projects, striving to improve well-being and pride within communities by providing new and valuable facilities, jobs and investments, as well as bringing people together from the very start of our involvement.

ENVIRONMENT

We are diligent in the identification and management of environmental risks and in meeting the aspirations of clients, partners and local authorities with regard to environmental quality standards.

OUR BUILDINGS

We aim to measure and monitor our sustainability impacts at the building level and deliver regular, transparent reporting on our performance. We seek to support our tenants and suppliers to monitor and reduce their environmental impact, including energy and water usage and waste management.

OUR PEOPLE

We recognise that the health, well-being, productivity and skills of our people are vital to our future success. We invest in staff training, educational development and wellness initiatives. We provide a stimulating workplace and foster engaging, collegiate culture.

OUR PLACES

We strive to improve well-being and pride within communities

Building skills and tackling unemployment:

Brunel Place, Slough: *We've donated a building free of charge for use by a social enterprise called The Real Experience. They enable long-term unemployed people to work in the café, participate in workshops and obtain a barista Level 2 qualification. Of the 33 people who have completed the course, ten now have jobs and three have gone on to further education.*

"I am very grateful to U+I for providing the Culture Café. This is a great opportunity for The Real Experience; they will work with long-term unemployed local people to gain the skills and self-esteem they need to get back into a job. I hope to see more schemes like this set up in the near future."
– Ms Fiona Mactaggart, a patron of The Real Experience

Community
U+I aims to be pioneering in its approach to community engagement and we continue to push for innovation and leadership in this area. We bring investment, short- and long-term employment, and local economic development and we change the perception of previously deprived areas, unleashing new vitality and acting as a catalyst for future prosperity.

We begin adding value from the planning stages of a project. We get under the skin of the local area and consult with people from the community, the local council and other important stakeholders as we plan the development, seeking to understand the needs, history and significance of a place. Our skilful stakeholder engagement approach brings communities together to successfully change the perception of the area, facilitating and integrating the transformation between old and new.

The Old Vinyl Factory in Hayes is a case in point. Established in 1907 as the headquarters of EMI and His Master's Voice on a 17-acre site in Hayes, West London, this site has a unique architectural, cultural and industrial history, but had been overlooked for years. We wanted to draw inspiration from the past to reinvigorate the site in its next phase of life. So when our place making activity began in 2012, we opened a new café and temporary museum about the site's industrial history. We brought in upcoming musicians to film The Old Vinyl Factory Sessions in the hallowed factory halls, literally 'bringing music back' to the place. The strong narrative about the history and potential future of the site has attracted new funding and delivery partners which is ultimately enabling us to transform the site into intelligently designed workplaces, entertainment venues, shops and homes in art deco landmarks and smart contemporary buildings, set around colourful new public plazas.

Building on the heritage of the site, we've re-created EMI's **Central Research Laboratory** (CRL), now fully equipped with the latest in rapid-prototyping technology to act as the UK's first incubator space for manufacturing start-ups and provide a hub for creative commercial innovation in the 21st Century. In this way, we are encouraging the growth of some of the UK's most pioneering inventors, designers and engineers, adding to the life and vibrancy of the site. In September 2016 we'll welcome the first students to Global Academy, a University Technical College specialising in music and media studies for ages 14-18.

The Old Vinyl Factory was featured in the Town and Country Planning Association's (TCPA) Guide for Creating Successful New Communities as a key example of using culture and the arts to make links with the community for long-term benefits. This is by no means a unique example of our approach, as the wide range of projects in our portfolio and featured case studies demonstrate.

Enhancing communities is integral to our business strategy. It enables us to prove the vitality of our regeneration schemes to joint venture partners, local authorities, and future investors; it increases the value of the assets in our investment portfolio; it supports us in securing new PPP projects and in accessing long-term investment capital.

Connecting communities through arts and culture:

Algarve House, Southwark: *We've opened a creative arts venue, Platform, in what was formerly a derelict office building in the middle of the site. With a mission to foster ground-breaking art, music and performance, it provides studio space for The Young Vic, which offers community outreach programmes, Illuminate, an arts social enterprise, and Vermillion Hook, a collective of young performance artists.*

"Platform has opened up many opportunities for members of the community to take part in workshops, rehearsals and projects relating to the work on our stages. It has provided us with the flexibility to extend our activities and our reach, allowing our neighbours to be fully part of the Young Vic community."
– Imogen Brodie, Director of Taking Part

Changing perceptions and reviving a sense of place:

The Deptford Project: *When we acquired the site in 2007, the centre of Deptford was one of the most neglected parts of London, a centre for crime and drugs. We worked hard to change the perception of the site from a derelict wreck to a thriving, busy public space for small innovative businesses. We brought in a 1960's rail commuter carriage and turned it into a café which quickly became a popular social meeting place for local residents and Deptford visitors. We opened up the disused arches and let them to local start-ups , who helped organise an outdoor cinema event. Lewisham Council was vital in helping us hold a food market for local entrepreneurs on the site, hosted and filmed by Jamie Oliver.*

Overall we've revived a sense of community by listening to and acting upon local people's views throughout the development.

"To work with a property developer that sees the value in prioritising the community in which it is working is both rare and refreshing. U+I's approach to the Deptford Project – from start to finish – has lived up to its commitment to the local community. Existing businesses, local start-ups, current residents and residents-to-be will all benefit from the charm of The Deptford Project"
– Alan Smith, Deputy Mayor of Lewisham

Brunel Place, Slough: *At Brunel Place in Slough we're developing 350,000 sq. ft. of office space across three striking commercial buildings as part of the wider £450 million Heart of Slough town centre regeneration.*

Environment

We deliver high quality developments, and this encompasses a commitment to delivering environmental quality. Environmental sustainability aspects are integrated into our template brief for development and construction. We take a practical approach, guided by the National Planning Policy Framework, which focusses on measuring our impacts in terms of energy, carbon, water and waste. As yet we do not set project-specific environmental performance targets, but may do so as we build up a robust bank of data. Moreover, environmental sustainability aspirations on a project basis are determined by our stakeholders and the expectations of the market. Beyond ensuring that we meet all statutory requirements, we meet industry standards such as BREEAM and integrate more innovative environmental features as and where this is requested by partners, tenants, potential buyers and/or capital partners. As such, we have delivered some notable achievements on key projects.

We endeavour to meet the aspirations of clients, partners and local authorities with regard to environmental quality standards

399 Edgware Road is a mixed-use regeneration scheme encompassing c.130,000 sq. ft. of high quality retail space, 183 residential units and space for a school. We have already achieved a BREEAM 'Very Good' rating for the base build design stage and are on target to achieve BREEAM 'Excellent' post-construction for the foodstore and retail units. The residential component has been designed to attain Code for Sustainable Homes Level 4, exceeding the minimum standards for new housing in terms of energy/water consumption, pollution and waste management. Furthermore, the development incorporates an on-site energy centre which, among other features, includes a facility where we capture waste heat from the retail units to purge the residential heating and provide for PV panels to generate electricity and enhance the heat storage capacity. The site as a whole delivers a 25% improvement on building regulations, meeting the sustainability objectives of the London Plan.

399 Edgware Road: *A mixed-use regeneration scheme encompassing c.130,000 sq. ft. of high quality retail space, 183 residential units and space for a school.*

At Brunel Place in Slough we're developing 350,000 sq. ft. of office space across three striking commercial buildings as part of the wider £450 million Heart of Slough town centre regeneration. We're proud to have already achieved a BREEAM 'Excellent' design stage rating for the development which boasts a range of sustainability features including green rooftop spaces, extensive cycling facilities, PV panels, LED lighting, provision for connection to the district heating scheme and highly water efficient fittings and systems.

We are already proactively measuring the energy, carbon, water and waste performance of our schemes' construction works and seeking solutions that minimise environmental impact and maximise cost and resource efficiencies. As part of a long-standing focus on our greenhouse gas (GHG) emissions, we are calculating the embodied carbon of all our developments up to practical completion and comparing the data with previous projects as well as industry benchmarks. As we commence a new development, our external environmental consultants hold at least two briefing sessions with the design team and contractors to explain why and how the embodied carbon is calculated to ensure that the required data is collected correctly. We have found that this approach has increased awareness of the environmental impacts of the development process and it now helps to inform decisions around material selection and procurement on a regular basis. The constant aim is to improve on previous performance. This can be challenging given the varied nature of the development pipeline, but as our development portfolio matures, so the dataset of comparable projects grows, allowing for better quality benchmarking.

During the year, for **The Square**, Hale Barns in Manchester, a redevelopment project completed in March 2015, we compared the embodied carbon (calculated as 1978.63 tCO_2e) to an industry benchmark and values for other representative buildings. We found that the embodied carbon for this project is 61% lower than the RICS benchmark and considerably lower than one of our competitors' benchmarks, although this is largely due to the difference in building types. At both **The Old Vinyl Factory** and **12 Hammersmith Grove** we recycled 97% of construction waste whilst **The Deptford Project** successfully diverted 100% of waste from landfill.

City living in harmony with the environment:

Circus Street, Brighton: *On the site of a derelict fruit and vegetable market, we're creating a sustainable, productive, healthy model of city life. We're reintroducing nature in a space that's offered little ecological value in the past, building accommodation around two large, green urban squares, encouraging the growth of fruit and vegetables in allotments, planting disease resistant elms and taking steps to nurture biodiversity. There will be a big focus on travel by bike and foot, a push for green energy with electric charging points in accessible locations and residential design that encourages more communal, responsible, neighbourly living among tenants.*

Eco Cycle brings automated cycle storage to the UK:

Algarve House, Southwark: *We are providing a platform for Eco Cycle to bring an impressive high tech solution to demand for efficient and secure cycle storage in the capital. Eco Cycle's automated cycle storage unit offers 204 dry cycle spaces that take up only 6% of the space required to store the same amount of cycles in traditional 2 tier racking. Furthermore, bicycles can be retrieved in just 13 seconds. The Eco Cycle concept, which originated in Japan, brings substantial environmental and social benefits: it encourages cycling by public and private storage provision with no security or access issues whilst reducing street clutter in public spaces.*

A new benchmark for Hammersmith offices:

10-12 Hammersmith Grove: *10 HG and 12 HG are the first new speculative office developments in Hammersmith for a number of years and have set a new standard for quality offices in the area, achieving average rental values of 25% above the previous benchmark. The buildings are designed to BREEAM 'Excellent' standard and feature a triple glazed cladding system with ceramic fritting to provide a high performance facade. The office interiors are lit by a full LED lighting system and power demand is supplemented by roof mounted photovoltaic panels.*

OUR BUILDINGS

We aim to measure and monitor sustainability impacts at the building level and deliver regular, transparent reporting on our performance

Our Twizy: *As part of our efforts to reduce the environmental impact of our own operations, we have purchased a Twizy car. Small enough to park in our lobby, it's powered from the electrical supply in the U+I office.*

Within our investment portfolio, our proactive asset management activities aim to drive income and value growth to deliver strong returns. As we proceed to refocus and restructure the investment portfolio, we are seeking to establish a clearly defined, practical, active sustainability policy embedded from the start of the investment process to support these activities.

Our primary focus will be on effectively measuring our environmental impacts and targeting annual reductions. To mitigate risk in the context of upcoming legislation, in 2015 we initiated energy reduction programmes at a number of our assets. We are also striving to divert 100% of waste from landfill, and our principal managing agent CBRE has appointed a single waste removal contractor for their portion of the investment portfolio (approximately 80%) who has been tasked with delivering this target.

One of our key challenges is tackling the split incentive between landlord and tenant. To increase the energy performance of our portfolio, we need to introduce energy efficient equipment and management practices in tenant demised areas, but are finding that tenants are often unwilling to share the investment cost, even when they will reap returns within reasonable payback periods. At **399 Edgware Road** we have introduced a BREEAM Green Lease Agreement for Morrison's who must comply with specific requirements in order for us to attain the BREEAM 'Excellent' rating and have received payment from us in order to support the necessary costs. The Oriental and Far Eastern retail units on the same development are also required to comply with our 'green' fit-out design guidance.

As part of our efforts to reduce the environmental impact of our own operations, we have purchased 'Twizy car', a two-person electric car that avoids London's congestion charge. Small enough to park in our lobby, it's powered from the electrical supply in the U+I office but can be topped up at charge points across the city. It offers our team a fun, alternative and cost-effective way to get to and from meetings and provides us with an opportunity to publicise the U+I brand. It's travelled 33 miles so far, and we hope to make the best use of it in the year to come.

GHG commentary
We report the environmental performance of our owned portfolio in line with EPRA's Sustainability Best Practice Recommendations (sBPR). Tables detailing our performance in 2015 can be found on our website www.uandiplc.com/sustainability/overview.

OUR PEOPLE

We believe that the only enduring competitive advantage a firm can have is its culture and its values

Staff visit to Deptford: *In order to build our culture and share knowledge, we regularly arrange company visits to developments that demonstrate our regeneration activities such as Deptford. In November, following the launch of U+I, we arranged a team visit to see the development in progress.*

Achieving our ambition to provide social value and change the perception of the areas where we work relies on the skills and enthusiasm of our team. We want to encourage creativity and innovation, promote wellbeing, and support professional development.

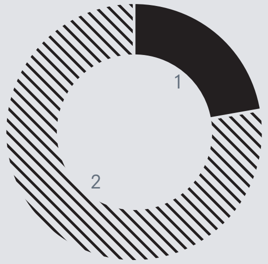
We encourage our team to stay fit, healthy and well. We offer fruit to the team in our head office and free yoga classes; we subsidise gym membership; we participate in the cycle2work scheme; we provide excellent health insurance and health checks which are subsidised for all. We offer an employee assistance programme for people to use if they are suffering from stress and/or have financial, domestic or work-related concerns, which includes access to counselling. We're also looking into the potential benefits of offering mindfulness training, as part of our overall wellbeing strategy.

Collaborative, cross-team working stirs the imagination and generates new ideas. We want to make sure our team is fully integrated and engages across all areas of the business, so we have created an events space in our new office for talks and discussions and we organise whole team events to celebrate our accomplishments and inspire new ones – like the staff day we held at The Deptford Project or the street party we held when we completed The Movement in Greenwich. We run an ongoing programme, 'U+I Think', which involves a series of breakfast and evening events in our auditorium designed to question the everyday and inspire extraordinary thinking.

U+I Think: *Deputy Mayor for Education and Culture, Munira Mirza, discusses the role that culture plays in London's development.*

Gender diversity

Board



1. Female – **2** (12.5%)
2. Male – **7** (87.5%)

Senior Management

1. Female – **4** (20.0%)
2. Male – **21** (80.0%)

Full team

1. Female – **70** (56.3%)
2. Male – **53** (43.7%)

This year we helped our team to connect through our Insights Day, a company-wide event involving psychometric analysis, team building activities and positive insights into behaviour and character.

People thrive best in the workplace when they are engaged, inspired and continually learning, so we encourage our team to further their professional development and support them in doing so. In 2015 we supported six employees through further education and we offered training on 26 different themes, ranging from personal effectiveness and change management to business writing, market trends, policy and regulation and risk management. Going forwards, we are looking into the possibility of offering work experience and internships for young people. We are also in the process of developing a formal Diversity Policy as we are becoming increasingly active on this topic – advertising jobs more widely to encourage a more diverse base of applicants, inviting speakers on this topic into our events space and encouraging collaboration with partners and other stakeholders on this theme.

We also continue to maintain a direct community investment policy, donating more than £34,000 in support of various sponsorships and charitable projects in 2015.

Investing in our team:

	Results
Total number of U+I employees	**123**
Total number of new hires in 2015	**22**
Headcount growth (%)	**10**
Total number of training events	**35**
Total number of people who attended training	**65**

THERE IS A COMMON MISCONCEPTION THAT TO ACHIEVE SOCIAL CHANGE YOU SACRIFICE PROFIT

WE DON'T BELIEVE THAT

Marcus Shepherd, Finance Director
Photographed at the launch of
The Central Research Laboratory

£51.1m
Development and trading gains

291p
EPRA NAV per share

44.4%
Gearing

Review of the year

The past year has been a significant one in the continued progress of the Group. Over the course of the last twelve months we have secured another record level of development and trading gains of £51.1 million, rebranded the Group to provide a distinctive and inspiring identity, moved all parts of the business together into our new home as well as announcing a succession of exciting new business opportunities.

In respect of the gains achieved during the year, we have produced significant results from both historic parts of the business.

Of those projects acquired as part of the Cathedral Group acquisition in May 2014, we have successfully completed the construction and sale of the residential scheme in Deptford producing a profit in the year of £3.9 million. In addition, at The Old Vinyl Factory in Hayes we have successfully let and sold the Shipping Building for £19.4 million and the Picture House for £3.3 million realising total profits in the year of £6.0 million.

We have successfully realised profits from two of the historic legacy assets held by the Group. At 399 Edgware Road we completed the construction of the 81,000 sq. ft. Morrisons store, funded by Aberdeen, and in addition we have successfully constructed and sold the remaining retail element of the scheme. We have also disposed of the majority of our land holdings in Broughton. Overall we have generated gains in the year of approximately £9.1 million from these assets.

It has been encouraging to see the successful exit from several of our schemes in Dublin. Following receipt of planning permission at the former Charlemont Clinic site in Dublin we disposed of the scheme to a hotel group for €11.9 million generating a net profit of £2.3 million. We have also successfully funded our Vertium scheme in Dublin which was held in a joint venture with Colony Capital. Following the sale we have received all of our equity back and are now managing the development of the new building in return for fees and a profit share on its successful completion and letting.

In the London City Region the following transactions have made significant contributions to the results of the year.

- We sold Becket House, an office building near Waterloo in London, which was held in joint venture with Proprium, one of our established capital partners, generating a net profit for the Group of £3.3 million.
- At Brentwood in Essex, we secured planning permission for a residential redevelopment of a former non-income producing site and subsequently sold it to a housebuilder generating £4.1 million of profit.
- At our mixed use scheme, Cross Quarter, Abbey Wood, we completed the construction of the foodstore, the construction and sale of 32 residential apartments and disposed of our residual land holdings generating profits during the year of £4.9 million.
- At Wick Lane Wharf, the majority of the residential apartments have been sold generating profits for the Group of £3.9 million.

In terms of our financing strategies, we continue with our policy of applying debt to individual development and trading deals on a stand-alone basis where the business plan for the particular project will support it.

The major change to the financing of our investment portfolio during the year was the expiry and repayment of the historic £20.0 million, 11.0% debenture in January 2016. Following the successful disposal of assets held as security, including the commercial elements of Royal York Buildings in Brighton, we have refinanced the remainder of the debt with a three-year facility with Barclays at a cost of approximately 3.9% per annum.

Our strategy is to keep balance sheet gearing in the range of 40-50% as our view is that this is appropriate given the weighting between longer-term income producing investment assets and shorter-term development and trading assets. On an individual asset basis this may involve borrowings at up to 65% loan to value, but this will be offset by other assets for which gearing would not be appropriate.

During the course of the year, gearing increased to 59.2% as we built out the pre-sold residential development at Deptford. Following the completion of the sales in the second half of the year, gearing fell to 44.4%, excluding our share of joint ventures, as at 29th February 2016 and fell further still to 33.3% as at 28th April 2016.

As at 29th February 2016, our weighted average debt maturity was 4.5 years (4.2 years including our share of joint ventures), compared with 5.4 years as at 28th February 2015 (5.0 years including share of joint ventures).

As at 29th February 2016, net debt, including our share of joint ventures, stood at £205.1 million, an increase from £172.5 million at 28th February 2015. This represents gearing of 56.4%, within our normal target level of 50-60%. As at 28th April 2016, net debt had decreased to £158.6 million, representing gearing of 43.7%.

As a result of the level of profits achieved during the year, the Group declared a supplemental dividend of 8.0 pence per share on 27th April 2016, in line with the Group's new dividend policy.

Following discussions with stakeholders, the Group will, in future years report an EPRA NAV which includes an external valuation of the properties held at cost on our Balance Sheet. This will bring the Group into line with the majority of its peer group. The first reporting period prepared in this way will be the financial year ending 28th February 2017.

Capital structure and liquidity management

The Group's strategy for capital structure and liquidity management is to maintain a conservative balance between equity and debt appropriate to the nature and profile of our asset portfolio, achieving both certainty and flexibility. This takes into consideration our operational strategy and our intention for each asset, together with our expectations for the availability and cost of alternative sources of finance.

In particular we operate within a structure which limits the level of our equity exposure to any particular asset and also the level of external debt which can be applied.

Our cash resources and overall liquidity are managed at Group level, with each asset or project monitored according to its own specific risk profile.

All development and trading assets have business plans which include timetables for realisation. The Group policy is to retain a cash buffer of at least £20.0 million to ensure that delays in planned asset realisations do not impact upon the normal operation of the business.

We have a number of long-term fixed rate debt facilities which are used to fund long-term investment assets. In respect of shorter-term trading assets, we fund these with asset specific debt which is structured to support the individual asset business plan.

Within our debt portfolio we maintain a mix of fixed and variable interest rate facilities, with a preference for fixing larger and longer-term borrowings so as to significantly mitigate our interest rate risk. For shorter maturity facilities our preference is to cap our interest rate exposure rather than to fix it.

The Group undertakes development either on its own Balance Sheet, in joint venture or by way of forward-funding arrangements. The risks associated with development are mitigated in several ways, including the forward sale of the land and project assets through to the contracted sale of the completed development with appropriate guarantees of completion. In addition, construction contracts usually provide for Liquidated Ascertained Damages from contractors as well as the provision of performance bonds. Where direct development is undertaken on more modest schemes, this is funded by way of Group equity and medium-term bank facilities, providing the necessary flexibility of funding for both site assembly and construction.

Investments in joint ventures and associates are funded directly with equity. Any gearing is deployed within the ventures themselves.

Responsibility for the management of cash and liquidity risk rests with the Board. The executive team has systems in place for the monitoring and management of this key area of our business. Daily review of this area is delegated to the Finance Director. The executive team consider this on a weekly basis and the Board formally reviews the position at its meetings, which occur at least eight times per year.

The principal tools utilised for the management of cash and liquidity are:

- 15-month risk-analysed cash flow forecast
- Schedule of all debt facilities and amounts drawn against them
- Summary of net debt, including derivative instruments
- Summary of current cash deposits including liquidity thereof
- Formal commentary on the above by the Finance Director prepared for each Board meeting.

Short-term liquidity requirements are fairly predictable and are managed out of existing cash resources. Cash requirements are monitored on a weekly and monthly basis. Cash buffers are retained to ease cash flow management.

Medium-term liquidity is provided through a mix of the Group's equity and its debt facilities. The Group has strong long-term relationships with a diversified range of major lenders and as such has not been restricted in its ability to raise new debt for investment, development or trading projects.

Longer-term liquidity and the Group's capital structure are reviewed on a regular basis by the Directors, taking account of relevant factors including the real estate cycle, changes in the nature and liquidity of the Group's asset portfolio, forthcoming risks and opportunities and the markets for debt and equity finance. This is formally considered at each meeting of the Group's Risk Management Committee, which reports to the Audit and Risk Committee which oversees risk management on behalf of the Board.

Cash management

Group cash resources are managed in accordance with our policy, which prioritises security, liquidity and counterparty risk ahead of absolute returns, with limits set by the Board in respect of minimum credit ratings for, and maximum exposures to, individual counterparties.

Cash may be invested across a range of instruments including instant access and term deposits, money market funds and commercial paper. As at 29th February 2016, the Group had £51.8 million of cash held with eight different counterparties.

Current bank facilities and borrowings

The Group's bank facilities are set out in the table opposite. As at 29th February 2016, the Group had borrowings of £213.3 million (2015: £205.0 million). Cash balances were £51.8 million (2015: £79.3 million), including amounts of £8.1 million held as restricted deposits, giving net debt of £161.5 million and gearing of 44.4% (2015: £125.7 million and gearing of 36.3%).

The Group's share of net debt in joint ventures was £43.6 million (2015: £46.8 million); if this is aggregated with Group balances then net debt rises to £205.1 million and gearing to 56.4% (2015: £172.5 million and 49.8%).

During the year, the Group, together with its joint venture partners, has drawn new borrowings of £74.7 million. Included within this have been new borrowings as follows:

€15.1 million	Acquisition of various development and trading assets in Ireland
£5.1 million	Development funding for Ilford
£5.9 million	Development funding for Abbey Wood
£2.8 million	Acquisition of investment asset in Harwell
£12.0 million	Refinancing of investment portfolio
£3.0 million	Telegraph Works funding
€6.7 million	Acquisition of Nutgrove and Beacon, Dublin (JV – 50% ownership)
£6.8 million	Acquisition of Charlton assets (JV – 34% ownership)

We have continued to expand our sources of debt to ensure that not only do we have a wide range of trusted debt providers but we can also ensure that we are not over reliant on any specific source of funding.

The Group has also repaid £73.8 million of borrowings, including joint ventures, as individual assets have been disposed of or facilities re-negotiated including:

£20.0 million	Refinancing of investment portfolio
£14.0 million	Disposal of Wick Lane Apartments (JV – 35% ownership)
£7.8 million	Disposal of The Shipping Building, Hayes
£5.9 million	Disposal of Abbey Wood
£4.5 million	Disposal of 399 Edgware Road
£3.3 million	Refinancing of Ilford
£3.0 million	Repayment of Telegraph Works funding
£1.4 million	Disposal of Braehead, Glasgow

Group's bank facilities

						Principal financial highlights		
Facility type	Notes	Total facility £'000	Utilised at 29th Feb 2016 £'000	Interest rate	Maturity	Loan to value ratio	Interest[1] cover ratio	Minimum[1] net worth £'000
Loans financing longer-term assets								
Revolving credit		£38,000	£28,307	SWAP	16-Dec-16	70%	105%	–
Term loan		£12,000	£11,389	Variable	05-Jan-19	50%	200%	–
Term loan	5	£10,580	£10,580	Variable	10-Jan-20	73%	160%	–
Term loan		£2,795	£2,588	Variable	22-May-20	–	–	–
Loan notes	2	€47,000	~£36,644	Variable	24-Apr-21	–	–	–
Term loan		£57,565	£50,711	Fixed	12-Mar-25	80%	110%	–
Term loan		£22,470	£19,927	Fixed	12-Mar-25	80%	110%	–
Loans financing development and trading assets								
Revolving credit	3	€20,000	~£7,602	Variable	20-Apr-16	–	–	–
Term loan	4	£25,100	£20,879	Variable	19-Jun-16	53%	–	–
Term loan		€5,430	~£4,134	Variable	30-Jun-16	65%	–	–
Term loan	5	£26,000	£26,000	Cap	30-Sep-16	60%	125%	100,000
Term loan	6	£9,500	£11,398	Variable	31-Mar-18	–	–	–
Term loan	4, 6	£5,500	£6,296	Variable	31-Mar-18	–	–	–
Term loan		€24,307	~£11,025	Variable	01-Aug-18	73%	110%	–
Term loan		£30,750	£5,149	Fixed	25-Nov-18	70%	–	–
Term loan		£24,500	–	Fixed	31-Jan-19	–	–	–
Term loan	5	£44,100	£31,762	Fixed	24-Feb-19	–	–	–
Term loan	4, 5	£57,000	£55,575	Cap	07-Mar-19	–	–	–
Term loan	5	€8,670	~£6,664	Variable	08-May-20	75%	200%	–
Term loan	5	£6,800	£6,800	Variable	28-Oct-20	55%	150%	–
Term loan	5	£10,225	£10,075	SWAP	01-Sep-21	50%	120%	–
Term loan	4, 5	£5,295	£4,846	Variable	18-Sep-26	65%	150%	–

1 Interest cover ratios are specific to the loan and the relevant property. Minimum net worth refers to the net asset value of the Group per its latest Balance Sheet (29th February or 31st August).
2 These unsecured, variable rate loan notes are denominated in Euros, with a nominal value of €47 million. The Group has entered into an option to acquire €25,000,000 in April 2017 in order to limit its € exposure. An interest rate cap is also in place to limit the Group's exposure to movements in the EURIBOR rate.
3 This facility has been refinanced and is now repayable in 2017.
4 These loans have been repaid since the year end.
5 Loans relating to joint ventures represent the total loan facility and not the Group's share.
6 The facilities have the provision to allow interest to be rolled into the loan.
~ Represents the amount of the Group's liability in Sterling as at the balance sheet date.

Gross committed facilities as at 28th April 2016 total £181.1 million with a weighted average term of 5.1 years, the earliest maturity arises in June 2016. Unutilised facilities are £58.1 million.

The Directors keep bank covenants (typically loan to value and interest cover ratios) under review, and are content with the current position. The aim is to agree loan to value covenants at levels which provide sufficient headroom for foreseeable changes in either the general market or specific assets. We also incorporate cure mechanisms into facility agreements such that we have an appropriate opportunity to restore covenant compliance by making cash deposits or repayment as required.

Interest rate risk and hedging

As at 29th February 2016, the summary of the Group's interest rate exposure was as follows:

	Excluding share of joint ventures %	Including share of joint ventures %
Fixed rate	35.1	34.5
Floating rate, swapped into fixed	13.1	11.9
Floating rate with cap	17.0	18.1
Floating rate	34.8	35.5

The weighted average interest rate payable was 4.9%, 5.0% including joint ventures (2015: 5.4% and 5.7% respectively).

Facilities with variable rates of interest, in particular longer-term facilities, expose the Group to the risk of interest rate fluctuations. This risk is constantly reviewed by the Directors who regularly consider the possibility and likely cost of extending interest rate hedging.

Currently a mix of fixed and variable rates is maintained in order to provide a degree of certainty, whilst at the same time benefiting from historically low absolute levels of rates. Longer-term facilities tend to be structured with fixed rates.

A key element in all hedging arrangements is counterparty risk, i.e. the potential failure of the counterparty to the transaction. The Group mitigates this risk by only transacting with major banks and institutions. There is currently no indication that any of the Group's hedge counterparties may be unable to settle its obligations.

Interest rate derivatives are marked-to-market in the Balance Sheet, giving rise to the risk of fair value movements in the instrument and a consequent impact on net asset value.

Development and trading portfolio

The principal financial instrument risks in these assets are the credit risk of transaction counterparties. Given the nature of these assets, the amounts owed to the Group can be significant. These arrangements are monitored very closely both before contracts are exchanged as part of our due diligence procedures and throughout the execution period.

As at 29th February 2016 the Group had no material, unsecured debtors in respect of the sales of development and trading assets.

In respect of certain transactions, the Group contracts to provide funding for the development of either individual phases or whole schemes. The Directors are satisfied that the combination of the Group's risk averse approach to development funding, its rigorous selection of development partners and its focussed and active management of each project provide appropriate comfort over the risks of these financial exposures.

Investment portfolio

The principal financial instrument risk in the investment portfolio is the credit risk implicit in potential tenant failure which, over recent years has been heightened in some sectors, and most notably amongst retail tenants. The Group maintains the portfolio under continual review. The portfolio is managed by local agents, with active involvement by the Group's Investment Team. The Board receives at each of its meetings, analyses of tenant profile (including the concentration of credit risk, both by sector and by entity), existing and anticipated voids, overdue rents, and future and outstanding rent reviews, as well as a formal commentary by the Investment Team. The current profile of the portfolio and comments on performance in the year are set out in the Portfolio Review on pages 28 to 43.

Projects in partnership

The Group conducts a number of projects in partnership with others, where the Group brings both development expertise and funding. These interests are carried in a number of balance sheet categories, and are summarised in note 27 to the Group financial statements.

The financial instrument risks in respect of projects in partnership are the credit risk implicit in the financial strength and integrity of the operating partner, the contractual risk in the partnership arrangements and the operating success of the venture. The Group manages these risks by securing appropriate rights in each case over the use of the Group's invested capital and by active participation in the joint strategic and operating control of the ventures.

Contingent liabilities

Contingent liabilities are described in note 24 of the Group financial statements. The Directors ensure that these risks are appropriately documented and monitored, and that the risk of actual liabilities arising is restricted so far as is possible.

Foreign currency risk

The Group's operations are conducted predominantly in the UK, however the Group has continued to invest in the Republic of Ireland, specifically in the Dublin region. 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 Euro-denominated property assets. The Group has entered into a €25.0 million currency option to partially hedge its Balance Sheet exposure.

At 29th February 2016, the Group had Euro-denominated investments of €49.9 million (2015: €61.2 million) and an overall net Euro balance sheet exposure of €9.7 million (2015: €10.5 million).

The details of the Group's sensitivity to exchange rate movements are set out in note 18(d) of the Group financial statements. The Directors actively monitor the overall Group exposure to Euro-denominated assets and liabilities and the associated currency risk.

Maximum credit risk exposure

The Directors consider that the maximum credit risk exposure in each class of financial asset is represented by the carrying value as at 29th February 2016.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive's Statement on pages 4 to 7 and Portfolio Review on pages 28 to 43. The financial position of the Group, its cash flows, liquidity position, borrowing facilities and financial instrument risks are described in the Financial Review on pages 56 to 69, which also covers the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk. Note 18(c) to the Group financial statements gives further information about the Group's financial instruments and hedging activities.

The Group has considerable financial resources. The Directors maintain a risk averse capital structure, with gearing typically in the range of 50-60% and long average debt maturities, with borrowings spread across a number of lenders. The Group continues to enjoy access to bank finance, as demonstrated by loans arranged during the year. Banking covenants are regularly monitored and appropriate cure mechanisms are incorporated in facility documents.

The Directors are alert to potential liquidity risk in the Group's cash flow forecasts. The Directors keep both short- and medium-term cash flows under continual review, and moderate outflows according to the level of this uncertainty. The model preserves a cash liquidity buffer at all times to protect against delays in asset realisations.

The Group's rental income is also subject to risk of delay or non-payment. This risk is mitigated by proactive asset management, which includes close monitoring of tenant resilience, and a strong focus on actual and potential voids.

As a consequence of the above, the Directors believe that the Group is well-placed to manage its business risks successfully. In addition, by closely monitoring the Group's forecasts and projections, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the next twelve months. Thus they continue to adopt the going concern basis in preparing the financial statements.

Result for the year

Profit before tax for the year ended 29th February 2016 was £25.8 million (2015: £34.8 million). After dividend payments of £7.4 million, the Group's share of net assets increased by £17.6 million to £363.3 million (2015: £345.7 million), representing an increase of 15.0 pence per share to 291 pence per share (2015: 276 pence per share).

Investment property valuation gains for the year, including our share of joint ventures, totalled £1.7 million (2015: £11.2 million). The investment portfolio is discussed in more detail in the Portfolio Review on pages 28 to 43.

The reduction in profit from the previous year, in spite of the increase of £5.4 million in development and trading gains and £1.9 million increase in net rental income, was primarily driven by the reduction of £7.6 million in direct investment property revaluation gains and a foreign exchange deficit included in net finance costs of £3.2 million (2015: £4.6 million gain). This excludes the one off exceptional items reported in 2015 relating to the acquisition of Cathedral Group and the restructuring of the €47.0 million Euro-denominated loan notes.

Net rental income

Gross rental income from the investment portfolio for the year ended 29th February 2016 was £14.4 million. After direct costs of £2.4 million, the net rental income for the year was £12.0 million, which is an 18.3% increase when compared to the £10.2 million for the previous year. A number of significant acquisitions were made in the second half of the prior year, notably Killingworth and Chippenham shopping centres, which provided a positive contribution to net rental income in the year, reflecting a full year of ownership.

The Group also earned net rental income of £2.5 million from the development and trading portfolio, a slight decrease from the £2.6 million earned in the year ended 28th February 2015.

Development and trading profits

During the year under review, across its direct and joint venture holdings, the Group made development and trading profits of £51.1 million (2015: £45.7 million).

Development and trading profits can be analysed as follows:

	2016 £m	2015 £m
Development and trading segment result	**39.0**	43.8
Share of results of joint ventures	**(0.3)**	(0.4)
Sale of investment	**2.2**	–
Other income	**0.2**	0.4
Interest from financial asset	**1.7**	1.9
Other asset realisations	**8.3**	–
	51.1	45.7

Further details of development and trading activities can be found in the Portfolio Review on pages 28 to 43.

Operating costs

During the year, the Group has invested in both its infrastructure and its staff as it has integrated all parts of its business in the new headquarters. The Group has combined its operations in a new office as an essential part of integrating into a single business. The occupancy cost of the new office is now at current market rates and hence represents an increase of approximately £1.4 million per annum from the previous occupancy cost. It is worth noting that the leases on both offices were due to expire in 2015 and so rent would have been marked-to-market in any event.

At the same time the Group has rebranded to U+I, incurring costs of approximately £0.8 million. Costs associated with this, together with the inclusion of former Cathedral Group overheads for the full year (ten months in 2015) have increased Operating costs for the year to £21.8 million (2015: £17.9 million).

With effect from 1st March 2015, the Group introduced a new Long-Term Incentive Plan. The charge for the year was £0.7 million.

Of these additional costs, approximately £2.4 million is non-recurring and hence overheads will reduce to circa £20.0 million in the coming year.

During the year, the Group has commenced a rationalisation programme to streamline its corporate structure used to own property assets. The Group will seek to substantially reduce the £0.4 million professional fees incurred each year relating to these structures.

Net finance costs

Finance costs for the year were £15.4 million, compared to £12.8 million for the previous year. Excluding foreign currency movements, net interest costs were £9.7 million (2015: £9.5 million).

Foreign exchange movements on the retranslation of Euro-denominated assets and liabilities for Group entities reporting in Sterling, are accounted for in net finance costs. These movements relate predominantly to the Euro-denominated loan notes. The impact of this retranslation was a £3.2 million deficit for the year (2015: £4.6 million gain). For entities where the reporting currency is in Euros, retranslation movements are charged to reserves. The movement for 2016 was a gain of £2.4 million (2015: £2.2 million loss). The net impact of these movements on NAV during the year was £0.8 million loss (2015: £2.4 million gain).

Investment portfolio

During the course of the year, the investment property portfolio has remained stable at £203.3 million. The Group disposed of a number of investment assets during the year and acquired one new £4.5 million property.

At 29th February 2016, the valuation of the investment property portfolio increased by £1.7 million (2015: increase of £11.2 million), including our investment properties held under joint venture.

Further details of acquisitions, disposals and valuation movements are set out in note 10 to the Group financial statements, and further analyses of the performance and management of the portfolio are given in the Portfolio Review on pages 28 to 43.

Inventory – development and trading properties

After allowing for continued investment in the development and trading portfolio and a number of schemes reaching conclusion during the year, the portfolio stood at £199.8 million at 29th February 2016 (2015: £217.5 million). Further details are contained within the Portfolio Review on pages 28 to 43.

Associates and joint ventures

Reflecting our strategy of working with partners and other equity sources, investments in associates and joint ventures has continued during the year. The Group's interests in projects in partnerships are structured in a number of different accounting categorisations. Note 27 to the Group financial statements summarises the position.

The current carrying values of associates and joint ventures are analysed in note 14.

During the year we have entered into new associate and joint venture arrangements including:

- Charlton Riverside – a collection of industrial assets in South East London where we hold a 34% stake in partnership with Proprium
- Nutgrove and Beacon – two retail investments in suburban Dublin where we hold a 50% stake in partnership with Clarendon Dublin Properties Limited.

Financial assets and financial liabilities

Financial assets and financial liabilities are analysed in note 18 to the Group's financial statements.

Derivative financial instruments

The Group's Euro-denominated loan notes and the related currency and interest rate hedges are carried as separate instruments in the Balance Sheet. During the year, especially in the last 2 months, Sterling weakened against the Euro, increasing the Sterling liability of the loan by £2.5 million to £36.6 million.

Other financial assets

Other financial assets include loans to a number of joint operations and associate companies which reflects the way in which the Group invests in these activities.

The largest loan is to Northpoint Developments Limited which, together with accrued interest at 29th February 2016, totals £17.3 million (2015: £18.2 million).

Cash and borrowings

Details of the Group's borrowings and cash management are set out in note 18(b) and (d) to the Group financial statements and in the Financial Review on pages 58 to 62.

		2016	2015
Group net debt and gearing			
Gross debt	£m	**(213.3)**	(205.0)
Cash and cash equivalents	£m	**51.8**	79.3
Net debt	£m	**(161.5)**	(125.7)
Net assets	£m	**363.3**	346.4
Gearing	%	**44.4**	36.3
Weighted average debt maturity	years	**4.5**	5.4
Weighted average interest rate	%	**4.9**	5.4
Including joint ventures:			
Share of net debt in joint ventures	£m	**(43.6)**	(46.8)
Gearing	%	**56.4**	49.8
Weighted average debt maturity	years	**4.2**	5.0
Weighted average interest rate	%	**5.0**	5.7

The gross debt figure includes the €47.0 million 2021 Unsecured Subordinated Loan Note facility, stated in Sterling at the current value of £36.6 million (2015: £34.1 million).

Loan to value gearing
Net debt expressed as a proportion of total property assets (including shares of properties and net debt in all projects in partnerships) was 37.0% (2015: 34.4%).

Taxation
The net current tax charge in the Statement of Comprehensive Income was £2.5 million, principally in respect of tax on trading profits in excess of group relief. The Group has significant potential deferred tax asset balances and the Directors restrict recognition to the amount of corresponding deferred tax liabilities. The Group's deferred tax treatment falls within the criteria of IAS 12.

In conjunction with our overall business strategy, the Group pursues a tax strategy that is principled, transparent and sustainable in the long-term. The Group has established ethics regarding its tax policy which have been ratified by the Board; these include the following key points:

- 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 those findings are recorded in any relevant structuring document
- The maintenance of good relationships with tax authorities and the interaction between tax planning and the Group's wider corporate reputation
- Management of tax affairs in a manner that seeks to maximise shareholder value whilst operating within the parameters of existing tax legislation.

The Group has certain operations in jurisdictions that have been dictated to us by our majority joint venture partners and under most circumstances the Group does not enjoy any fiscal advantage of being in these jurisdictions. The Group annually undertakes a Transfer Pricing review to ensure that all cross-border services provided are conducted at the appropriate arm's length market rate.

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

Dividends
On 27th April 2016 the Board approved the payment of a supplemental dividend of 8.0 pence per share to be paid on 17th June 2016 to Ordinary shareholders on the register at the close of business on 13th May 2016.

The Board will recommend to shareholders at the Annual General Meeting on 14th July 2016 a final dividend of 3.5 pence per share (2015: 3.5 pence per share) to be paid on 19th August 2016 to shareholders on the register on 22nd July 2016. The final and supplemental dividends, amounting to £4.4 million and £10.0 million respectively, have not been included as liabilities at 29th February 2016, in accordance with IFRS. Including the 8.0 pence per share supplemental dividend, total dividend for the year is 13.9 pence per share (2015: 13.9 pence per share).

Earnings per share
Basic and diluted earnings per share for the year represented earnings of 17.5 pence (2015: 26.8 pence). After removing the unrealised revaluation of the investment portfolio, the gain on the disposal of investment properties and impairment of development and trading properties, the EPRA adjusted earnings per share was 17.1 pence (2015: 23.9 pence).

Performance measures
Key financial performance indicators are set out below:

		2016	2015
Net asset value movement	%	**4.9**	8.1
Gearing	%	**44.4**	36.3
Loan to value gearing	%	**37.0**	34.4
Development and trading gains	£m	**51.1**	45.7
Total shareholder return	%	**7.2**	10.0

Five year summary

		2016	2015	2014	2013	2012†
Revenue	£m	**242.3**	203.7	79.3	99.7	80.0
Profit/(loss) before taxation	£m	**25.8**	34.8	19.5	0.8	(10.2)
Net assets	£m	**363.3**	346.4	320.3	306.7	313.2
Earnings/(loss) per share	Pence	**17.5**	26.8	14.9	2.0	(10.3)
EPRA earnings/(loss) per share	Pence	**17.1**	23.9	7.8	10.5	(8.2)
Net assets per share	Pence	**291**	276	262	251	256
EPRA net assets per share	Pence	**291**	276	269	260	262

† 14-month period.

The Strategic Report from page 1 to 69 was approved by the Board of Directors and signed on its behalf by:

Marcus Shepherd,
Finance Director
28th April 2016

EVERYTHING IS CONNECTED

DAVID JENKINS

DEAR SHAREHOLDER

Dear Shareholder,
I am pleased to introduce, on behalf of the Board, U and I Group PLC's Corporate Governance Report for the financial year 2015/16. This will be my last report to Shareholders having announced my intention to retire at the 2016 AGM after serving nine years as Chairman of the Board.

Following on from last year, the year ended 29th February 2016 continued to be a year of significant change for the business. On 5th November we held a General Meeting where shareholders approved the change of our Company name to U and I Group PLC. This was followed by a major exercise in rebranding the Company under the new U+I brand, and the Company moving into our exciting new headquarters at Howick Place. These changes reflected the culmination of the merging of Development Securities and Cathedral Group to reposition the Company focussing on the delivery of the best mixed-use regeneration projects in the industry within a framework of good governance, transparency and social responsibility. Throughout these changes the Board has sought to provide stability, support, and the right framework to allow the Executive Directors to push for challenging targets whilst at the same time ensuring the maintenance of rigorous governance standards.

The Board has progressed the implementation of its succession planning to ensure it continued to evolve into one that was best placed to lead the business at this exciting time. As previously mentioned I will be standing down as Chairman of the Board at the 2016 AGM on 14th July, joining me will be Sarah Bates who will also stand down from the Board following the AGM. I would like to thank Sarah for her valuable contribution and integrity as Senior Independent Director and Chairman of the Audit and Risk Committee over the past six years. The appointments of Peter Williams as Non-executive Director and Chairman designate, and Lynn Krige as Non-executive Director and Chairman designate of the Audit and Risk Committee came at a time of the strategic re-focus of the Company. I welcome them to the Board and wish them every success for the future. Peter and Lynn's biographies can be found on page 74. Nick Thomlinson will be taking over the position of Senior Independent Director following the 2016 AGM.

Matthew and Richard have proven to be a highly successful partnership in directing the Company since taking over as Chief Executive and Deputy Chief Executive following the 2015 AGM and, along with Marcus, we have an extremely talented and ambitious executive management driving the Company forward. Alongside the Executive Directors it has given me great pleasure to welcome the members of the newly formed Executive Committee to Board meetings; I believe this gives the Board a good view of the potential future leaders of the Company.

"FOCUSSING ON THE DELIVERY OF THE BEST MIXED USE REGENERATION PROJECTS IN THE INDUSTRY WITHIN A FRAMEWORK OF GOOD GOVERNANCE, TRANSPARENCY AND SOCIAL RESPONSIBILITY"

Finally, I would like to express my personal thanks and those on behalf of the Board to Michael Marx, who retired from the Board after 21 years' service on 29th February 2016. Michael has been an exceptional Chief Executive, a pillar of strength and knowledge, and a good friend over the time I have spent as Chairman. I leave the Board in the knowledge that the Company is in extremely good hands and with a newly re-focussed business strategy which makes for a very exciting future.

David Jenkins,
Chairman
28th April 2016

1. David Jenkins – Non-executive Chairman
Appointed: 1st February 2007
Period of service on the Board: 9 years, 3 months
Experience: David is a Fellow of the Institute of Chartered Accountants in England and Wales. He was previously a partner at Deloitte LLP, London, and was managing partner of their Real Estate Practice until his retirement in May 2004. David is currently a Director of Newarthill Limited, parent company of Sir Robert McAlpine Ltd, and was a director of Mitie Group Plc until 31st December 2015. He is also advisor to several companies. After serving over nine years on the Board David will step down as Chairman at the 2016 Annual General Meeting.
Committees: Chairman of the Nomination Committee, member of the Remuneration and Audit and Risk Committees.

2. Matthew Weiner – Chief Executive
Appointed: 18th March 2004
Period of service on the Board: 12 years, 1 month
Experience: Matthew was appointed as Chief Executive of the Company following the Annual General Meeting in July 2015, previously serving on the Board of Development Securities Plc as a Director. Prior to joining the Company, Matthew worked as a Fund Manager at both Legal & General and AXA Investment Management. Matthew is a member of the Royal Institution of Chartered Surveyors. He joined Development Securities Plc in November 2000 as Director of Investments.
Committees: Member of the Nomination Committee.

3. Richard Upton – Deputy Chief Executive
Appointed: 19th May 2014
Period of service on the Board: 1 year, 11 months
Experience: Richard was the founder and Chief Executive Officer of the specialist regeneration real estate developer Cathedral Group, which was acquired by Development Securities Plc in May 2014. He was previously a founding director of Mount Anvil, a leading London house builder, and is a member of the London Advisory Committee for English Heritage. Richard was appointed as Deputy Chief Executive of the Company in July 2015.

4. Marcus Shepherd – Finance Director
Appointed: 18th February 2013
Period of service on the Board: 3 years, 2 months
Experience: Marcus is a member of the Institute of Chartered Accountants in England and Wales. His previous roles included Finance Director (Global Real Estate) at Aviva Investors, Chief Financial Officer (Europe) for Valad Property Group and Group Finance Director of Teesland Plc.

5. Sarah Bates – Non-executive Director, Senior Independent Director
Appointed: 15th January 2010
Period of service on the Board: 6 years, 4 months
Experience: Sarah is currently Chairman of St James's Place plc, JP Morgan American Investment Trust plc and Witan Pacific Investment Trust plc; she is a Non-executive Director of Polar Capital Technology Trust plc, Witan Pacific Investment Trust plc and Worldwide Healthcare Trust plc. Sarah sits on, or is advisor to, various pension fund and charitable investment committees including that of the Universities Superannuation Scheme. After serving over six years on the Board and as Chair of the Audit and Risk Committee, Sarah will retire as a Non-executive Director of the Company at the 2016 Annual General Meeting.
Committees: Chairman of the Audit and Risk Committee, member of the Remuneration and Nomination Committees.

6. Nick Thomlinson – Non-executive Director
Appointed: 3rd January 2012
Period of service on the Board: 4 years, 4 months
Experience: Nick is a member of the Royal Institution of Chartered Surveyors. He is a former senior partner and Chairman of the Knight Frank Group.
Committees: Chairman of the Remuneration Committee, member of the Audit and Risk Committee.

7. Barry Bennett – Non-executive Director
Appointed: 19th May 2014
Period of service on the Board: 1 year, 11 months
Experience: Barry is a chartered accountant with significant experience in the financial and property sectors, and is a Fellow of the Institute of Chartered Accountants in Ireland. Barry was previously a founding director of Mount Anvil, a London house builder, and in 2002 founded specialist regeneration real estate developer Cathedral Group with Richard Upton.

8. Peter Williams – Non-executive Director
Appointed: 4th January 2016
Period of service on the Board: 4 months
Experience: Peter is currently a Non-executive Director and will become Chairman following the Company's Annual General Meeting on 14th July 2016. Peter, the former CEO of Selfridges, has over 30 years of board-level experience having held a number of executive and non-executive positions at a wide range of public and private consumer-facing businesses. He is currently Chairman at boohoo.com plc, the online fashion retailer. He is also a Senior Independent Director at Rightmove plc and at Sportech plc and a trustee of the Design Council. In addition, he has served on the boards of many companies including ASOS plc, Cineworld Group Plc, Jaeger, Silverstone Holdings Ltd, EMI Group, Blacks Leisure Group Plc, JJB Sports and Capital Radio Plc. Peter is a member of the Institute of Chartered Accountants in England and Wales.
Committees: Member of the Audit and Risk, Remuneration and Nomination Committees.

9. Lynn Krige – Independent Non-executive Director*
Appointed: 10th March 2016
Period of Service on the Board: 2 months
Experience: Lynn is currently CFO at British Engineering Services Limited and brings over 25 years' experience from across the construction, infrastructure, investment and B2B services sectors. She has previously held executive roles at Speedy Hire Plc and John Laing Plc, originally qualifying with Deloitte in South Africa. Lynn is also currently a member of the Audit Committee at The Imperial War Museum.
Committees: Member of the Audit and Risk Committee.

*Lynn does not appear in the Board photo on the opposite page due to her appointment being post year end.

STRONG CORPORATE GOVERNANCE UNDERPINS EVERYTHING WE DO

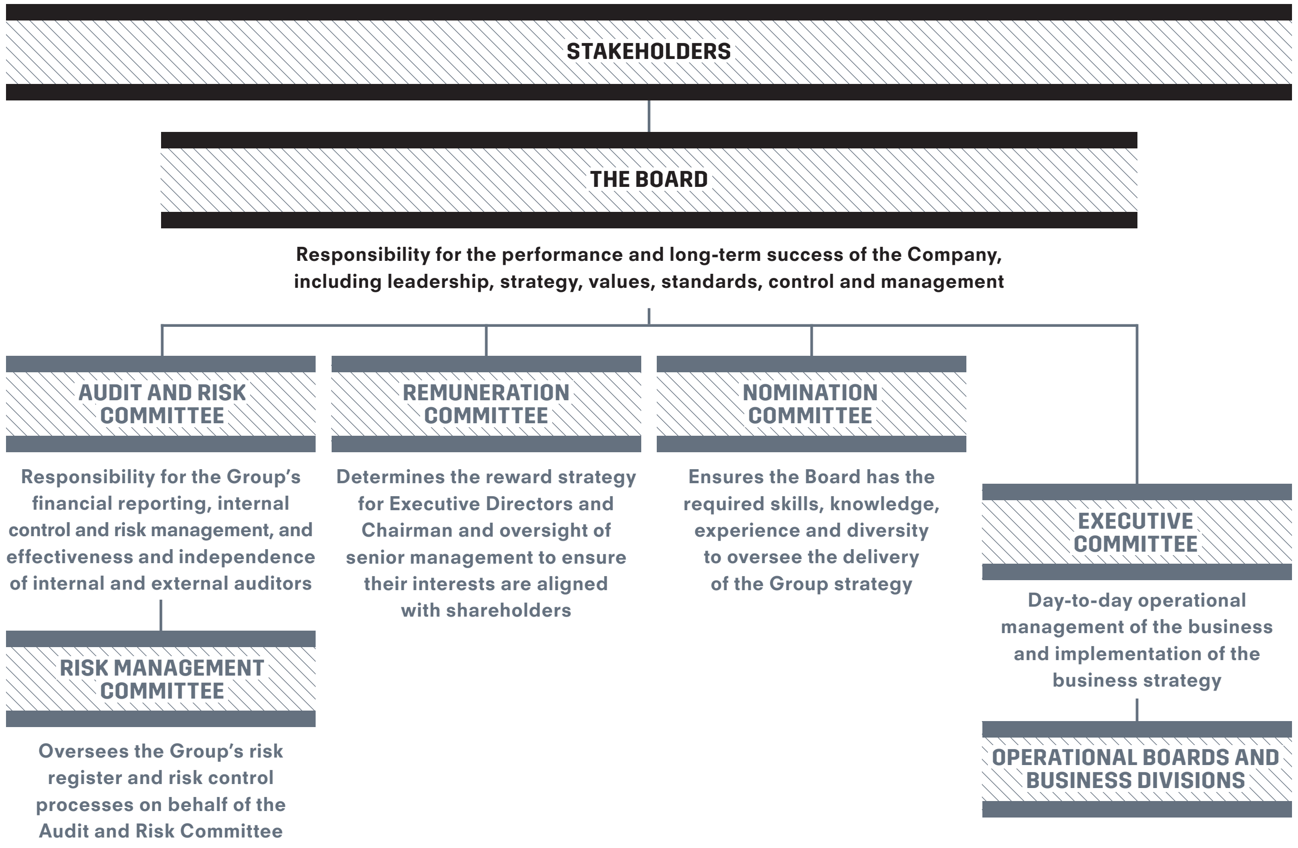
UK Corporate Governance Code compliance
U and I Group PLC (U+I) Ordinary shares are listed on the Official List of the UK Listing Authority and, as such, the Company is required to state whether it has complied with the provisions contained within the 2014 UK Corporate Governance Code (the Code).

The Board confirms that, in its view, the Company has applied the main principles and has complied with all of the provisions set out in the Code, including performing a robust assessment of the principal risks and internal controls (see pages 85 and 86), during the financial year under review with the exception of Code provision B.2.1 regarding the composition of the Nomination Committee; further details are provided on page 87. The full Code can be found at *www.frc.org.uk*.

The Board
The Board is responsible for ensuring effective leadership of the Company through approval and implementation of the business strategy and oversight and review of the Group's activities. It is collectively responsible to the Company's shareholders for the long-term success of the Company whilst ensuring that risk levels are appropriate, and, in this capacity, has put in place a formal schedule of reserved matters which require its approval that include, but are not limited to, those set out below:

Matters reserved for the Board
- Strategy
- Executive performance and retention
- Remuneration and succession
- Financial performance
- Corporate acquisitions
- The issue of any securities
- Significant borrowing facilities
- Development opportunities
- Dividend policy
- Authorisation of significant transactions over a certain threshold
- Investment portfolio acquisitions and disposals
- Corporate reputation and communication, and
- Internal control and risk management and the Board's own effectiveness.

U+I Governance Structure



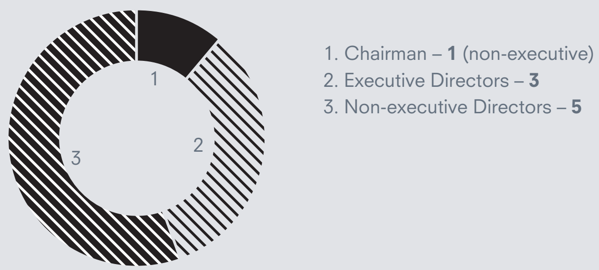
In carrying out its responsibilities, the Board takes into account the size and complexity of the Group and internal control measures employed to determine those formal matters reserved to the Board and those delegated to its various Committees or the Executive Directors.

Supported by its principal Committees the Board sets the strategic direction of the Group. The interaction between the Board, its Committees and the management of the Company is detailed in the chart on page 77. The Audit and Risk Committee monitors the effectiveness of the Group's system of internal controls and risk management framework, the Group's risk appetite, and the integrity of the Group's financial reporting, whistleblowing and regulatory compliance. The Audit and Risk Committee report is on pages 83 to 86. The Nomination Committee reviews and considers the size, structure and composition of the Board and its Committees, giving due regard to ongoing succession planning, and makes recommendations to the Board. The Nomination Committee report is on pages 87 and 88. The Remuneration Committee reviews all aspects of Executive Directors remuneration, reviewing trends across the industry and setting executive remuneration policies, which are designed to incentivise and retain talent to support the delivery of our long-term strategy. The Remuneration Committee report is on pages 91 to 113. The purpose of the Executive Committee is to facilitate and assist the Chief Executive Officer in managing the day to day activities of the business and implementing the strategy approved by the Board. Further details of the Executive Committee can be found on page 82.

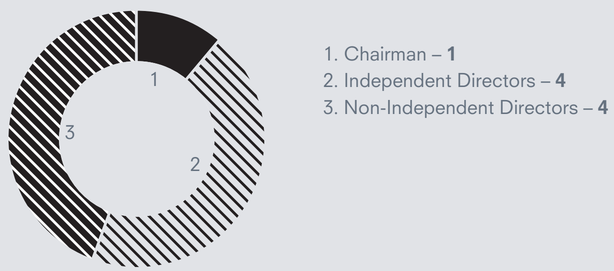
The Board met formally nine times during the year. Additional meetings were called at short notice for specific project approval, and did not necessarily require full attendance, although all Directors were given the opportunity to attend or comment on each proposal. Where a Director is unable to participate in a meeting either in person or remotely, the Chairman will solicit their views on key items of business ahead of time, in order that these can be presented at the meeting and can influence the debate. The Chairman and the Non-executive Directors met on one occasion during the year without Executive Directors in attendance. The Non-executive Directors also met on one occasion during the year without the Executive Directors or Chairman present.

Key areas of focus during the year
The year ended 29th February 2016 has been another year of considerable change for the Company and the Board. Following the acquisition of Cathedral Group in 2014 the integration of the two companies was completed in November 2015 when the Company moved into its new offices following a General Meeting to approve the change of name to U and I Group PLC on 5th November 2015. Details regarding changes to the Board are detailed in the Chairman's introduction and the Board composition section on pages 73 and 79. The Board established an Executive Committee during the year, details of this Committee can be found on page 82. Members of the Executive Committee report to the Board at each formal Board meeting.

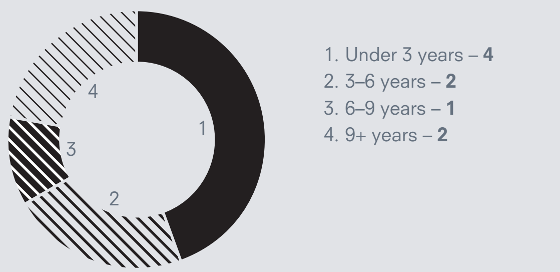
Board composition as at 27th April 2016



Board independence as at 27th April 2016



Period of service on Board as at 27th April 2016



Details of gender diversity on the Board can be found in the Sustainability Report on page 55.

The Board focussed a significant amount of its time on the strategy and structure of the rebranded business, including the ongoing integration of Development Securities and Cathedral into U+I. This included a refreshed Board and Committee governance structure (see page 77) and a full business process review undertaken by the Interim Chief Operating Officer. Other areas of focus included reviewing and approving property investment and development acquisitions and disposals (see pages 28 to 42), Board succession planning (see below), an evaluation of the Board's effectiveness (see page 80), financial review and planning including the refinancing of debt facilities (see pages 57 to 69), reviewing analyst reports and shareholder feedback, as well as the review and approval of a new dividend policy (see pages 5 and 6), and approving an interim and supplemental dividend and recommending a final dividend to shareholders (see page 114).

Board composition
At the beginning of the financial year, the Board consisted of four Executive Directors, a Non-executive Chairman and three Non-executive Directors, two of whom were independent. Julian Barwick had previously resigned as an Executive Director of the Company with effect from close of business on 28th February 2015. Julian continues to work with the Company as an employee. The Company announced on 24th February 2015 that Michael Marx would be stepping down as Chief Executive Officer, which he did with effect from the close of the business on 14th July 2015. Michael continued as a Director on the Board in a Non-executive capacity from 15th July 2015 until he stood down from the Board on 29th February 2016. Michael will continue to work on specific projects for the Company on a consultancy basis. As announced on 24th February 2015, following the 2015 Annual General Meeting, and with effect from 15th July 2015, Matthew Weiner was appointed to the position of Chief Executive and Richard Upton was appointed as Deputy Chief Executive of the Company.

On 9th December 2015 the Company announced that Peter Williams would be appointed as a Non-executive Director with effect from 4th January 2016. It was also announced that Peter would become Chairman designate, taking over from David Jenkins who would step down from the Board following the 2016 Annual General Meeting on 14th July 2016. Peter also became a member of the Audit and Risk Committee, the Remuneration Committee and the Nomination Committee on appointment.

On 10th March 2016 the Company announced that Lynn Krige would be appointed as a Non-executive Director with immediate effect. It was also announced that Lynn would be Chairman designate of the Audit and Risk Committee, taking over from Sarah Bates who would be retiring from the Board following the 2016 Annual General Meeting. Following Sarah's stepping down Lynn will be appointed as a member of the Remuneration Committee and the Nomination Committee. Nick Thomlinson will assume the position of Senior Independent Director of the Company.

Biographical information for the Directors in office at the date of this Report is set out on page 74.

The Chairman and Chief Executive
There is a clear division of responsibilities between the Chairman, who is responsible for the leadership and governance of the Board and ensuring its effectiveness, and the Chief Executive, who is responsible for the running of the Company's business and the successful planning and implementation of the business strategy. The Chairman and Chief Executive are in regular contact to discuss current material matters. The roles and remit of the Chairman and the Chief Executive are set out in writing and agreed by the Board. There were no significant changes to the Chairman's other commitments during the year. Matthew Weiner was appointed as Chief Executive of the Company with effect from 15th July 2015. Peter Williams will become Chairman following the 2016 Annual General Meeting when David Jenkins will step down from the Board.

The Non-executive Directors
The Non-executive Directors bring external perspectives and insight to the deliberations of the Board and its Committees, providing a wide range of knowledge and business experience from other sectors and businesses. They play an important role in the formulation and progression of the Board's agreed strategy, and review and monitor the performance of the executive management in the implementation of this strategy. The Non-executive Directors also perform a valued role by challenging aspects of executive decisions to produce a considered and independent outcome to Board deliberations, ensuring that no one individual has unfettered decision-making powers.

The independence of each Non-executive Director has been assessed during the year, in line with the independence criteria contained within provision B.1.1 of the Code. The Company considered all the Non-executive Directors to be independent during the year with the exception of Barry Bennett, who was the co-founder of the Cathedral Group, and Michael Marx, who was previously the Chief Executive of the Company to 14th July 2015 and was subsequently appointed as Non-executive Director. Michael retired as a Board Director on 29th February 2016. David Jenkins was considered independent on appointment as Chairman and has announced that, following nine years on the Board, he will not be standing for re-election at the 2016 Annual General Meeting. The current ratio of Executive and Independent Non-executive Directors is permissible for a smaller company under Code provision B.1.2.

The Senior Independent Director

Sarah Bates is currently, and has throughout the year, been the Senior Independent Director. Shareholders can bring matters to her attention if they have concerns which have not been resolved through the normal channels of Chairman, Chief Executive or Group Finance Director, or if these channels are not deemed appropriate. The Senior Independent Director is responsible for leading the Non-executive Directors in the annual performance evaluation of the Chairman as well as acting as a sounding board for the Chairman and serving as an intermediary for other Directors where necessary. Sarah announced her intention to step down from the Board following the 2016 Annual General Meeting, at such time Nick Thomlinson will assume the position of Senior Independent Director.

The Company Secretary

The Company Secretary is responsible, under direction from the Chairman, for ensuring the appropriate information flows to the Board and its Committees to facilitate their discussions and allow fully informed decisions to be made. The Company Secretary also ensures the Non-executive Directors have access to the senior management where required, as well as ensuring an appropriate induction process and ongoing training are in place for Executive and Non-executive Directors, and facilitating the Board evaluation process set out below. The Company Secretary advises the Board and its Committees on all governance matters. Chris Barton was Company Secretary for the year ended 29th February 2016 and continues to hold this role at the date of this report.

Board effectiveness

As in previous years, the Board has undertaken a formal performance evaluation of the Board as a whole and its Committees to ensure they continue to be effective, and that individual Directors demonstrate commitment to their respective roles and have sufficient time to meet their commitment to the Company. The Board believes that annual evaluations are helpful, and provide a valuable opportunity for continuous improvement. Consideration was given as to whether the evaluation should be externally facilitated. The Board maintained that the current arrangements were appropriate, but will keep this area under review. Sarah Bates chaired a meeting of the Non-executive Directors without the Chairman or Executive Directors present, at which the performance of the Chairman was reviewed. The outcome was then discussed by the Chairman and Senior Independent Director, no significant issues arose as a result of this review, and it was confirmed that the Chairman continued to lead the Board effectively. The Board evaluation was carried out through a detailed questionnaire, the responses to which were collated by the Company Secretary. The evaluation focussed on the Board as a whole, its composition and working, as well as on the Committees and on individual Directors. The responses were considered by the Chairman, or the Senior Independent Director in relation to the Chairman's performance. Suggestions for improvements were discussed by the Board and, where considered relevant, have been implemented as detailed below.

2015 Board evaluation results: Whilst no major issues were identified during the 2015 Board evaluation it did highlight the potential benefit of adding an additional Non-executive Director to the Board. Michael Marx held the position of Non-executive Director during the year from 15th July 2015 to 29th February 2016. The Board asked Michael to remain on the Board for this agreed period of time following his resignation as Chief Executive to assist the smooth transition to the new executive team. Peter Williams and Lynn Krige were appointed independent Non-executive Directors with effect from 4th January 2016 and 10th March 2016 respectively, bringing with them a fresh set of skills and perspective to Board deliberations.

2016 Board evaluation results: The 2016 Board evaluation noted that the Board was operating efficiently, however highlighted the large amount of change which had taken place both within the Board itself, and with regard to the overall governance structure within the Company over the course of the year. These changes, for example the introduction of the new Executive Committee, were in the process of being embedded into the governance structure and the Board's focus for 2016 should be to ensure these changes are implemented effectively. It was agreed that consideration should also be given as to whether a new independent Non-executive Director would be beneficial following the changes to the Board at the 2016 AGM.

All Directors have access to the services of the Company Secretary and may seek independent professional advice as necessary, at the Company's expense, and subject to the consent of the Chairman. Upon election, or re-election, Non-executive Directors are invited to serve for three-year fixed terms, subject to annual re-election by shareholders. All Non-executive Directors have confirmed that they have sufficient time to dedicate to their role. The terms of their appointment are available from the Company Secretary and details of the Non-executive Directors' letters of appointment are detailed in the Remuneration Report on page 111.

Director induction and training

The Chairman, assisted by the Company Secretary, is responsible for the formal induction of all new Directors. On joining the Board a Director receives a comprehensive induction pack prepared by the Company Secretary which includes material relating to the directors' obligations as a Director of the Company, Company structure and governance, and Board and Committee powers and authorities. Induction meetings are arranged with Executive Directors, Non-executive Directors and other relevant individuals including members of the Executive Committee, where required, for briefings around business strategy and performance and ongoing company projects. Visits to key sites are arranged. Peter Williams and Lynn Krige received full inductions following their appointment as Non-executive Directors. Directors are also given the opportunity to receive ongoing training and development whilst in office. Directors may request this as part of the annual performance evaluation or by discussion with the Chairman or Company Secretary. The Chairman agrees with each Director their training and development needs as and when required.

Board Committees

The Board delegates responsibility for certain matters to Standing Committees, which report back to the Board. These Committees operate within defined terms of reference, as determined by the Board. Board Committee terms of reference are available upon request from the Company Secretary and are also published on the Company's website, *www.uandiplc.com*. The Company Secretary acts as secretary to each of the Committees.

Board and Committee attendance

The following table sets out the attendance of the Directors at the scheduled meetings of the Board during the financial year under review:

Board meeting attendance during the year ended 29th February 2016

	Number of meetings attended	Number of possible meetings	% Attendance at meetings
David Jenkins	9	9	100
Matthew Weiner	9	9	100
Marcus Shepherd	9	9	100
Richard Upton	9	9	100
Sarah Bates	9	9	100
Nick Thomlinson	9	9	100
Barry Bennett	9	9	100
Michael Marx[1]	9	9	100
Peter Williams[2]	2	2	100
Lynn Krige[3]	–	–	N/A

1 Michael Marx resigned from the Board on 29th February 2016.
2 Peter Williams was appointed as a Director of the Company with effect from 4th January 2016.
3 Lynn Krige was appointed as a Director of the Company with effect from 10th March 2016.

Stakeholders

Directors engage in constructive dialogue between the Company and its stakeholders, which they believe contributes to investor confidence. The Company's governance principles have been, and will continue to be, kept under review as the Directors believe that a sound corporate governance framework is key to achieving the Company's objectives and discharging its legal and regulatory responsibilities. The Company continues to focus on maximising shareholder value creation whilst at the same time appropriately managing risks.

Relations with shareholders
Communication with shareholders is a high priority for the Board. The Executive Directors have regular dialogue with institutional shareholders, where a wide range of issues are discussed within the constraints of the information already known to the market. In particular, during the year under review, discussions were held with institutional shareholders around the strategic direction of the business, development risk, the Company's approach to Public Private Partnership, and also the approach to risk management, and Directors reading of the real estate market and wider UK/global economy. The Company's annual results are also presented to institutional shareholders and analysts. A copy of the presentation is available on the Company's website, *www.uandiplc.com*.

Copies of key sell-side broker analysts' notes on the Company are circulated to all Directors, as are summaries of non-attributable shareholder comments collated by the Company's joint brokers, financial PR advisors and other corporate advisory providers, which assist the Board in developing its understanding of the views of major shareholders. Additional feedback is regularly sought by financial PR advisors. From time to time, the Company arranges for key shareholders to visit a number of development sites, accompanied by Executive Directors. The Board also ensures that investors are provided with regular announcements of the Group's significant transactions to enhance shareholder understanding of the Company's execution of its business strategy.

The Chairman, Senior Independent Director and Non-executive Directors are available at any time to meet with shareholders. The role of Senior Independent Director continues to be performed by Sarah Bates until the 2016 AGM when Nick Thomlinson will assume the role.

The Company ensures that the Board has an up-to-date perspective on the views and opinions of shareholders and the investment market. An investor relations report summarising share price performance compared to the market, changes to the shareholder register and key sector news is produced for each Board meeting.

Annual General Meeting
The Company's Annual General Meeting (AGM) provides an opportunity for the Board to respond to shareholders' questions. The information necessary for informed participation is made available with as much notice as possible. Directors are introduced to shareholders at the AGM, including the identification of Non-executive Directors and Committee Chairs. More information regarding the 2016 AGM, including the resolutions being put to the meeting, can be found on pages 116 to 119. The Company's website is updated at the same time as the Regulated Information Service, to provide additional information dissemination for shareholders. Shareholders are also invited to subscribe to the Company's email news alert service on the Company's website.

Executive Committee
Following the integration of the business within U+I's new offices, the Board undertook a complete review of the Company's processes to ensure they were fit for purpose for the new business plan. To help to meet these challenges, an Executive Committee was established to take responsibility for the implementation of the Company's business strategy and assist the Chief Executive Officer in running the Company on a day-to-day basis.

The Executive Committee is made up of the Executive Directors as well as senior divisional directors who will each be responsible for the following specific work streams within the business:

ExCo Director	Mixed-use
ExCo Director	Investment
ExCo Director	New Business (PPP)
ExCo Director	Regeneration
ExCo Director	Delivery
ExCo Director	Communications and Business Services

The Executive Committee meets on a weekly basis with formal monthly meetings; it has the responsibility to manage the day to day business of U+I to ensure delivery against the Company's organisational vision in a way that is consistent with the Company's values. The Committee operates within agreed financial limits set by the Board. There is a clear delegation of authority from the Board to the Executive Committee which is set out in writing and approved by the Board. Members of the Executive Committee are invited to present on business activities and portfolio updates at each formal Board meeting.

Financial authority
The Executive Committee is permitted to approve transactions up to £2.0 million, which are then reported to the Board. Transactions above £2.0 million fall under the remit of the Board.

AUDIT AND RISK COMMITTEE

Sarah Bates
Chairman of the Audit and Risk Committee

"The Committee continued its focus on ensuring the integrity of the Company's financial reporting, internal controls, risk assessment and management procedures"

Audit and Risk Committee composition
The Audit and Risk Committee comprises the Directors detailed in the table below, which sets out their attendance at the scheduled meetings of the Committee during the financial year under review.

Director	Number of meetings attended	Number of possible meetings	% Attendance at meetings
Sarah Bates (Chairman)	4	4	100
David Jenkins	4	4	100
Nick Thomlinson	4	4	100
Peter Williams[1]	1	1	100
Lynn Krige[2]	–	–	N/A

1 Peter Williams was appointed as a Director of the Company with effect from 4th January 2016.
2 Lynn Krige was appointed as a Director of the Company with effect from 10th March 2016.

Role of the Audit and Risk Committee
The Audit and Risk Committee plays a crucial role in assisting the Board to discharge its responsibilities for the management of business risk by monitoring, reviewing and challenging the effectiveness and integrity of the Group's financial reporting and audit process and the development and maintenance of sound systems of risk management and internal control. The Committee currently consists of the four independent Non-executive Directors and the Company's Chairman David Jenkins, who was considered independent on appointment. The Board has determined that David Jenkins, Peter Williams and Lynn Krige are qualified accountants with considerable experience, and have significant recent and relevant financial experience for the purposes of the Code. The Company's Chief Executive, Deputy Chief Executive, Finance Director and Financial Controller attend the Audit and Risk Committee meetings by invitation, as does Barry Bennett, a Non-executive Director who is also a chartered accountant. To help the Committee review and challenge the integrity of the Company's financial reporting, representatives from the external and internal auditors attend appropriate parts of the meetings.

The Audit and Risk Committee's principal role as set out in its terms of reference includes:

- monitoring the integrity of the Company's financial statements;
- reviewing the Company's internal financial controls;
- reviewing the internal control and risk management systems;
- assessing the performance and independence of the external auditors;
- selecting the external auditors and making appropriate recommendations through the Board to permit shareholder consideration at the Annual General Meeting;
- assessing the effectiveness of the external audit process;
- acting as a conduit between the Board and the external and internal auditors;
- reporting to the Board on how it has discharged its responsibilities;
- monitoring the effectiveness of the Company's internal audit function; and
- reviewing any incidents of whistleblowing occurring within the Group and ensuring adequate review, investigation and conclusion.

Annual activities of the Audit and Risk Committee
The Committee met four times during the year. One meeting was held to agree the external audit terms of engagement, the auditors' scope and proposed approach, and the fees of the annual audit. As is standard each year, two of the meetings take place prior to the issue of the preliminary full year and interim results to review audit recommendations and consider any significant issues arising from the audit and review processes. The Committee also reviews the performance of the internal and external auditors.

Following a review of the governance structure during the year the Audit Committee was renamed the Audit and Risk Committee to reflect its responsibility for overseeing the risk management process for the Company. This entails reviewing the principal risks and risk mitigation at each meeting on behalf of the Board. The Audit and Risk Committee delegates the day to day management of risk throughout the business to the Risk Management Committee.

A full review of the effectiveness of the risk management and risk mitigation processes was carried out by the Risk Management Committee during the year at the request of the Audit and Risk Committee. This included a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The results of this review and changes to the risk register were approved by the Committee. The significant risks facing the Company are set out on pages 20 to 23.

The Committee also discussed in depth matters relating to the introduction of the statutory requirements around the viability statement (see pages 24 and 25).

The Committee considered the Company's internal audit requirements and confirmed that, in light of the expansion of the Company and the benefits of regularly reviewing supplier arrangements, this would be put out to tender during the year commencing 1st March 2016.

The Committee also met without Executive Directors present and Sarah Bates, as Chairman of the Committee, met separately with the external auditors, PricewaterhouseCoopers LLP.

Significant judgements
Before recommending the interim and annual financial statements to the Board for approval, the Committee considered, amongst other things, the following matters and significant judgements:

- Direct property investments, the development and trading portfolios and the valuation of the investment properties: The Committee challenged executive management in respect of both independent external valuations and Directors' valuations across the entire property portfolio. In addition, the Committee challenged the external auditors in respect of the work they had conducted in connection with the internal and external valuations. The Committee was satisfied that there were no significant areas of contention and that the valuation procedures and methodologies used and the valuations themselves were appropriate. In respect of impairment charges recognised, the Committee was satisfied that, where applicable, the written down values reflected the assets' net realisable value.
- Indirect property investments, accounting for investments in property secured loans and recoverability of financial assets: The Committee again discussed with executive management the valuation and recoverability of these assets along with the external auditors as to the work they had conducted. As a result, the Committee concluded that the assets were appropriately recognised in the Group's financial statements.
- Construction risk: Developments under construction both on balance sheet and in joint ventures, the recoverability of work in progress and the associated construction risks. The Committee challenged management in respect of the assumptions made relating to the completion of all material developments including the ability of contractors to deliver the completed buildings, the likely financial outcome of each development and the recoverability of all work in progress on balance sheet. As a result the Committee concluded that the assets were appropriately recognised in the Group's financial statements.
- Other reporting matters: Internal controls environment, management oversight of indirect property investments and accounting and regulatory developments.

Fair, balanced and understandable
One of the significant requirements of the Code is that the Board confirms that the Annual Report presents a fair, balanced and understandable assessment of the Company's position and performance, business model and strategy. The Board requested that the Audit and Risk Committee provide advice in this regard and, with this in mind, the Committee considered management's analysis and were content to recommend to the Board that the Annual Report taken as a whole was fair, balanced and understandable, and provided the necessary information for shareholders to assess the Company's position and performance, business model and strategy. The Board's statement to this effect is set out in the Statement of Directors' Responsibilities on page 90.

Non-audit services
The non-audit services policy was adhered to throughout the year, providing additional control measures around the instruction of the auditors to undertake non-audit work. The policy requires that all non-audit fee work be reported to the Audit and Risk Committee and that all non-audit fee work falling into certain categories and above certain thresholds be reported prior to the work being undertaken as detailed below:

- Up to £25,000: Approval required by the Finance Director, or Chief Executive in his absence.
- In excess of £25,000 and up to £100,000: Approval required by the Finance Director and Chairman of the Audit and Risk Committee.
- In excess of £100,000: Approval required from the full Audit and Risk Committee.

In addition, the policy prohibits the auditors from being considered for providing the following services: internal audit; bookkeeping services; and the design and implementation of financial information systems.

An analysis of the non-audit fees can be found in note 4 to the Consolidated financial statements. The Committee scrutinises these payments, but recognises that due to the nature of the business and complexity of deals there are certain assurance and advisory services that may be best performed by the external auditors as a result of their unique knowledge of the Company, without compromising their independence or objectivity. The total value paid during the year for tax advice and planning services amounted to £20,000.

Auditors re-appointment
It is within the Committee's remit to recommend the appointment of the external auditors PricewaterhouseCoopers LLP. Additional scrutiny was placed on the independence and objectivity of PricewaterhouseCoopers LLP. In accordance with professional and regulatory standards, the lead audit partner is rotated at least every five years in order to protect audit independence and objectivity. Julian Jenkins was the lead audit partner for the financial year under review and has been lead audit partner for the Company for three years. The Audit and Risk Committee was satisfied as to PricewaterhouseCoopers LLP's independence, performance and effectiveness and, following a review of their tenure, quality and fees, recommended their re-appointment as auditors. This was subsequently ratified by the Board and accordingly the re-appointment of PricewaterhouseCoopers LLP as auditors will be proposed at the forthcoming Annual General Meeting. PricewaterhouseCoopers LLP have been the independent auditors of the Company since 2008, which is the last time the audit went out to tender. The audit will be put out to tender at least every 10 years in accordance with the UK Corporate Governance Code.

Internal control
The Directors acknowledge their responsibility for reviewing the effectiveness of the Group's system of internal control to safeguard shareholders' investments and protect the Company's assets. The Directors acknowledge that they are responsible for determining the nature and extent of the principal risks the Company is willing to take in achieving its strategic objectives. The operational, financial and compliance risk controls are designed to manage rather than eliminate the risk of failure to achieve business

objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board, through the Audit and Risk Committee and Risk Management Committee, has conducted a thorough and robust risk assessment of the business, identifying principal risks, their potential impact, likelihood of occurrence, controls and mitigating actions, together with early warning systems and further actions which need to be implemented. Detailed below is a description of the Group's internal control and risk management used in the process of preparing the Consolidated financial statements. The key features of the system of internal control include:

- a comprehensive system of financial reporting and business planning with appropriate sensitivity analysis;
- a detailed authorisation process which ensures that no material commitments are entered into without competent and extensive approval;
- a defined schedule of matters reserved for the Board and clear defined roles of the Chairman and Chief Executive;
- an organisational structure with clearly defined levels of authority;
- formal documentation of procedures;
- the close involvement of the Executive Directors in all aspects of the day to day operations, including regular meetings with senior management to review all operational aspects of the business and risk management systems;
- a review of the Group strategy and progress on developments at each scheduled Board meeting;
- a comprehensive insurance programme; and
- a formal whistleblowing policy.

Internal auditors

H W Fisher & Company acts as the Company's internal auditors. The Committee reviews the internal auditors' plan for the year and makes amendments as required. In this capacity, H W Fisher & Company report to the Audit and Risk Committee, they also attend meetings of the Risk Management Committee, and from these meetings, and discussions with management, they identify areas of potential weakness or possible improvement in the Group's financial controls. They propose an agenda of work to the Audit and Risk Committee, at least annually, and devise and implement appropriate work programmes, independently of management. Reviews carried out by H W Fisher & Company and the implementation of the recommendations arising from them are overseen by the Audit and Risk Committee. In light of the expansion of the Company, and for the benefits of regularly reviewing supplier arrangements, the Audit and Risk Committee intend to put the internal audit function out to tender during the year commenced 1st March 2016.

The Board has conducted a review of the effectiveness of the system of internal control for the year ended 29th February 2016, and to the date of this report, and considers that there is a sound system of internal control which accords with the 'FRC guidance on risk management, internal control and related financial and business reporting'. The Board is satisfied that there is an ongoing process for identifying, evaluating and managing the Group's principal risks including financial, operational and compliance controls and that it is regularly reviewed.

Viability statement and going concern

The Committee provides advice to the Board on the form and basis underlying both the going concern and the new longer-term viability statement.

The Committee concluded that it remains appropriate for the financial statements to be prepared on a going concern basis and recommended the viability statement to the Board.

The Company's going concern statement can be found in the Financial Review on page 64. The viability statement can be found on pages 24 and 25.

Sarah Bates,
Chairman of the Audit and Risk Committee
28th April 2016

NOMINATION COMMITTEE

David Jenkins
Chairman

"We have built a team with the right skills and experience to oversee the delivery of the Company strategy"

Nomination Committee composition

The following table sets out the attendance of the Directors at the scheduled Nomination Committee meetings, during the financial year under review:

Director	Number of meetings attended	Number of possible meetings	% Attendance at meetings
David Jenkins (Chairman)	6	6	100
Sarah Bates	6	6	100
Michael Marx[1]	5	6	83
Matthew Weiner	6	6	100
Peter Williams[2]	1	1	100

1 Michael Marx resigned from the Board on 29th February 2016.
2 Peter Williams was appointed as a Non-executive Director of the Company with effect from 4th January 2016.

The Company acknowledges that the composition of the Committee does not comply with the requirements of the Code provision B.2.1 as the Committee does not have a majority of Independent Non-executive Directors. The Company believes that, particularly in light of the overall size of the Board, the Chairman, Chairman designate, Senior Independent Director, and Chief Executive and former Chief Executive were best placed to make decisions concerning nominations to the Board. Michael Marx stepped down from the Board and the Committee on 29th February 2016. The Board believes that the Committee has the appropriate composition to discharge its duties effectively. This will continue to be kept under review.

Role of the Nomination Committee

The Committee is responsible for making recommendations to the Board, within its agreed terms of reference, on appointments to the Board which are fulfilled through an effective search, interview and evaluation process based upon objective criteria.

The Committee's role as set out in its terms of reference includes:

- evaluating the structure, size and composition of the Board as a whole;
- succession planning for Executive Directors, Non-executive Directors, and the roles of the Chairman and Chief Executive;

- considering the balance of skills, knowledge, experience, time commitment required and gender on the Board;
- recommending suitable candidates for the role of Senior Independent Director;
- devising descriptions of the role and capabilities required for a particular appointment; and
- providing recommendations on the composition of both the Audit and Risk and Remuneration Committees, in consultation with the Chairs of those Committees.

Activities of the Nomination Committee
The Nomination Committee meets as necessary. The Committee met six times during the year to discuss the appointments of a new Non-executive Director and Chairman designate, and also a Non-executive Director and Chairman designate of the Audit and Risk Committee. In both cases the role specifications were agreed and the services of the external search firm Norman Broadbent were used to consider a wide range of potential external candidates for the positions. Norman Broadbent has no other connection with the Company. The list of candidates was presented to the Committee and a short list was drawn up. The Chairman did not Chair the meeting to appoint his own successor. Peter Williams and Lynn Krige were appointed to the Board as Non-executive Directors and Chairman designate and Chairman designate of the Audit and Risk Committee on 4th January 2016 and 10th March 2016 respectively. Recommendations on these appointments were made by the Committee to the Board which approved the appointments. The Committee also met once after the end of the financial year under review to discuss the re-election of all Directors and recommend to the Board that each Director, being eligible, should opt for annual re-election. The Board approved this recommendation and each Director shall retire and seek re-election at the forthcoming Annual General Meeting in line with provision B.7.1 of the Code. The Company believes that sufficient biographical details and other relevant information about the Directors seeking annual re-election is provided on page 74 in this Annual Report to enable shareholders to make an informed decision.

Directors standing for election or re-election
Peter Williams, who was appointed during the year, and Lynn Krige, who was appointed shortly after the year-end, will stand for election at the 2016 Annual General Meeting. All other Directors will stand for re-election at the 2016 Annual General Meeting with the exception of David Jenkins and Sarah Bates who have previously announced their intentions to retire from the Board at the 2016 Annual General Meeting. Following the annual Board performance reviews of individual Directors, the Chairman considers that each Director continues to operate as an effective member of the Board and has the skills, knowledge, experience and time to enable them to discharge their duties properly. On the advice of the Committee, the Board therefore recommends the re-election of each Director at the 2016 Annual General Meeting. The dates of appointment and length of service on the Board are set out in their biographies on page 74.

The Committee regularly reviews the Company's policy on diversity. The Board recognises the benefits of diversity in its broadest sense and the value this brings to the organisation in terms of skills, knowledge and experience. The policy reflects the commitment to objectively assess, recruit and reward based on merit. Details of the gender diversity of the Board and across the Company are set out in the Sustainability Report on page 55.

The Committee will continue to review the requirement for an additional Independent Non-executive Director which was discussed as part of the Board evaluation as being of potential benefit to the Board.

The Nomination Committee has reviewed the size, structure and composition of the Board and concluded that it is appropriate.

David Jenkins,
Chairman of the Nomination Committee
28th April 2016

Remuneration Committee
The following table sets out the attendance of the Directors at the scheduled meetings of the Remuneration Committee, during the financial year under review:

Director	Number of meetings attended	Number of possible meetings	% Attendance at meetings
Nick Thomlinson (Chairman)	5	5	100
Sarah Bates	5	5	100
David Jenkins	5	5	100
Peter Williams[1]	1	1	100

1 Peter Williams was appointed as a Non-executive Director of the Company with effect from 4th January 2016.

The Committee seeks advice from remuneration consultants Deloitte LLP, and legal support from Linklaters LLP. Representatives of Deloitte LLP attended two meetings of the Committee by invitation. More information on their appointment can be found on page 101 of the Remuneration Report.

Role of the Remuneration Committee and remuneration policy
The Committee is authorised to determine remuneration policy, details of which can be found in the Remuneration Report on pages 93 to 113, along with a detailed description of the work of the Remuneration Committee.

Risk Management Committee
The regular process of identifying, evaluating and managing significant corporate risks has been delegated by the Board to the Audit and Risk Committee which, in turn, has delegated responsibility for overseeing the day to day risk management of the Company to the Risk Management Committee. The Committee is an Executive Committee and comprises the Executive Directors, members of the Executive Committee, the Legal Counsel and the Company Secretary.

The Committee's principal role as set out in its terms of reference includes:

- advising the Audit and Risk Committee on the Company's risk appetite, tolerance and strategy, taking into account the current and prospective macro-economic and financial environment;
- reviewing the Company's risk register, including identification of new risks, continuous assessment, and identification of early warning factors and mitigating actions and controls;
- reviewing the effectiveness of the Company's internal financial controls, internal controls and risk management systems; and
- reviewing the Company's procedures for detecting fraud and prevention of bribery.

Annual activities of the Risk Management Committee
The Committee meets quarterly during the year to ensure that the Group's risk management procedures are comprehensive and appropriate for the current economic climate, regulatory requirements and business operations.

During the year, the Committee performed a full review of all the risks facing the Company as set out on the risk register. The major risks facing the Company have been identified and are set out on pages 21 to 23.

At each meeting the Committee reviews those risks with the highest impact and highest likelihood of occurrence, and the actions in place to ensure mitigation of the risk to the fullest extent. Those risks with less impact or likelihood of occurring are reviewed on an six-monthly basis. The Committee's remit includes all of the Group's subsidiaries and those joint ventures and associates which are administered by the Company. Risks arising from externally managed joint ventures are managed at the boards of the joint venture companies. The Committee reports into the Audit and Risk Committee. In addition to the activities of the Risk Management Committee, a risk evaluation on each significant prospective development, investment or joint venture opportunity is evaluated by the Board and, for development opportunities, the risks are evaluated by an internal independent Project Review Committee. The Executive Directors regularly evaluate the Group's risk-weighted development exposure, which is then considered by the Board. All necessary actions have been or are being taken to remedy any weaknesses acknowledged from the quarterly reviews. No significant failings or weaknesses were identified over the year.

Takeover Directive
Details of the required disclosure under the Takeover Directive can be found in the Directors' Report on pages 114 to 121 and the Remuneration Report on pages 93 to 113 and are incorporated herein by cross-reference.

Statement of Directors' responsibilities
The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and Parent financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

– select suitable accounting policies and then apply them consistently;
– make judgements and accounting estimates that are reasonable and prudent;
– state whether IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Group financial statements; and
– prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Having taken advice from the Audit and Risk Committee, the Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Each of the Directors, whose names are listed on page 115 of the Directors' Report, confirm that, to the best of each person's knowledge and belief:

– the financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company; and
– the Strategic Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and Group, together with a description of the principal risks and uncertainties that they face.

The Directors are responsible for the maintenance and integrity of the Company's website, *www.uandiplc.com*. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Chris Barton,
Company Secretary
28th April 2016

REMUNERATION COMMITTEE

Nick Thomlinson
Remuneration Committee Chairman

"We have ensured that our remuneration structure and business strategy are aligned to reward the meeting of strategic objectives and creation of shareholder value over the longer term"

Highlights
– No salary increases for 2016/17
– New annual bonus framework, with a commitment to disclose annual targets from 2016/17 financial year
– Overall incentives very significantly weighted to the longer term
– Holding period which takes time horizons to five years for two thirds of the Long-Term Incentive Plan
– Malus and clawback provisions for all incentives from 2015/16

I am pleased to present the Remuneration Report for the year ended 29th February 2016.

This has been a landmark year for the Company, during which we have successfully integrated two businesses to create U+I. This has also been the first full financial year for which our Remuneration Policy, approved by shareholders, has applied.

Following a comprehensive review of our remuneration framework we implemented a number of changes, including moving from cash-based profit plans to an incentive structure that is heavily focussed on the longer-term performance of the Company.

We believe that our framework continues to be appropriate, and therefore no significant changes are proposed this year. The approved Policy has been included for reference.

Remuneration out-turns
Once again, U+I has realised record levels of development and trading gains. Net assets per share at year-end were 291 pence compared to 276 pence at 28th February 2015.

This strong performance demonstrates that we have built a team with the right skills and experience to oversee the successful delivery of the Company's strategy.

As previously disclosed and approved by shareholders, transitional arrangements apply for the profit plans.

The Executive Directors who are focussed on development and trading activities have received payments under the Development Profit Plan during the year. Full details are set out on page 97. These relate to awards granted in previous years, and reflect the successful realisation of profits for the Company (above a notional cost of equity threshold) from these projects.

Annual bonus payments were made in respect of the year based on the four drivers of shareholder value creation.

An assessment of the performance conditions for the award made under the Performance Share Plan on 29th May 2013 resulted in 18% of the overall award vesting.

Implementation of Policy in 2016/17
No increases are being made to the Executive Directors' salaries for the financial year beginning 1st March 2016.

In light of shareholder expectations, and to ensure continued alignment with the Company's strategic objectives, the Committee has recently reviewed the operation of the annual bonus. While in the past we have used judgement within a framework to determine bonus payouts, from the 2016/17 financial year we will be moving to a structure with financial and strategic/personal targets set at the beginning of each year.

In the interests of transparency, we intend to disclose the targets and our performance against these under the new structure in next year's report.

Awards under the LTIP will continue to be made in line with our approved Policy.

As a Committee we actively consider how our remuneration framework fits with our ambition of being the best property regeneration company in the UK and creating sustainable value for all our shareholders.

We are fully committed to ongoing dialogue with our shareholders, and I hope to receive your support for our Annual Remuneration Report at our forthcoming Annual General Meeting.

Nick Thomlinson,
Chairman of the Remuneration Committee
28th April 2016

Annual Remuneration Report
This section of the report provides details of remuneration for the financial year ended 29th February 2016, and how our Policy will be implemented for the financial year commenced 1st March 2016.

Implementation of Remuneration Policy in the financial year commencing 1st March 2016
The financial year beginning on 1st March 2016 is the second year for which our approved Policy applies. The table below provides an overview of the components of the remuneration framework for all Executive Directors:

Fixed pay	+	Annual bonus	+	LTIP

As discussed last year, transitional arrangements are in place for legacy plans:

– No further awards will be made to Executive Directors under the Development Profit Plan. Payments in relation to legacy awards may be made until 1st March 2018.
– No further awards will be made under the Performance Share Plan. Outstanding PSP awards will vest in line with the original timeframes, subject to the achievement of performance conditions.

Salary
The salaries which will apply for the financial year beginning 1st March 2016 are set out below:

	1st March 2016 £'000	15th July 2015 £'000	1st March 2015 £'000	% increase*
M S Weiner	375	375	340	0.0%
R Upton	350	350	340	0.0%
M O Shepherd	325	325	325	0.0%

* To ensure comparison on a like-for-like basis, the percentage increase has been based on salaries post the 2015 AGM when the change in roles became effective. Matthew Weiner became Chief Executive and Richard Upton became Deputy Chief Executive at the close of the 2015 AGM.

Retirement benefits
The existing money purchase pension scheme is now closed to future contributions and new joiners. Pensions are provided via a Group Personal Pension Plan. The contribution structure for Executive Directors remains unchanged at 17.5% of salary for the financial year commencing 1st March 2016. If an individual exceeds the HMRC annual allowance a non-pensionable cash supplement may be offered.

Annual bonus
Historically, our annual bonus has not been structured in a formulaic way and has, instead, been based on judgement within a framework based on the four main drivers for the creation of shareholder value in our business.

During the year the Committee reviewed the operation of the annual bonus to ensure that it continued to be appropriate taking into account the expectations of shareholders and alignment with the Company's objectives. As a result of this review, from 1st March 2016, we will be moving to a structure with financial and strategic/personal targets set at the beginning of each year. The performance measures and weightings for the 2016/17 annual bonus are set out below:

	Weighting	Measure	Weighting
Financial	60%	NAV growth	30%
		Development and trading gains	30%
Non-financial and strategic	40%	Strategic and personal objectives and priorities	40%

As part of the review the Committee noted that, in comparison with peer companies, the annual bonus at U+I is a significantly smaller proportion of the overall incentive, with a much greater proportion focussed on the long-term incentive plan. This aligns with the Company's focus on driving long-term shareholder value.

In the interests of transparency, we intend to disclose the financial targets for the 2016/17 financial year (including threshold and maximum) and our performance against them in next year's report.

Annual bonus opportunities for the financial year beginning 1st March 2016 are shown below. Bonus amounts above target are held as shares for a period of two years.

	On target bonus for year as a percentage of salary %	Maximum bonus for year as a percentage of salary %
M S Weiner	37.5	75
R Upton	37.5	75
M O Shepherd	37.5	75

Long-Term Incentive Plan

Awards of 300% of salary will be made to Matthew Weiner and Richard Upton. Marcus Shepherd will receive an award of 100% of salary as set out in last year's report.

Awards will be subject to U+I's NAV growth (including dividends), 50% measured over a three-year period and 50% measured over a four-year period as outlined below:

	Targets at year three and four	Three-year cumulative targets	Four-year cumulative targets
Threshold vesting (20% of maximum)	5.0% p.a.	15.8%	21.6%
Maximum vesting (100% of maximum)	12.0% p.a.	40.5%	57.4%

Pro-rated vesting will occur for performance between these points.

Two thirds of the award will be subject to an additional holding period, increasing the total of the performance and holding period to five years.

Awards will be subject to a risk underpin. For awards to vest, the Committee must be satisfied that performance has not been achieved as a result of inappropriate financial risk (e.g. very high levels of gearing), and that the level of financial and business risk is in line with the Company's stated strategy.

Clawback and malus

In line with the revised 2014 UK Corporate Governance Code, incentive awards made in the year beginning 1st March 2016 will be subject to both malus and clawback.

Clawback and/or malus provisions may be applied at the discretion of the Committee if an exceptional event occurs, such as a material misstatement of results, serious misconduct or an error/material misstatement resulting in overpayment.

Malus provisions may also be applied in the event of serious reputational damage to the Company or a material failure of risk management.

Clawback provisions will apply to the annual bonus for up to two years following the payment of cash/shares. For LTIP awards, malus and clawback provisions may be applied for up to five years post-grant.

Transitional arrangements

The remuneration framework that has applied since 1st March 2015 involved a significant departure from our historical approach which had been focussed on cash based profit plans.

As reported last year, to balance fairness to participants and shareholders, as well as reflect legacy contractual entitlements, transitional arrangements apply as outlined below:

Development Profit Plan

While no new awards will be made under this plan to Executive Directors, payments in respect of outstanding awards may be made up to 1st March 2018.

Awards become payable once profits have been realised on a development project. The maximum bonus pool that was available for distribution to Executive Directors and the wider team was 10.0% of the realised profit for each development. This is calculated once a notional cost of equity of 12.5% is deducted, so that the pool generated only relates to profits over and above a threshold return.

For awards from 1st March 2015, the maximum aggregate pool has been reduced to 5.0% of realised profit, above a hurdle, to reflect that Executive Directors no longer participate in this plan.

In 2013, the concept of netting off was introduced for all projects from August 2009 so that any realised and unrealised losses in respect of an Executive Director's portfolio will be taken into account when a profit is realised on a project. Projects prior to 2009 and certain other legacy projects are excluded.

Performance Share Plan

Historical awards made under the PSP will continue to run and will vest on their normal vesting date subject to the satisfaction of the required performance conditions. Any payouts under this plan will be fully disclosed in the relevant remuneration report.

No further awards will be made under the PSP.

Savings-related option scheme

The renewal of our Save As You Earn Option Plan was approved by shareholders at our 2014 Annual General Meeting.

Non-executive Directors' fees

Fees for the financial year commencing 1st March 2016 are set out in the table below:

	1st March 2016 £'000	1st March 2015 £'000
Chairman	105.0*	105.0
Basic fee	40.0*	40.0
Chairman of Audit or Remuneration Committee	7.5	7.5
Membership of Audit or Remuneration Committee	5.0	5.0
Senior Independent Director	5.0	5.0

* As previously announced, Peter Williams will succeed David Jenkins as Company Chairman from the date of the 2016 AGM. Mr Williams has been appointed on an all-inclusive fee of £120,000 per annum from that date. At this time the basic fee for Non-executive Directors will rise to £42,000 per annum.

Single total figure of remuneration (audited)

The table below sets out the total remuneration receivable by each of the Directors who held office for the year to 29th February 2016 with a comparison to the previous financial year.

Executive Directors		Fees and salary £'000	Benefits* £'000	Pension** £'000	Annual bonus £'000	DPP £'000	PSP*** £'000	Total £'000
M S Weiner[1]	2016	364	18	62	160	994[2]	35	1,633
	2015	340	18	57	170	1,589	–	2,174
R Upton[3]	2016	348	18	61	160	0	–	587
	2015	268	14	47	135	–	–	464
M O Shepherd	2016	325	18	55	150	0	33	581
	2015	325	18	55	163	–	–	561
M H Marx	2016[4]	174	11	23	–	–	48	257
	2015[5]	400	20	62	520	–	–	1,002
Non-executive Directors								
D S Jenkins	2016	105	–	–	–	–	–	105
	2015	99	–	–	–	–	–	99
S C Bates	2016	58	–	–	–	–	–	58
	2015	56	–	–	–	–	–	56
N H Thomlinson	2016	53	–	–	–	–	–	53
	2015	51	–	–	–	–	–	51
B Bennett[6]	2016	40	–	–	–	–	–	40
	2015	32	2	–	–	–	–	34
P W Williams[7]	2016	8	–	–	–	–	–	8
	2015	–	–	–	–	–	–	–

* Benefits received during the year include cash in lieu of motor vehicle and medical insurance.

** Pension contributions received during the year include contributions to the Company's approved scheme or cash supplements.

*** The average share price between 1st December 2015 and 29th February 2016 (218 pence) has been used to estimate the value of the PSP awards. As set out on page 97 18% of the overall award granted in 2013 is due to vest.

1 M S Weiner was appointed as Chief Executive on 15th July 2015, at which time his salary increased from £340,000 to £375,000.

2 DPP figure relates to awards on projects realised during the year. Awards on projects are subject to netting off.

3 R Upton was appointed to the Board on 19th May 2014. He became Deputy Chief Executive on 15th July 2015, at which time his salary increased from £340,000 to £350,000.

4 M H Marx held the position of Chief Executive Officer until 14th July 2015 and was paid a full salary with benefits and pension to this date. From 15th July 2015 to 29th February 2016 M H Marx held the position of Non-executive Director of the Company receiving the basic pro-rata fee during this period. Mr Marx retained his healthcare benefit until he retired from the Board.

5 M H Marx was Chief Executive for the full year to 28th February 2015.

6 B Bennett was appointed as a Non-executive Director on 19th May 2014.

7 P W Williams was appointed as a Non-executive Director on 4th January 2016.

Incentive out-turns

Annual bonus

The Committee has always taken a balanced and robust approach to the assessment of the annual bonus. The Executive Directors' annual bonuses are determined principally by the four main drivers for the creation of shareholder value in our business, namely: accurate reading of the economic and market cycles in which we operate; the pipeline of future development projects; active management of the investment portfolio; and the maintenance of the standards of excellence that are embedded within the Company's culture. Details of performance during the year with respect to the four drivers of shareholder value creation which were taken into account in determining bonus awards for 2015/16 are set out below.

As disclosed on page 93, following a review of the annual bonus structure in light of shareholder feedback, a more formulaic approach is being implemented from 1st March 2016.

Accurate reading of economic and market cycles

- The Company successfully executed its strategic objectives producing a record level of development and trading gains during the year.
- Profit before tax of £25.78 million was achieved being the second consecutive year of a step change in the Company's profitability.
- Activity levels are now considered to be established at an enhanced level with a more focussed approach to the geographic and operational sectors in which the Company operates.
- During the year, we continued to review the Balance Sheet to maintain a disciplined capital structure including the refinancing of the historic 11% debenture.

Pipeline of future development projects

- The combined origination skills of the two businesses is starting to establish itself as the Public Sector's partner of choice.
- The combined team has the full range of project delivery options especially in the residential sector. This will be enhanced with the creation of an off-balance sheet BTR platform.
- Successful acquisition of £43.8 million of new development and trading projects during the year including significant PPP projects in Camden and Lambeth and selection to the TfL Framework Partnership.
- This is in addition to the 40 plus development and trading projects that are currently being progressed and which forecast consistent levels of development and trading gains of in excess of £50 million p.a over a three to five year period.

Active management of the investment portfolio

- Portfolio remains at the target level of £200 million.
- Introduction of a new investment strategy focussed on optimisation, rationalisation and reinvestment to improve portfolio performance.
- Significant optimisation activities underway at seven assets.
- Rationalisation strategy implemented with three assets sold and a further nine assets earmarked for sale in the short to medium term.
- Creation of 'greenhouse' and 'warehouse' investment strategies. First assets totalling £18.3 million acquired.

Maintenance of standards of excellence

- Completion of the Cathedral/Development Securities integration process culminating with the re-branding of the business as U+I.
- Securing an inspirational new office space for the combined business, managing the refurbishment and relocation.
- Implementation of a complete business process review to ensure that the Company has the right structure to match its ambition.
- Bedding in to the team the Company's culture and values such that they are part of our everyday business.

When determining annual bonuses and awards under the DPP there is no 'double-counting'. The contribution of any team or individual performance which leads to awards under the DPP is disregarded for the purpose of the annual bonus.

The annual bonus payments made to Executive Directors in respect of the financial year ended 29th February 2016 are set out in the table below:

	29th February 2016 £'000	29th February 2016 % of maximum
M S Weiner	160	59
R Upton	160	61
M O Shepherd	150	62

100% of any annual bonus awarded which is above Target (50% of the maximum opportunity) will be paid in shares which the recipient must hold for at least two years. This equated to £23,534 for M S Weiner, £29,471 for R Upton, and £28,125 for M O Shepherd in relation to the bonus payment for 2015/16.

2017 Annual Bonus Framework

During the year the Remuneration Committee undertook a detailed review of the annual bonus framework. As a result of this review, from 1st March 2016 we will be moving to a structure with financial and strategic/personal targets set at the beginning of each year, including a commitment to provide full disclosure of financial targets following the 2016/17 financial year. More details are provided on page 93.

Development Profit Plan (audited)

The table below provides further information on Matthew Weiner's DPP incentive out-turns and targets realised during the year. In all cases the threshold is based on achievement of a notional cost of equity of 12.5%.

Property		Threshold target (£'000)	Actual profit/ DPP award (£'000)
Westminster Palace Gardens (residual amount)	Profit	1,231	5,042
	DPP	–	23
Sevenoaks (residual amount)	Profit	940	4,123
	DPP	–	27
Barnstaple – Phase Two	Profit	247	765
	DPP	–	3
Romford	Profit	508	5,001
	DPP	–	20
Colston	Profit	1,208	1,748
	DPP	–	27
Cathedral Projects: Deptford	Profit	1,348	3,610
	DPP	–	130
Charlemont	Profit	461	2,426
	DPP	–	128
Becket House (Central London Property)	Profit	1,293	4,095
	DPP	–	98
Braehead	Profit	2,269	2,894
	DPP	–	41
Cathedral Projects: Alcatel	Profit	354	9,934
	DPP	–	497

Performance Share Plan

For the 2013 PSP award, U+I's relative total shareholder return performance was below the median of the comparator group therefore this element of the award lapsed. The Company's NAV per share growth over the three year performance period was RPI + 4.03% per annum which was above the level of threshold performance required. The overall vesting level for the 2013 PSP award is 18% of the maximum award. Details of the performance conditions are set out in the table below:

	Total shareholder return*		NAVps growth per annum	
	Target	Vesting	Target	Vesting
Threshold	Median	12.5%	RPI+3%	12.5%
Maximum	85th percentile	50%	RPI+10%	50%

Actual TSR performance		Actual NAVps growth per annum performance	
Below median	0%	RPI + 4.03%**	18%***

* The TSR comparators were the constituents of the FTSE Real Estate Investment Trust Index and the FTSE Real Estate Investment Services Index.

** The calculation of NAV per share took into account the special dividend paid in April 2015.

*** 36% of the NAVps growth per annum award vested, this made up 50% of the total PSP award. Overall vesting level was 18% for the 2013 PSP award.

Payments made/awards granted during the year

Development Profit Plan (audited)

As previously detailed no further awards have been, or will be, made to Executive Directors under the Development Profit Plan after 1st March 2015.

Long-Term Incentive Plan (audited)

On 5th June 2015, awards were made under the Long Term Incentive Plan as follows:

	Type	Number of shares	Face value (% of salary)[1]	Performance conditions[2]	End of performance period	% vesting at threshold
M S Weiner	Conditional	373,079	300	% NAVps	28th	
R Upton	share	373,079	300	growth	February	20.0%
M O Shepherd	award	89,155	75[3]		2018	

1 The face value has been calculated based on the share price at 273.40 pence taken on 4th June 2015 as an average of the closing mid-market price from the preceding five days.
2 Awards are subject to U and I Group PLC's NAVps growth (including dividends), 50% measured over a three-year period and 50% measured over a four-year period, see page 94 for further information.
3 As set out on page 94, and in last year's Annual Report, M O Shepherd will receive an award of 100% of salary for the year commenced 1st March 2016.

Departing Director

As previously disclosed, Michael Marx stepped down from the Board on 29th February 2016. Upon standing down as Chief Executive Officer following the 2015 Annual General Meeting, Michael's salary and pension benefits ceased with immediate effect. Michael then held the role of Non-executive Director from 15th July 2015 to 29th February 2016. The fees Michael received as Non-executive Director from 15th July 2015 ceased with immediate effect upon his stepping down from the Board. Michael did not receive any payment for loss of office.

From 1st March 2016 U+I will retain the services of Michael as a consultant on certain projects on an arrangement terminable by either side with one month's notice.

Michael retains his previous awards made under the Performance Share Plan, subject to the rules of the plan, reduced pro-rata to reflect his time as Chief Executive Officer up to 15th July 2015, and these may vest at the normal vesting date subject to achievement of the relevant performance conditions. In line with other participants, Michael's 2013 PSP award is due to vest at 18% of the maximum pro-rated award.

Payments to a former Director

As previously disclosed, Julian Barwick stepped down from the Board on 1st March 2015. He retained his position as a Director of Development Securities (Projects) Limited, the main development subsidiary of the Group, and continued his employment in that capacity on a reduced time basis.

The treatment of Julian's outstanding incentive awards when he stood down from the Board reflected the fact that he continued to be employed by the Group. As disclosed last year, Julian retained his existing PSP award granted in May 2013 and outstanding DPP awards which were made in respect of assets acquired in previous financial periods. In line with other participants, Julian's 2013 PSP award is due to vest at 18% of the maximum. He will therefore receive 15,234 shares, which at a year end share price of £2.18[1] would have a value of £33,210. Julian has received payments under the DPP plan of £49,040 and £1,240 for Becket House (Central London Property) and 10 Hammersmith Grove respectively over the period 1st March 2015 to the 27th April 2016. Julian remains entitled to receive a 3.5% award in respect of 12 Hammersmith Grove as and when profits are realised by the Group. Julian is also entitled to receive a 1% award in respect of Shepherd's Bush when profits are realised by the Group.

Executive Directors' shareholdings (audited)

Executive Directors are subject to a shareholding requirement of one half of basic salary within two years of appointment, rising to an amount equivalent to one times basic salary after four years. All Directors had met the shareholding threshold under this requirement at the date this report was approved.

1 The average share price between 1st December 2015 and 29th February 2016 (218 pence) has been used to estimate the value of the PSP awards.

From 1st March 2012, the Company introduced an additional shareholding requirement, which operates where significant success is achieved and rewarded via the Company's focussed profit plans. Where payments under the profit plans exceed £1.0 million in a financial year, two thirds of the payment above £1.0 million will be made in shares. This will apply if the Director's shareholding is less than two times salary. The amount paid in shares will be subject to a two-year retention period.

The interests of all the Directors (together with interests held by his or her connected persons), all of which were beneficial, in the share capital of the Company, are:

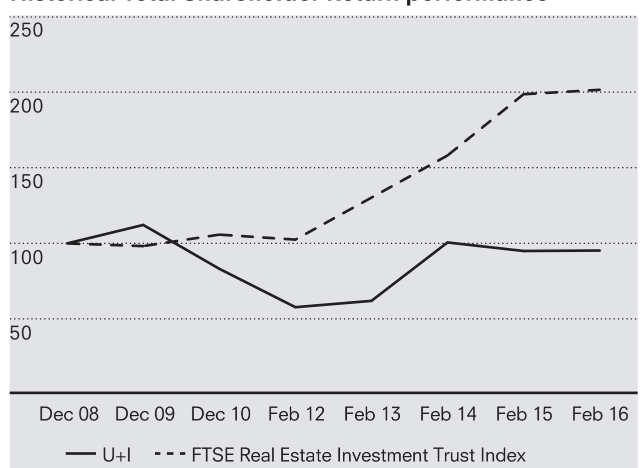
Executive Directors	Shares owned outright as at 29th February 2016[1]	Percentage of shareholding guideline achieved[2]	Interest in shares/options subject to performance[3]	Interest in shares/options subject to continued employment only
M S Weiner	211,213	114	461,621	10,044
R Upton	2,859,492	3,309	373,079	–
M O Shepherd	119,295	149	240,388	10,044
Non-executive Directors				
D S Jenkins	34,325	–	–	–
S C Bates	45,000	–	–	–
N H Thomlinson	20,000	–	–	–
B Bennett	35,000	–	–	–
P W Williams	50,000	–	–	–
M H Marx	622,479	–	279,201[4]	–

1 Including shares held by connected persons.
2 Calculation derived from the market value of 202.50 pence per share and Directors salary as at 29th February 2016.
3 Interests in shares/options includes PSP awards granted in 2013. As set out on page 97, 18% of these awards are due to vest with the remaining 82% due to lapse.
4 M H Marx retains options under the 2013 and 2014 PSP awards. These may vest subject to the achievement of performance conditions and will be pro-rated to adjust to the time he served as Chief Executive of the Company during the performance periods.

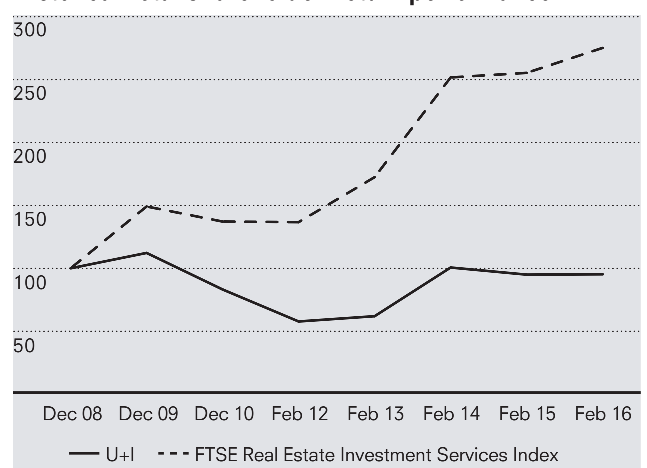
Historical Total Shareholder Return ('TSR') performance

The graphs below demonstrate the Company's TSR performance over seven financial periods as represented by share price growth plus reinvested dividends, against both the FTSE Real Estate Investment Trust Index and the FTSE Real Estate Investment Services Index. The Company is a constituent of the FTSE Real Estate Investment Services Index, but a number of constituents of the FTSE Real Estate Investment Trust Index are also considered peers.

Historical Total Shareholder Return performance



Historical Total Shareholder Return performance



Chief Executive Officer remuneration for previous seven years

The table below shows the total remuneration figure for the Chief Executive for the same period as the TSR charts on the previous page. The annual bonus and PSP percentages show the payout for each year as a percentage of the maximum opportunity.

	2009	2010	2012*	2013	2014	2015	2016 Michael Marx**	2016 Matthew Weiner***
Single total figure of remuneration (£'000)	767	865	714	487	882	1,002	**257**	**1,633**
Annual bonus (percentage of maximum)	80	63	21	–	67	87	–	**59**
PSP vesting (percentage of maximum)	–	–	–	–	–	–	**18**	**18**

* As a result of the change in the Company's year-end, amounts shown for 2012 are in respect of a 14 month period ending 29th February 2012, whereas all the other amounts are in respect of a 12 month financial period.

** Consistent with the single figure table on page 95, Michael Marx's figure relates to both the time he was Chief Executive Officer of the Company from 1st March 2015 to 14th July 2015, and from 15th July 2015 to 29th February 2016 when Michael received a basic fee as a Non-executive Director. Pro-rating was applied to the PSP vesting.

*** Consistent with the single figure table on page 95, Matthew Weiner's figure relates to both the time he was Executive Director of the Company from 1st March 2015 to 14th July 2015, and from 15th July 2015 to 29th February 2016 when Matthew was Chief Executive Officer of the Company.

Percentage change in Chief Executive Officer Remuneration

The table below sets out in relation to salary, taxable benefits and annual bonus, the percentage change in remuneration in relation to the Chief Executive compared to the wider workforce.

	Chief Executive percentage change*	Wider workforce percentage change
Salary	7.1	10.6
Taxable benefits	0.6	6.17
Annual bonus	-5.9	14.8

* Matthew Weiner replaced Michael Marx as Chief Executive following the AGM on 14th July 2015. The figure for Matthew's annual bonus and salary increase reflect the salary and award he received compared with that which he received for the 2014/15 financial year.

Relative importance of spend on pay

The following table sets out the overall expenditure on pay and total dividends and share buybacks paid in the year.

	2016	2015	Percentage change
Dividends[1]	**7,372**	6,989	5.5
Supplemental Dividend[1,2]	**–**[2]	9,995	0.1
Overall expenditure on pay[3]	**13,503**	11,926	13.2

1 These figures have been extracted from note 8 to the Accounts on page 150.
2 A supplemental dividend for 2015 was declared prior to year-end 28th February 2015. A supplemental dividend of 8.00 pence per share, amounting to £10,006,000 for 2016 was declared post year-end and therefore not deducted from net assets.
3 These figures have been extracted from note 5 to the Accounts on page 148.

Role and constitution of the Committee

The Committee's full terms of reference are set out on the Company's website *www.uandiplc.com* and are available on request from the Company Secretary. Its principal role is to determine the total remuneration of the Executive Directors and to ensure that senior management remuneration is consistent with corporate policy.

Advisors

The Committee sought professional advice from external remuneration consultants Deloitte LLP (who are members of the Remuneration Consultants Group and, as such, voluntarily operate under the code of conduct in relation to executive remuneration consulting).

The Committee is satisfied that the advice it received was objective and independent. Deloitte's fees for providing advice which materially assisted the Remuneration Committee amounted to £28,100 (2015: £90,400). Representatives of Deloitte LLP attended two meetings of the Committee by invitation during the year. During the year, Deloitte LLP also provided services to the Company in relation to share scheme implementation and all-employee remuneration. In addition legal support was provided by Linklaters LLP. Linklaters' fees for provision of advice to the Remuneration Committee amounted to £45,556 (2015: £21,780). Linklaters LLP are also the Group's principal legal advisor.

Matthew Weiner, Chief Executive Officer, provided advice in respect of the remuneration of the other Executive Directors but was not in attendance when his own remuneration was discussed.

The Remuneration Committee as constituted by the Board

The Committee met five times in the year under review.

Committee Members	Considered Independent Non-executive Director	Meetings attended
N H Thomlinson (Chairman)	Yes	5/5
D S Jenkins	No[1]	5/5
S C Bates	Yes	5/5
P W Williams[2]	Yes	1/1

1 D S Jenkins has been Non-executive Chairman of the Company for 9 years 3 months, he will retire from the Board following the 2016 Annual General Meeting.
2 P W Williams became a member of the Committee with effect from 4th January 2016

Following the Board evaluation process the effectiveness of the Committee was reviewed and the Committee was considered to be operating effectively. No member has any personal financial interest in the matters to be decided.

Statement of voting at the last Annual General Meeting

The Company remains committed to on going shareholder dialogue and takes an active interest in voting outcomes. The following table sets out the actual voting in respect of the advisory vote to approve the Annual Report on Remuneration at the Company's Annual General Meeting on 14th July 2015:

Resolution	Votes for	Percentage of vote	Votes against	Percentage of vote	Votes withheld
Approve Remuneration Report	89,685,809	85.25	15,521,038	14.75	4,696,059

One of our largest shareholders at the time of the 2015 AGM operated a general policy of voting against remuneration reports where, for long-term incentives, the performance period plus holding period is less than five years. Our performance plus holding period for the LTIP is five years for two thirds of the award. As a result of its voting policy guidelines it was unable to support the implementation of our approach at the 2015 AGM. Since the shareholder's holding at the time of the AGM was 12.47% this had a significant impact on the overall voting out-turn.

Incentive awards outstanding at year end (audited)

Details of incentive awards outstanding at the year end are shown in the tables below:

Performance Share Plan/Long-Term Incentive Plan (audited)

	Plan	Date of grant	Market price at date of grant Pence per share	28th February 2015 Number of shares	Granted*	Lapsed	Exercised	**29th February 2016 Number of shares**	Final vesting date
M H Marx	PSP	29.05.13	201.00	156,250	–	–	–	**156,250**[1,2]	29.02.16
	PSP	22.05.14	244.00	122,951	–	–	–	**122,951**	28.02.17
M S Weiner	PSP	29.05.13	201.00	88,542	–	–	–	**88,542**[1]	29.02.16
	LTIP*	05.06.15	273.40	–	373,079	–	–	**373,079**	05.06.18/19
M O Shepherd	PSP	29.05.13	201.00	84,635	–	–	–	**84,635**[1]	29.02.16
	PSP	22.05.14	244.00	66,598	–	–	–	**66,598**	28.02.17
	LTIP*	05.06.15	273.40	–	89,155	–	–	**89,155**	05.06.18/19
R Upton	LTIP*	05.06.15	273.40	–	373,079	–	–	**373,079**	05.06.18/19

* New LTIP introduced for year beginning 1st March 2015 replaced previous Performance Share Plan.
1 As set out on page 97, 18% of these awards are due to vest with the remaining 82% due to lapse.
2 M H Marx's awards under the Performance Share Plan will be reduced pro-rata to reflect his time as Chief Executive Officer.

Options (audited)

	28th February 2015 Number of options	Granted	Lapsed	Exercised	**29th February 2016 Number of options**	Exercise price Pence per share	Market price at exercise Pence per share	Gain on exercise Pence per share	Date from which exercisable	Expiry date
M S Weiner										
Savings-related scheme*	10,044	–	–	–	**10,044**	179.20	–	–	01.02.18	31.07.18
M O Shepherd										
Savings-related scheme*	10,044	–	–	–	**10,044**	179.20	–	–	01.02.18	31.07.18

* These options are not subject to performance conditions. The options may be exercised after three years at a price not less than 80% of the market value of the shares at the time of invitation.

Development Profit Plan (audited)

Awards granted in previous years

Project	M S Weiner
Abbey Wood (Cross Quarter)	4.50%
Airport House, Croydon	6.50%
Axis Tower Manchester	6.00%
Barwood – BDSL	7.00%
Barwood – BLEL	7.00%
Beyond Green – Norwich	6.00%
Beyond Green – Pincents Hill	7.00%
Burlington House	6.50%
Cathedral Projects	5.00%
Chill Factor[e], Manchester	5.00%
Deeley Freed	6.00%
Donnybrook House	6.50%
Friarsgate Shopping Centre, Lichfield	1.00%
Kensington Church Street, London	6.00%
Luneside	10.00%

Project	M S Weiner
Morden Wharf	6.00%
Moreton Woods	3.00%
Pembroke Road	5.00%
Percy Place, Dublin	6.00%
Robswall	5.50%
Shepherds Bush Market, London	5.50%
South Woodham Ferrers, Essex	4.50%
The Movement, Greenwich	7.00%
The Old Vinyl Factory, Hayes	6.00%
Valentine's House, Ilford	6.50%
Wessex – Launceston	2.00%
Wick Lane Wharf	6.00%
Wind Farms	5.00%
Woking	3.50%

Remuneration Policy

The Remuneration Policy (the Policy) was approved by our shareholders at the AGM in July 2014 and has applied from 1st March 2015. Since no changes to the Policy are proposed for the year ahead, this part of the report will not be subject to a shareholder vote at our 2016 AGM. We have included the full approved Policy below except that the scenario charts and details of service contracts have been updated.

The key objectives of the Company's Remuneration Policy are as follows:

- To ensure that Executive Directors and senior managers are rewarded in a way that attracts, retains, motivates and rewards management of the highest quality;
- To operate incentive plans designed to encourage Executive Directors and senior managers to align their long-term career aspirations with the long-term interests of the Company and shareholders' expectations;
- To promote the attainment of both individual and corporate achievements, measured against performance criteria required to deliver the long-term growth and sustainability of the business; and
- To encourage sustained performance over the medium and long term without taking undue risk.

The total pay framework is based on a mixture of fixed and variable elements considered on a meritocratic basis at individual and Group level, taking into account the remuneration awarded to employees in the Group. The balance between fixed and variable pay is considered appropriate, given that the various incentive plans/schemes ensure a significant proportion of a key individual's remuneration package is performance related, thereby correlating with the strategic aims of the business and the performance of the Company.

Policy table for Executive Directors

PURPOSE OF COMPONENT AND LINK TO STRATEGY	OPERATION	MAXIMUM	PERFORMANCE MEASURES
Salary Core element of remuneration set at a level to attract and retain individuals of the calibre required to shape and execute the Company's strategy.	Contractual fixed cash amount paid monthly. Typically, salary levels are reviewed on an annual basis. The Committee takes into account a number of factors when setting base salary, including: – Size and scope of the role; – Skills and experience of the individual; – Performance of the Company and individual; – Appropriate market data; and – Pay and conditions elsewhere in the Company.	Salary increases may be applied taking into account the factors outlined in this table. During review, consideration will also be given to increases applied to the wider employee population. In certain circumstances such as an increase in the size and scope of the role or increased experience where an individual has been hired on a lower salary initially, higher increases may be given. There is no maximum salary opportunity.	None.

Policy table for Executive Directors continued

PURPOSE OF COMPONENT AND LINK TO STRATEGY	OPERATION	MAXIMUM	PERFORMANCE MEASURES
Benefits To provide Executive Directors with market competitive benefits consistent with the role.	Executive Directors currently receive the following benefits: – Cash in lieu of company car; – Private medical insurance; – Income protection insurance; and – Life assurance. Other benefits that are consistent with the role may be provided if the Committee considers it appropriate. Payments may be made to Executive Directors in lieu of any unutilised holiday allowance. The Committee may permit additional holiday in lieu of remuneration. Relocation and expatriate benefits may also be provided, if an existing or new Executive Director is required to relocate. The Executive Directors may participate in any all employee share plans adopted by the Company on the same basis as other employees.	The cost of benefits may vary from year to year depending on an individual's circumstances and the varying cost of benefits premiums. There is no maximum benefits value.	None.
Retirement benefits To provide Executive Directors with retirement benefits consistent with the role.	Defined contribution pension arrangements are provided. Pension benefits are provided through a Group Personal Pension Plan, non-pensionable cash supplement or contribution to a Personal Pension arrangement.	17.5 per cent of salary per annum.	None.

PURPOSE OF COMPONENT AND LINK TO STRATEGY	OPERATION	MAXIMUM	PERFORMANCE MEASURES
Annual bonus Incentivises and rewards Executive Directors for the successful delivery of strategic objectives on an annual basis.	Payments are based on performance in the relevant financial year. Payments up to 50 per cent of the maximum opportunity ('Target' performance) are made in cash. Any bonus above 50 per cent of the maximum opportunity will be paid in shares which the Director is expected to hold for at least two years.	150 per cent of salary per annum. Executive Directors, excluding the Chief Executive, will have a lower maximum opportunity than the percentage stated above. Note: The current Chief Executive's bonus is 75 per cent of salary. The maximum above applied to Michael Marx who stepped down as Chief Executive on 14th July 2015.	The annual bonus is determined principally with reference to the four main drivers of the creation of shareholder value in our business: – Accurate reading of the economic and market cycles in which we operate; – Pipeline of future development projects; – Active management of the investment portfolio; and – Maintenance of the standards of excellence that are embedded within the Company's culture. The Committee reviews the basis of performance measurement under the annual bonus from time to time and may review and amend the measures as it considers appropriate. 50 per cent of the maximum bonus opportunity will be payable for 'Target' performance.

Policy table for Executive Directors continued

PURPOSE OF COMPONENT AND LINK TO STRATEGY	OPERATION	MAXIMUM	PERFORMANCE MEASURES
Long-Term Incentive Plan (LTIP) Incentivises and rewards Executive Directors for delivery of the Company's strategic plan of building shareholder value.	Awards of nil-cost options or conditional shares. The awards vest subject to the achievement of performance targets set by the Committee. 50 per cent of the award is based on performance measured over three years, with the remaining 50 per cent based on performance measured over four years. Following vesting, the awards will normally be subject to an additional holding period, for at least two-thirds of the award, of up to two years such that the combined performance and holding period will, for this portion, not be less than five years in total. Dividend equivalents may be paid on awards. Awards may be subject to malus and therefore may be reduced or forfeited at the discretion of the Committee if an exceptional event occurs which has a material adverse impact on the Group including, but not limited to, reputational damage or a material failure of risk management. In addition, awards may be reduced or forfeited if results announced for any period have been restated or subsequently appeared materially financially inaccurate or misleading.	Three times base salary per annum.	The primary performance measure will be net asset value per share growth (including dividends). No less than 50 per cent of an award will be based on this measure. The Committee retains the flexibility to introduce additional measures. For threshold levels of performance, no more than 25 per cent of the award vests with 100 per cent of the award vesting for maximum performance.
Shareholding guidelines To align Executive Directors with the shareholder experience.	The Company operates shareholding guidelines for Executive Directors.	Not applicable.	Not applicable.

Legacy arrangements and transition

The Committee undertook a review of incentive arrangements in the financial year ended 28th February 2014. Following this review the new Long-Term Incentive Plan will replace a number of plans. The following table sets out plans under which no further awards will be made or where awards will be made for a short period as part of the transitional arrangements. Any subsisting awards for legacy plans will continue in accordance with the relevant plan rules.

PURPOSE OF COMPONENT AND LINK TO STRATEGY	OPERATION	MAXIMUM	PERFORMANCE MEASURES
Development Profit Plan (DPP) Incentivises and rewards Executive Directors for the performance of their portfolio of projects.	Awards are made in respect of each development project. No awards will be made to Executive Directors for projects which commence following 1st March 2015. Awards may pay out once a project makes a realised profit. No payments will be made after 1st March 2018. 50 per cent of the payment is made in cash or shares at the time profit is realised. The remaining 50 per cent is deferred until the end of the financial year and paid in cash or shares at this point.	The maximum aggregate pool available for distribution to Executive Directors and the wider team is 10 per cent of the realised profit above a hurdle for each development project.	Payments are only made under this plan once profit has been realised on a development above a threshold return (a notional cost of equity). Losses attributable to other projects in which a Director has been made an award are also taken into account when calculating payments to ensure that participants are incentivised to mitigate losses while maximising project profits. This calculation is at the Committee's discretion and will not apply in respect of certain legacy awards and projects. Where unrealised losses are deducted in the calculation but a profit is subsequently recognised a balancing payment may be made.
Additional profit plans Designed to incentivise all Executive Directors in the principal activities of the Group, namely development and the investment portfolio.	There are no subsisting awards under either the Strategic Profit Plan or the Investment Growth Plan. No further awards will be made to Executive Directors under these two plans.		

Legacy arrangements and transition continued

PURPOSE OF COMPONENT AND LINK TO STRATEGY	OPERATION	MAXIMUM	PERFORMANCE MEASURES
Performance Share Plan (PSP) Incentivises and rewards Executive Directors for the sustainable creation of shareholder value over the longer term.	An award of nil-cost options or contingent shares made on an annual basis. No awards will be made to Executive Directors under the Performance Share Plan from 1st March 2015. The awards vest subject to the achievement of performance targets over a three year performance period. Dividend equivalents may be paid on awards up to the point of vesting.	200 per cent of base salary as set out in the plan rules. In practice, awards of 75 per cent of salary and 50 per cent of salary have been made to the Chief Executive and other Executive Directors respectively.	Awards vest based on relative TSR performance and NAV per share growth over the performance period. The performance measures are equally weighted for all outstanding awards. The Committee may change or waive a performance condition in accordance with its terms or if anything happens which causes the Committee reasonably to consider it appropriate to do so. For threshold levels of performance, 25 per cent of the award vests with 100 per cent of the award vesting for maximum performance.

Notes to the policy table

Application of Policy

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) that are not in line with the Policy set out above where the terms of the payment were (i) agreed before the Policy came into effect; or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes, 'payments' includes the Committee satisfying awards of variable remuneration and an award of shares or cash is 'agreed' at the time the award is granted.

Discretion

The Committee will operate the LTIP, PSP and DPP in accordance with the relevant plan rules. In particular, the Committee retains discretion on the operation and administration of these plans as follows:

- Dividend equivalents may be paid on awards up to the point of vesting including on a reinvested basis;
- While LTIP and PSP awards will normally be delivered in shares, the Committee may settle an award in cash; and
- In the event of a variation of the Company's share capital, a demerger, special dividend or distribution or any other corporate event which, in the Committee's opinion might affect the current or future value of awards, the Committee may adjust the number of shares, the exercise price and the performance condition.

Awards may be amended in accordance with the rules approved by shareholders.

Payment in shares

Where cumulative payments under the Development Profit Plan exceed £1.0 million in one financial year, two-thirds of the payments above £1.0 million will be made in shares which the Director is expected to hold for at least two years. This will apply if the Director's shareholdings are less than two times salary.

The Committee may increase the level of share deferral for incentives at any time.

Takeover or other corporate event

For outstanding LTIP and PSP awards, on a takeover or other corporate event, generally the performance period will end on the date of the event. The Committee will determine vesting having regard to the extent to which performance conditions have been achieved at this point taking into account any other factors they consider relevant. Awards will generally vest on a time pro-rata basis taking into account the shortened performance period, unless the Committee determines otherwise. Awards subject to a holding period will be released as part of the transaction.

Alternatively, outstanding LTIP and PSP awards may be subject to rollover, with the agreement of the acquiring company.

Other corporate events may include (but are not limited to) a demerger, delisting, distribution (other than an ordinary dividend), reverse takeover and merger by way of dual listing.

Under the DPP, on a takeover, the Committee can bring forward award payments. The amount of the payments will not exceed the bonus pool and, subject to that, are determined by the Committee on the basis of estimated profits.

Minor changes

The Committee may make minor amendments to the Policy set out in this Report (for example for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for the amendment.

Performance measures and target setting

Annual bonus

The Committee has always taken a somewhat different approach to the annual bonus compared to our competitors, in that the annual bonus has never been formulaically driven by the annual financial results but reflects a measure of annual performance in the context of the length of the property cycle. The annual bonus is designed to reward Executive Directors for the successful execution of the four main drivers of shareholder value creation.

Long-term incentive plan

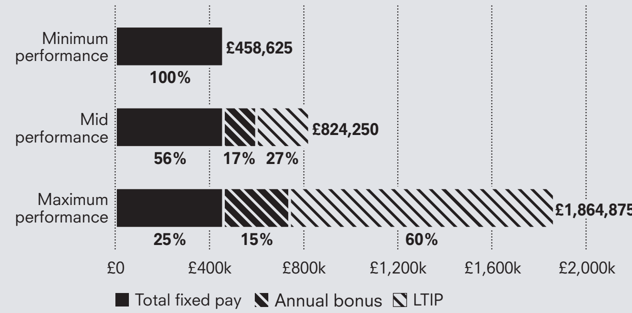
The Company's overarching objective is to build shareholder value over the long-term. Following a review of our incentive arrangements, for awards made from 2015, the Long-Term Incentive Plan will measure the Company's NAV per share growth over three and four years. This will ensure that Directors are closely aligned to the shareholder experience as our NAV per share growth performance is a key indicator of the performance of the business and is closely related to share price performance.

Targets are positioned at a level which the Committee considers to be stretching but which do not incentivise a change in our risk approach.

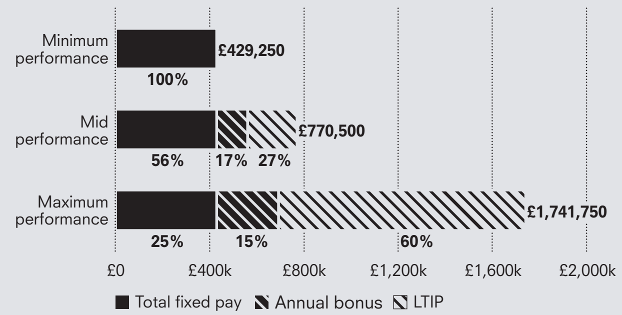
Illustrations of Remuneration Policy

Illustrations of the Remuneration Policy applying from 1st March 2015 are provided below. These reflect the intended operation of the policy for the 2016/17 financial year.

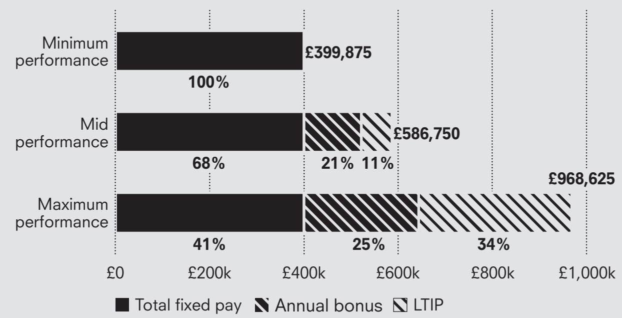
M S Weiner



R Upton



M O Shepherd



The assumptions used for these charts are as follows:

	LEVELS OF PERFORMANCE	ASSUMPTIONS
Fixed pay	All scenarios	Total fixed pay comprises base salary, benefits and pension. Base salary – for the 2016/17 financial year. Benefits – amount received by each Executive Director for the financial year ended 29th February 2016 as per single figure table on page 95. Pension – 17.5 per cent base salary pension contributions.
Variable pay	Minimum performance	No payout under the annual bonus. No vesting under the Long-Term Incentive Plan.
	Mid performance	50 per cent of the maximum payout under the annual bonus. 20 per cent vesting under the Long-Term Incentive Plan.
	Maximum performance	100 per cent of the maximum payout under the annual bonus. 100 per cent vesting under the Long-Term Incentive Plan.

LTIP awards have been shown at face value with no dividend, share price growth or discount rate assumptions. Payments relating to legacy DPP and PSP awards made in respect of previous financial years are also excluded.

Award levels reflect a 300% of salary award for M S Weiner and R Upton and a 100% of salary award for M O Shepherd.

Differences in Remuneration Policy for Executive Directors compared with other employees

As for our Executive Directors, a sizeable proportion of employee pay is dependent on Company, team and individual performance. All employees participate in the annual bonus, with the weighting of individual and corporate measures dependent on an individual's role and their ability to directly influence the Company's results.

Individuals below the Board who are involved in the organisation and management of our development and trading projects may be invited to participate in the DPP as appropriate. While this plan is to be discontinued for Executive Directors with effect from 1st March 2015, it is intended that it will continue to operate below the Board to ensure that individuals at this level are rewarded for profit realisation from development projects.

Policy table for Non-executive Directors

COMPONENT	THE COMPANY'S APPROACH
Chairman fees	Comprises an all-inclusive fee for all Board and Committee responsibilities. Determined by the Remuneration Committee and approved by the Board.
Non-executive Director fees	Comprises a basic fee in respect of their Board duties. Further fees may be paid in respect of additional Board or Committee duties. Recommended by the Chairman and Chief Executive and approved by the Board.

Expenses incurred in the performance of Non-executive Directors' duties may be reimbursed or paid for directly by the Company, including any tax due on those expenses.

No Director plays a role in determining their own remuneration. Fees for all Non-executive Directors are set at a level sufficient to attract and retain individuals with the required skills, experience and knowledge to allow the Board to carry out its duties. The fees set out above are the sole element of Non-executive Director remuneration. They are not eligible for participation in the Company's incentive or pension plans.

The fees are set within the aggregate limits set out in the Company's Articles of Association and approved by shareholders.

Approach to remuneration on recruitment

The Committee will apply the following principles on the recruitment of a new Executive Director:

- Although the Company operates in a highly competitive market for talent, the Committee is mindful of the need to avoid paying more than is necessary on recruitment;
- The package of a new Executive Director would, so far as practical, be aligned with the Policy set out in the table on pages 103 to 113;
- Salaries would reflect the skills and experience of the individual, and may be set at a level to allow future salary progression to reflect performance in the role. For interim positions a cash supplement may be paid rather than salary (for example a Non-executive Director taking on an executive function on a short-term basis);
- It would be expected that the structure and quantum of the variable pay elements would reflect those set out in the policy table on pages 103 to 113. However, at recruitment, the Committee may flex the balance between annual and long-term incentives and the measures used to assess performance; and
- Variable pay on recruitment (excluding buy-outs) would be subject to the maximums in line with the ongoing incentive policy maximums set out in the policy table on pages 103 to 113 being 150 per cent of salary for annual bonus and 300 per cent of salary for the LTIP.

In the event that an individual is internally promoted to the Board (including if an Executive Director is appointed following an acquisition or merger), the Company would normally honour all legacy arrangements in line with their original terms.

Buy-outs

To facilitate recruitment, the Committee may make compensatory payments and/or awards for any remuneration arrangements subject to forfeit on leaving a previous employer. Any buy-out would take into consideration the terms of the arrangement being forfeited and would take into account all relevant factors such as the form, expected value, performance conditions, anticipated vesting and timing of the forfeited remuneration. There is no limit on the value of such awards, but the Committee's intention is that the value awarded would be no more than the commercial value forfeited.

Recruitment of Non-executive Directors

On the appointment of a new Chairman or Non-executive Director, remuneration arrangements will be consistent with the Policy set out in this Report.

Service contracts – Executive Directors

The dates of the current contracts in place for the Executive Directors are as follows:

Executive Director	Date of contract
M S Weiner	17th March 2004
M O Shepherd	8th October 2012
R Upton	19th May 2014

The Executive Directors' service contracts do not specify an expiry date and may be terminated upon twelve months' notice by either the Director or the Company.

In the event of early termination, a payment in lieu of notice may be made which may include salary, pension and benefits.

The Company's policy on termination payments is to consider the circumstances on a case-by-case basis, taking into account the relevant contractual provisions, the circumstances of termination and any applicable duty to mitigate.

An Executive Director may be hired on a contract that has a longer notice period (up to 18 months) during an initial pre-determined period.

Letters of Appointment – Non-executive Directors

The Chairman and Non-executive Directors have letters of appointment rather than service contracts. Details of the dates of appointment are set out below:

Non-executive Director	Date of appointment
D S Jenkins	1st February 2007
S C Bates	15th January 2010
N H Thomlinson	3rd January 2012
B Bennett	19th May 2014
P W Williams	4th January 2016
L G Krige	10th March 2016

The Non-executive Directors' appointments are terminable at the will of the parties but are envisaged to establish an initial term of three years, after which they will be reviewed annually.

The notice periods are currently twelve months in the case of the Chairman and six months for other Non-executive Directors.

The Executive Directors' service contracts and the Non-executive Directors' letters of appointment are available at the Company's registered office from the Company Secretary.

Policy on payment for loss of office

Where an Executive Director leaves employment, the Committee's approach to determining any payment for loss of office will normally be based on the following principles:

- The Committee's objective is to find an outcome which is in the best interests of both the Company and its shareholders while taking into account the specific circumstances of cessation of employment;
- The Company may make a contribution towards an Executive Director's legal fees in connection with advice on the terms of their departure;
- The Committee may make an annual bonus payment for the year of cessation depending on the reason for leaving. Typically, the Committee will take into consideration the period served during the year and the individual and the Company's performance up to cessation. Any such payment is at the discretion of the Committee;
- The treatment of outstanding share awards will be governed by the relevant plan rules as set out in the table below. For the purposes of this table, good leaver reasons include (but are not limited to) cessation due to ill-health, redundancy, retirement, death and any other reason at the discretion of the Committee; and
- If awards are made on recruitment (such as buy-outs) the treatment on leaving would be determined, at that time.

Ongoing plans

PLAN	TREATMENT ON CESSATION OF EMPLOYMENT
Long-Term Incentive Plan	Unvested awards will normally lapse in full unless a participant is a good leaver. If the Committee determines that a participant is a good leaver, it will determine the proportion of the award that vests to the extent that any performance condition is satisfied on the vesting date and it will take into account the time elapsed between the start of the performance period and cessation of employment unless it determines otherwise. The vesting date for such awards will normally be the original vesting date, although the Committee has the flexibility to determine that awards can vest early upon cessation of employment or at a later date. In the event of death, awards vest on cessation. Where options are granted, vested options will typically remain exercisable for twelve months from the date of vesting. In the event of death awards remain exercisable for 24 months. Where an individual leaves during the holding period of an award, the award will usually be released at the normal time, except in the case of death or if the Committee dis-applies the holding period. In the event of an individual's dismissal for misconduct during the holding period, all awards will lapse.
HMRC approved all employee share plans	In line with the HMRC approved plan rules.

LEGACY PLANS	
Development Profit Plan	Awards will normally lapse in full unless a participant is a good leaver. If a participant is treated as a good leaver and ceases employment before the bonus is paid, the Committee may decide that some, or all, of the participant's bonus is paid to him at the same time as they are paid to other participants.
Performance Share Plan	Awards will normally lapse in full unless a participant is a good leaver. If the Committee determines that a participant is a good leaver, it will determine the proportion of the award that vests, normally taking into account the achievement of the relevant performance conditions at the vesting date and the time elapsed between the date of grant and cessation of employment. The vesting date for such awards will normally be the original vesting date, although the Committee has the flexibility to determine that awards can vest upon cessation of employment. Where options are granted, vested options will typically remain exercisable for twelve months from the date of vesting. On death, an award will vest in full on the date of death.

The Committee must satisfy any contractual obligations agreed with the Executive Director. This is dependent on the contractual obligations from 1st March 2015 (i) not being in contradiction with the Policy set out in this Report, or (ii) if so, not having been entered into on a date later than 27th June 2012, in accordance with the relevant legislation.

Consideration of pay and employment conditions elsewhere in the Company

The Committee considers pay and employment conditions elsewhere in the Company when developing policies for Executive Directors. The Committee does not view formal comparison metrics when considering policy. However, the Committee is kept updated and has input into the remuneration decisions for the wider employee population. For example, the Committee will typically review the annual bonuses for all employees.

Consideration of shareholder views

The Committee takes an active interest in shareholder views on remuneration. The Remuneration Policy presented to shareholders has been shaped by dialogue with our shareholders who universally requested that we simplify arrangements and align them more closely with overall Company results. We consulted with many of our major shareholders during 2013, and in 2014 we undertook a significant consultation exercise prior to implementing our new Long-Term Incentive Plan. The proposed structure of our Policy is a result of that process.

Approved by the Board and signed on its behalf by:

N H Thomlinson,
Chairman of the Remuneration Committee
28th April 2016

Directors' Report

The Directors present their report and the audited Consolidated financial statements for the financial year ended 29th February 2016.

This report contains forward-looking statements. These statements are not guarantees of future performance, rather they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors that may cause actual results to differ from any future results or developments, expressed or implied from the forward-looking statements.

Principal activities

The principal activity of the Company is that of a holding company. The principal activities of the Group during the year were property investment and development, investment and trading.

Incorporation

U and I Group PLC is incorporated in Great Britain and registered in England and Wales, registration number 1528784.

Business review and future developments

A review of the Group's operations, the Company's business model, the current state of the business and future prospects, including financial and non-financial key performance indicators and principal risks and uncertainties, is contained within the Strategic Report, and should be read in conjunction with this report. Further details of the financial and non-financial key performance indicators, the principal risks, and the information which comprises the business review as required by Section 417(1) of the Companies Act 2006 may be found in the Strategic Report on pages 1 to 69.

Results and dividends

The profit for the financial year attributable to shareholders amounted to £21,828,000 (28th February 2015: £33,276,000). An interim Ordinary dividend of £2,999,000 representing 2.40 pence per Ordinary share was paid on 27th November 2015 (27th November 2014: £2,995,000 representing 2.40 pence per Ordinary share). The Board recommends a final Ordinary dividend of 3.50 pence per Ordinary share amounting to £4,378,000 payable on 19th August 2016 to shareholders on the register at 22nd July 2016 (20th August 2015: £4,373,000 representing 3.50 pence per Ordinary share). A further supplemental dividend of 8.00 pence per Ordinary share was announced to market on 28th April 2016 amounting to £10,006,000 payable on 17th June 2016 to shareholders on the register at 13th May 2016. Subject to shareholder approval, this makes a total dividend declared of 13.90 pence per Ordinary share for the financial year, the same level as the previous year (2015: 13.90 pence per Ordinary share). Further information on the Company's dividend policy can be found on pages 5 and 6.

Group structure

Details of the Group's subsidiary undertakings are disclosed in note 43 to the Company financial statements on pages 198 to 200.

Operations outside the UK

The Group currently operates or has subsidiaries, associates or joint ventures which are located in The Netherlands, Luxembourg and Ireland.

Share capital

The Company's issued share capital at 29th February 2016 consisted of 124,955,488 Ordinary shares of 50 pence each and 118,792 shares held in treasury which do not have a dividend or voting entitlement. During the period under review the Company allotted 17,277 shares to members of staff in connection with the exercise of options under the Company's Save As You Earn Option Plan. These shares were allotted from the block listing maintained in respect of these options. At the date of this report, 125,074,280 Ordinary shares of 50 pence each have been issued (including 118,792 shares held in treasury) and are fully paid up and are quoted on the London Stock Exchange. The Company's share capital represents a single class of shares, with all shares ranking equally and fully paid. Details of the share capital are set out in note 20 to the Consolidated financial statements on pages 178 and 179.

The rights and obligations attaching to the shares are specified in the Company's Articles of Association, or alternatively may be governed by statute. There are no restrictions on the transfer of shares in the Company other than those specified by law or regulation. There are no restrictions on voting rights other than as specified by the Articles of Association.

Three resolutions relating to share capital will be proposed as Special Business at the forthcoming Annual General Meeting. The full text of the resolutions can be found in the Notice of Annual General Meeting. At a General Meeting of the Company, every member has one vote on a show of hands and, on a poll, one vote for each share held.

The Notice of General Meeting specifies deadlines for exercising voting rights, either by proxy or being present in person, in relation to the resolutions proposed at the General Meeting.

Purchase of the Company's shares

At the Annual General Meeting held on 14th July 2015, members authorised the Company to make market purchases of up to 12,507,121 of its own Ordinary shares of 50 pence each. That authority expires at the forthcoming Annual General Meeting of the Company on 14th July 2016 when a resolution will put to it to renew it so as to allow purchases of up to a maximum of no more than 10% of the Company's issued share capital. No shares in the Company have been purchased by the Company in the period from 14th July 2015 (the date the current authority was granted) to the date of this report. The Company currently holds 118,792 shares in treasury.

Change of control

The Group has entered into significant agreements with its commercial partners, which contain change of control clauses and which may give rise to termination or renegotiation in that event. If enforced, the Company may be deprived of potential future earning capacity from such schemes. The Company is party to a number of committed bank facilities which, upon a change of control, are terminable at the banks' discretion. In addition, under such circumstances, the Company's share option schemes would normally vest or become exercisable subject to the satisfaction of the performance conditions.

Corporate Governance

The Company's statement on corporate governance can be found in the Corporate Governance Report on page 77 of the Annual Report. The Corporate Governance Report forms part of this report and is incorporated into it by cross-reference.

Share option schemes

On 22nd December 2014, a grant was made under the Save As You Earn Option Plan 2005 for a total of 321,275 options over shares at 179.2 pence per share to 57 members of staff. All employees of the Company are eligible to participate in the Save As You Earn Option Plan. Further details of the share option schemes are contained in note 20 to the Consolidated financial statements and in the Remuneration Report on pages 93 to 113.

Directors

The Directors serving during the year and up to the date of signing the Group financial statements were as follows:

D S Jenkins	Chairman
M S Weiner	Chief Executive Officer
R Upton	Deputy Chief Executive Officer
M O Shepherd	Finance Director
M H Marx	Chief Executive Officer from 1st March 2015 to 14th July 2015. Non-executive Director with effect from 15th July 2015 until 29th February 2016)
S C Bates	Independent Non-executive Director
N H Thomlinson	Independent Non-executive Director
B Bennett	Non-executive Director
P W Williams	Independent Non-executive Director (appointed 4th January 2016)
L G Krige	Independent Non-executive Director (appointed 10th March 2016)

Biographical details of the Directors are shown on page 74.

All Directors will retire at the 2016 Annual General Meeting and, being eligible, will offer themselves for re-election, save P W Williams and L G Krige who, having been appointed since the 2015 AGM, will submit themselves for election, and D S Jenkins and S C Bates who will retire from the Board effective 14th July 2016. M H Marx resigned as a Director on 29th February 2016. The Directors are voluntarily offering themselves for re-election as a matter of best practice in accordance with the UK Corporate Governance Code. Following the performance evaluation of the Board, all Directors were judged to have made a significant contribution to the Board's deliberations, reflecting their commitment to the role. The rules that the Company has governing the appointment and replacement of Directors are contained in its Articles of Association.

Conflicts of interest

Under the Companies Act 2006, a Director must avoid a situation where he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The Directors are required to notify the Board as soon as they become aware of any actual or potential conflicts of interest with their duties to the Company or of any material changes in any existing actual or potential conflicts that may have been authorised by the Board. No significant conflicts of interest arose during the year under review.

Directors' service contracts and interests in the Company's shares
The details of Directors' service contracts and the interests in the shares of the Company of the Directors who were in office as at 29th February 2016 are disclosed in the Remuneration Report and Remuneration Policy on pages 93 to 113.

None of the Directors had any material interest in any contract that was significant in relation to the Group's business at any time during the year, other than a service contract, and as disclosed in the Remuneration Report.

Related party transactions
Related party transactions between the Directors and the Company are set out in note 26 on page 183.

Directors' and Officers' liability insurance
Article 153 of the Company's Articles of Association provides, among other things, that, insofar as permitted by law, every Director shall be indemnified by the Company against all costs, charges, expenses, losses or liabilities incurred in the execution and discharge of the Directors' duties, power or office. The Company maintains, at its expense, a Directors' and Officers' liability insurance policy at an adequate level which is reviewed annually. This insurance policy does not provide cover where a Director or Officer is proved to have acted fraudulently or dishonestly.

This third party indemnity insurance was in force during the financial year and also at the date of approval of the financial statements.

Articles of Association
The Articles of Association may be amended by a special resolution of the shareholders.

Annual General Meeting
The Annual General Meeting will be held on 14th July 2016 at 12.00 noon at 7A Howick Place, London SW1P 1DZ.

At the Annual General Meeting, the following resolutions will be proposed:

Ordinary Resolution 1 – Report and Accounts
The Directors will present the financial statements and Reports of the Directors and Auditors for the financial year ended 29th February 2016.

Ordinary Resolution 2 – To approve the Directors' Remuneration Report
In accordance with the directors' remuneration reporting regime as set out in Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), the Company's 2016 Directors' Remuneration Report comprises the Remuneration Committee Chairman's Annual Statement, the Annual Report on Remuneration (the Annual Remuneration Report) and the Directors' Remuneration Policy (the Policy).

The Directors' Remuneration Policy was approved by shareholders at the 2014 Annual General Meeting and took effect from 1st March 2015. The Policy is subject to a shareholder vote at least once every three years and, subject to any proposed changes being required, will next be laid before shareholders for approval at the Annual General Meeting in 2017. The Company is not able to make remuneration or loss of office payments to a current or past Director, unless the payment is consistent with the approved Policy or has been otherwise approved by shareholders.

Resolution 2 seeks shareholder approval for the Annual Remuneration Report. This is set out on pages 93 to 102 of the Annual Report and sets out details on how our Directors were paid in the financial year ended 29th February 2016 and how their pay will be structured in the financial year ending 28th February 2017. The Annual Remuneration Report will be prepared on an annual basis and is subject to an advisory shareholder vote.

Ordinary Resolutions 3 to 9 – Election and re-election of Directors
In line with the provisions of the Company's Articles of Association, Peter Williams and Lynn Krige, who were appointed by the Board since the date of the last Annual General Meeting, will submit themselves for election by shareholders. Details of their appointments are given on page 88.

The Directors seek to maintain the highest standards of corporate governance and, in accordance with the recommendations of the UK Corporate Governance Code, those Directors re-elected at the 2015 Annual General Meeting will voluntarily retire and those wishing to serve again shall submit themselves for re-election by the shareholders at the 2016 Annual General Meeting. The Chairman is satisfied that, following individual formal performance evaluations, the performance of the Directors standing for re-election continues to be effective and demonstrates commitment to the role. The Nomination Committee has considered each of the Non-executive Directors seeking re-election and concluded that their collective background, skills, experience, independence and knowledge of the Company enables the Board and Committees to discharge their respective duties and responsibilities effectively. The workings of the Board and Committees are more particularly detailed in the Corporate Governance Report on pages 77 to 90. Biographical details of all the Directors appear on page 74 of the Annual Report.

Ordinary Resolution 10 – Declaration of final dividend
A final dividend can only be paid after the shareholders at a general meeting have approved it. A final dividend of 3.50 pence per Ordinary share is recommended by the Directors for payment to shareholders who are on the register at the close of business on 22nd July 2016.

Ordinary Resolutions 11 and 12 – Re-appointment and remuneration of auditors
Resolutions 11 and 12 propose the re-appointment of PricewaterhouseCoopers LLP as auditors of the Company and authorise the Directors to set their remuneration.

Special Resolution 13 – Authority to purchase own shares
The Company is seeking authority to purchase up to 10% of the Company's issued Ordinary share capital at, or between, the minimum and maximum prices specified in this Resolution. This power would only be used after careful consideration by the Directors, having taken into account market conditions prevailing at that time, the investment needs of the Company, its opportunity for expansion and its overall financial position. The Directors have no present intention of making any market purchases of the Company's shares, but if they believed such action would be in the best interests of shareholders and would enhance net assets or earnings per share, they would consider exercising their authority. As at 27th April 2016 (being the latest practicable date prior to publication of the Notice of Annual General Meeting), the Company has an unexpired authority to repurchase 12,507,121 Ordinary shares of which 12,507,121 Ordinary shares remain outstanding.

As at 27th April 2016 (being the latest practicable date prior to publication of the Notice of the Annual General Meeting), the total number of options to subscribe for shares in the capital of the Company was 282,106 (approximately 0.23% of the Company's issued share capital and approximately 0.25% of the Company's issued share capital if the full authority proposed by Resolution 13 was used).

Under the Companies Act 2006, the Company is allowed to hold its own shares in treasury following a buyback, instead of cancelling them. Such shares may be re-sold for cash or used for the purpose of employee share schemes, but all rights attaching to them, including voting rights and any right to receive dividends, are suspended whilst they are held in treasury. Accordingly, if the Directors exercise the authority conferred by Resolution 13, the Company will have the option of holding these shares in treasury, rather than cancelling them. The authority sought at the Annual General Meeting will expire at the conclusion of the next Annual General Meeting of the Company or on 1st September 2017 (being the latest date by which the Company must hold an Annual General Meeting in 2017). The Company currently holds 118,792 shares in treasury.

Ordinary Resolution 14 – Allotment of shares
The Directors may only allot Ordinary shares or grant rights over Ordinary shares if authorised to do so by shareholders. The authority granted to the Directors at the Company's previous Annual General Meeting in 2015 to allot shares or grant rights to subscribe for, or convert any securities into shares is due to expire at the conclusion of this year's Annual General Meeting. Accordingly, the Directors will be seeking new authority under Section 551 of the Companies Act 2006 to allot shares (including treasury shares) or grant rights to subscribe for, or to convert any security into shares, which will expire at the conclusion of the next Annual General Meeting of the Company or on 1st September 2017 (being the latest date by which the Company must hold an Annual General Meeting in 2017).

If passed, paragraph (a) of Resolution 14 would give the Directors authority to allot Ordinary shares or grant rights to subscribe for, or convert any security into, Ordinary shares up to an aggregate nominal amount of £20,823,832 representing approximately one third (33.33%) of the Company's issued Ordinary share capital (excluding shares held in treasury) and calculated as at 27th April 2016 (being the last practicable date prior to publication of the Notice of the Annual General Meeting). In accordance with the latest institutional guidelines issued by the Association of British Insurers (ABI), paragraph (b) of Resolution 14, if passed, would give the Directors authority to allot further shares in connection with a fully pre-emptive offer by way of a rights issue to shareholders up to a further aggregate nominal amount of £20,823,832 representing approximately one third (33.33%) of the Company's issued Ordinary share capital (excluding shares held in treasury) and calculated as at 27th April 2016 (being the last practicable date prior to publication of the Notice of the Annual General Meeting). As at 27th April 2016 (being the last practicable date prior to publication of the Notice of the Annual General Meeting), the Company held 118,792 shares in treasury which represent approximately 0.10% of the total Ordinary share capital of the Company in issue (excluding shares held in treasury).

The Directors are currently giving consideration to the possible exercise of this authority. The Directors consider it desirable to have the maximum flexibility permitted by corporate governance guidelines to respond to market developments and to enable allotments to take place to finance business opportunities as they arise. Accordingly, the Directors intend to renew this authority annually.

Special Resolution 15 – Disapplication of pre-emption rights

Under Section 561(1) of the Companies Act 2006, if the Directors wish to allot any shares and other relevant securities, grant rights over shares, or sell treasury shares for cash (other than in connection with an employee share scheme), they must in the first instance offer them to existing shareholders in proportion to their holdings. The Directors seek authority to renew the disapplication of shareholders' pre-emptive rights. The purpose of paragraph (i) of Resolution 15 is to authorise the Directors to allot any shares pursuant to the authority given by paragraph (a) of Resolution 14 for cash either (a) in connection with a pre-emptive offer or rights issue or (b) otherwise up to an aggregate nominal value of £3,126,857 (being equivalent to 5.0% of the total issued Ordinary share capital of the Company as at 27th April 2016 (being the latest practicable date prior to publication of the Notice of the Annual General Meeting)) and which includes the sale on a non pre-emptive basis of any shares held in treasury, in each case without the shares first being offered to existing members in proportion to their existing holdings.

The purpose of paragraph (ii) of Resolution 15 is to authorise the Directors to allot any shares pursuant to the authority given by paragraph (b) of Resolution 14 for cash in connection with a rights issue without the shares first being offered to existing members in proportion to their existing holdings. This is in line with corporate governance guidelines issued by the Pre-emption Group. The Board considers the authority sought to be appropriate in order to allow the Company flexibility to finance business opportunities or to conduct a pre-emptive offer or rights issue without the need to comply with the strict requirements of the statutory pre-emption provisions. The Board intends to adhere to the provisions in the Pre-emption Group's Statement of Principles not to allot shares on a non pre-emptive basis (other than pursuant to a rights issue or pre-emptive offer) in excess of an amount equal to 7.5% of the total issued Ordinary share capital of the Company within a rolling three-year period without prior consultation with shareholders.

Special Resolution 16 – Notice period for general meetings

The Companies (Shareholders' Rights) Regulations 2009 increased the notice period for general meetings of a company to 21 clear days unless shareholders approve a shorter period, which cannot be less than 14 clear days.

At the Annual General Meeting of the Company held on 14th July 2015, shareholders authorised the calling of general meetings, other than an Annual General Meeting, on not less than 14 clear working days' notice. Resolution 16 seeks the approval of shareholders to renew the authority to be able to call general meetings (other than an Annual General Meeting) on 14 clear days' notice. The shorter notice period would not be used as a matter of routine for general meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole. If the proposals at a given meeting are not time sensitive, the Company will not normally use the shorter notice period. The approval will be effective until the Company's next Annual General Meeting, when it is expected that a similar resolution will be proposed. It should also be noted that the changes to the Companies Act 2006 mean that, in order to be able to call a general meeting on less than 21 clear days' notice, the Company must make a means of electronic voting available to all shareholders for that meeting.

Ordinary Resolution 17 – Political donations

Part 14 of the Companies Act 2006, amongst other things, prohibits the Company and its subsidiaries from making political donations or from incurring political expenditure in respect of a political party or other political organisation or an independent election candidate unless authorised by the Company's shareholders. Aggregate donations made by the Group of £5,000 or less in any twelve-month period will not be caught.

Neither the Company nor any of its subsidiaries has any intention of making any political donation or incurring any political expenditure. However, the Companies Act 2006 defines 'political organisation', 'political party', 'political donation' and 'political expenditure' widely. Accordingly, the Company wishes to ensure that neither it nor its subsidiaries inadvertently commits any breaches of the Companies Act 2006 through the undertaking of routine activities, which would not normally be considered to result in the making of political donations and political expenditure being incurred.

The Resolution authorises the Company and its subsidiaries to:

- make political donations to political parties or independent election candidates, not exceeding £10,000 in total;
- make political donations to political organisations, other than political parties, not exceeding £10,000 in total; and
- incur political expenditure, not exceeding £10,000 in total, provided that the aggregate amount of any such donations and expenditure shall not exceed £10,000 during the period beginning with the date of the passing of the Resolution and ending on the date of the Company's next Annual General Meeting.

Financial risk management

Disclosures in respect of financial risk management objectives and exposures are set out in note 18 d) to the Consolidated financial statements on pages 173 to 176.

Financial instruments

Details of the financial instruments used by the Group and the Company are set out in note 18 to the Consolidated financial statements on pages 168 to 176.

Charitable and political donations

Charitable donations during the year were £34,350 (28th February 2015: £46,411). The Group supported a number of charities serving the community in which the Group operates. These included national and local charitable organisations and covered a wide range of causes including education, public services, community support schemes and events organised on behalf of major charities.

Significant shareholdings

Information provided to the Company pursuant to the Financial Conduct Authority's Disclosure and Transparency Rules (DTR 5) is published on a Regulatory Information Service and on the Company's website. As at 27th April 2016 (being the last practicable date prior to publication of the Annual Report), the following information had been received in accordance with DTR 5 from holders of notifiable interests in the Company's issued share capital.

The information provided below was correct at the date of notification; however, the date the notification was received may not be within the current financial year. It should be noted that these holdings are likely to have changed since the Company was notified. Notification of any change is the responsibility of those with the notifiable interest and is not required until the next notifiable threshold has been crossed.

Holder	Shares	Per cent
Aberdeen Asset Management plc	17,449,801	13.96
FIL Limited	14,883,732	12.17
J O Hambro Capital Management Ltd	6,872,663	5.50
F&C Asset Management plc	5,875,946	4.71
Schroders plc	5,876,779	4.70
Ameriprise Financial, Inc.	5,722,553	4.68
Miton Group	5,054,966	4.05
Ennismore Fund Management Ltd	3,790,282	3.03

Human rights

This report does not contain information about any policies of the Group in relation to human rights issues since it is not considered necessary for an understanding of the development, performance or position of the Group's business activity due to the existing regulatory requirements in the UK. The Company does have policies which adhere to internationally proclaimed human rights principles.

In the year to 29th February 2016, the Group is not aware of any incident in which the Group's activities have resulted in an abuse of human rights.

Employees
The Board acknowledges the importance of diversity in all forms and is committed to the principle of equal opportunity in employment. Current and potential employees are offered the same opportunities regardless of gender, race, colour, religion, nationality, ethnic origin, age, sexual orientation, marital status or disability. It is the Group's policy to apply best practice in the employment of disabled people, including, wherever possible, the retraining and retention of staff who become disabled during their employment.

Details of the gender diversity within the Company as at 29th February 2016 can be found in the Sustainability Report on page 55.

Employee engagement
The Group recognises the importance of the involvement of its employees and keeps them regularly informed on matters affecting them through various media, including display of notices in communal areas, memoranda and emails, presentations, meetings and the Company's website.

It is the Directors' belief that employees are instrumental in the continued improvement in the Group's performance and they are committed to encouraging and facilitating the continuing professional development of employees to ensure they are equipped to perform their particular roles. Training and development is provided and available to all employees.

The Company operates a number of share option schemes which seek to incentivise and reward employees for the sustainable creation of shareholder value over the longer term.

Independent auditors
Our auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. The Board, on the advice of the Audit and Risk Committee, recommends their re-appointment, and a resolution that they be re-appointed will be proposed at the forthcoming Annual General Meeting.

Post balance sheet events
Details of events which have occurred since 29th February 2016 and up to the date of this report are disclosed in note 28 to the financial statements on page 185.

Greenhouse gas emissions
The Company has reported greenhouse gas (GHG) emissions in line with the requirements set out in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. The Company's GHG emissions are reported based on an operational control boundary for sources of emissions falling within the Company's Consolidated financial statements. The reporting period for GHG emissions is 1st March 2015 to 29th February 2016, which aligns with the financial reporting year covered by the Directors' Report.

The Company has used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), and Defra GHG Conversion Factors for Company Reporting 2015 for the financial year ending 29th February 2016 to calculate its GHG emissions.

The base year emissions have been recalculated as 2014/15 due to acquisition-led structural changes within U+I that are above the significance threshold, thus necessitating the recalculation.

Greenhouse Gas (GHG) Emissions Scope (tCO_2e)	**Reporting year ended 29th February 2016**	Reporting year ended 28th February 2015
Scope 1[a,b,d]	**422**	353
Scope 2[c,d]	**2,624**	1,832
Total	**3,046**	2,185

a Scope 1 covers emissions from direct combustion of fuel from operation of properties and company owned vehicles.
b Fugitive emissions data from use of air conditioning was not available for this report. In the absence of data it was considered that a reasonable estimation could not be calculated based on the limited information available.
c Scope 2 covers emission from electricity purchased for own use. There were no purchases of heat, steam and cooling for own use in the reporting period.
d Where gas/electricity consumption data was not available to cover all months of the reporting period, an estimation of the emissions has been calculated using an average of gas/electricity consumption from the overall available data for properties within the reporting scope.

An intensity ratio of GHG emissions per square foot of investment property managed and property occupied by the Company is reported.

Intensity Ratio (tCO_2e/sq.ft)	**Reporting year ended 29th February 2016**	Reporting year ended 28th February 2015
GHG emissions per square foot of property occupied	**0.005**	0.010
GHG emissions per square foot of investment property managed	**0.003**	0.002

Disclosure of information to auditors
Each of the persons who is a Director at the date of approval of this report confirms that:

1. So far as he/she is aware, there is no relevant audit information of which the Group's auditors are unaware; and
2. He/she has taken all the steps that he/she ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Approved by the Board of Directors and signed on its behalf by:

Chris Barton,
Company Secretary
28th April 2016

Report on the Group financial statements

Our opinion

In our opinion, U and I Group PLC's Group financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's affairs as at 29th February 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

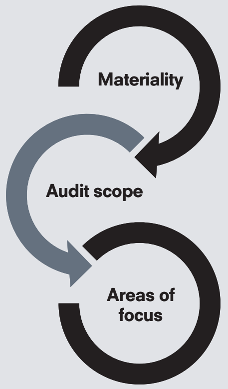
The financial statements, included within the Annual Report, comprise:

- the Consolidated Statement of Comprehensive Income for the year ended 29th February 2016;
- the Consolidated Balance Sheet as at 29th February 2016;
- the Consolidated Statement of Changes in Equity for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

Our audit approach



Overview

- Overall Group materiality: £4.8 million (2015: £4.6 million) which represents 0.75% of total assets
- Specific materiality of £1.8 million (2015: £1.3 million).

- All work in support of the Group audit opinion is performed by the Group audit team.

- Valuation of investment properties
- Valuation of development and trading properties
- Recoverability of financial assets

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Valuation of investment properties The Group's investment properties were valued at £203.3 million as at 29th February 2016 and a revaluation gain of £0.2 million was accounted for under 'Gain on revaluation of property portfolio' in the Consolidated Statement of Comprehensive Income. The portfolio consists of a variety of assets located throughout the UK and Ireland, predominantly retail units and shopping centres. The majority of valuations are carried out by third party valuers in accordance with the RICS Valuation – Professional Standards and IAS 40. A small element of the portfolio (£22.4 million) is valued internally by the Directors. There are significant judgements and estimates inherent in the valuation of the Group's investment properties. Where available, the valuations take into account evidence of market transactions for properties and locations comparable to those of the Group's properties. The most significant judgements and estimates affecting all the valuations include yields and estimated rental value ('ERV') growth (as described in note 10 to the Consolidated financial statements). Yields and ERVs have generally moved favourably, with London and the South East seeing an improvement in the market during the year. The remainder of the UK has witnessed modest growth. The revaluation gain was also impacted by poor performance across two secondary assets located in areas not currently experiencing growth in property values. The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in individual property valuations when aggregated could result in material misstatement, is why we have given specific audit focus and attention to this area. (Refer also to note 10 to the Consolidated financial statements and pages 83 to 86 in the Report of the Audit and Risk Committee.)	The valuers used by the Group are CBRE Limited. They are a well-known and established firm, and have replaced four main valuers used in previous years. We assessed the competence and capabilities of the firm and verified their qualifications. We also assessed their independence by discussing the scope of their work and reviewing the terms of their engagements for unusual terms or fee arrangements. Based on this work, we are satisfied that the firm remains independent and competent and that the scope of their work was appropriate. We tested the data in the investment property valuation for a sample of properties, including rental income, acquisitions and capital expenditure, by agreeing them to the underlying property records held by the Group. The underlying property records were themselves tested back to signed and approved lease contracts or sale/purchase contracts and approved third party invoices as applicable. We met with the external valuers independently of management and obtained the valuation reports for all properties. We read the valuation reports and confirmed that the valuation approach for each was in accordance with RICS Valuation – Professional Standards and IAS 40 and suitable for use in determining the carrying value for the purpose of the financial statements. We involved our internal valuation specialists to compare the valuations of each property to our independently formed market expectations and to discuss and challenge the valuation methodology and assumptions. In doing this we used evidence of comparable market transactions and focussed in particular on properties where the growth in capital values was higher or lower than our expectations based on market indices. We found that yield rates and ERVs were predominantly consistent with comparable information for the location of the assets and assumptions appropriately reflected comparable market information. Where assumptions fell outside of our expected range, we assessed whether additional evidence presented in arriving at the final valuations was appropriate, and, whether this was corroborated by the external independent valuers where appropriate. Variances were predominantly due to property specific factors such as new lettings at higher rents or movements in ERV or yield to reflect market transactions in close proximity. We verified the movements to supporting documentation including evidence of comparable market transactions where appropriate. We challenged the Directors on the movements in the valuations and found that they were able to provide explanations and refer to appropriate supporting evidence.

Area of focus	How our audit addressed the area of focus
Valuation of development and trading properties The Group's development and trading properties were valued at £199.8 million as at 29th February 2016. These properties are held at the lower of cost and net realisable value, in accordance with IAS 2 – Inventory. As qualifying costs are incurred on existing developments, these are added to the asset balance. The portfolio consists of a variety of assets located throughout the UK and Ireland, and while several disposals were recorded during the year, the portfolio includes certain assets acquired prior to the economic downturn of 2008, which could indicate a higher risk that the carrying value is higher than net realisable value. In addition, there are assets subject to significant judgements as a result of contractor and development risk. The UK property market has improved during the year across many sectors and geographic locations, reducing the risk of impairment across the portfolio due to market conditions. However, a change in conditions for specific assets or a relatively small percentage change in the either the property or construction markets could result in a material impact to the financial statements. (Refer also to note 15 to the Consolidated financial statements and pages 83 to 86 in the Report of the Audit and Risk Committee.)	Management performed an assessment of the net realisable value for each individual asset, including producing and reviewing development appraisals. We assessed the competence and capabilities of management and were satisfied that the individuals are sufficiently qualified. We met with management to understand the status and future plans for each asset and challenge key assumptions inherent in the appraisals. We sensitised cost and revenue assumptions on significant developments, and compared assumptions to readily-available market data and recent comparable market transactions. Where applicable due to the advanced stage of the development, we also agreed third party documentation supporting the book value through a review of pre-letting agreements, forward sales, quantity surveyor cost to complete estimates, Board minutes and planning consent forms. Additionally, we performed a look-back test, comparing historic book values of assets to disposal proceeds following their sale. There have been no significant losses made on disposals in recent years, including assets previously subject to write downs, Based on this work we were satisfied with the evidence that development and trading properties were held at the lower of cost and net realisable value.
Recoverability of financial assets The Group holds a number of loans with joint ventures, associates and other third parties that must be assessed for recoverability at each period end. Financial assets, which include loans to joint ventures, associates and other third parties, totalled £39.1 million at 29th February 2016, split between £37.4 million in non-current and £1.7 million within current assets. We focussed on this area as the recoverability of the financial asset is assessed through cash flow models, which can be complex with a number of different inputs and judgement involved. There continues to be risk associated with certain financial assets and in particular the future development of Curzon Park, which is subject to a potential compulsory purchase order as part of the HS2 development. There is also judgement involved as to the recoverability of the working capital and project-specific loans to Northpoint Developments, which rely on a number of property developments being completed over the next five-year period. (Refer also to note 18 to the Consolidated financial statements and pages 83 to 86 in the Report of the Audit and Risk Committee.)	We obtained management's assessment of the recoverability of the loans, which includes cash flow projections over the duration of the loans. These projections are based on underlying property development appraisals. We benchmarked and sensitised management's assumptions and expectations for future disposals, including the comparison of expected sales prices to publicly available market data and the benchmarking of future cost assumptions to current live developments within the portfolio. We tested cash receipts received in relation to these loans during the year through to bank statement. In relation to the loan to Curzon Park, we held discussions with management and obtained correspondence supporting the status of negotiations in relation to the compulsory purchase order. In addition, we obtained the appraisal supporting the profitability of the underlying scheme, corroborating this to publicly available market data and costs incurred to date. We have no issues to report from this testing. Based on this work, we are satisfied that the financial assets are fully recoverable.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is structured across 242 statutory entities and joint ventures in the UK, Republic of Ireland, Jersey, Guernsey, the Netherlands and Luxembourg. These statutory entities and joint ventures represent the reporting units, which are included in the Group financial statements.

The preparation of the Group financial statements is managed on a consolidated basis, and the audit team carries out all the work in support of the Group audit opinion and the consolidation for the purposes of the Group audit. In establishing the overall approach to our audit, we assessed the risk of material misstatement, taking into account the nature, likelihood or potential magnitude of any misstatement. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

This work, all of which was carried out by the Group audit team, together with additional procedures performed on the consolidation, gave us sufficient appropriate audit evidence for our opinion on the Group financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£4.8 million (2015: £4.6 million).
How we determined it	0.75% of total assets.
Specific materiality	£1.8 million (2015: £2.0 million).
Rationale for benchmark applied	The key driver of the business and determinant of the Group's value is direct property investments. Due to this, the key area of focus in the audit is the investment, development and trading properties. On this basis, we set an overall Group materiality level based on total assets. In addition, a number of key performance indicators of the Group are driven by income statement items and we therefore also applied a lower specific materiality for testing certain determinants of profit, excluding the revaluation movements of investment properties, gain on disposal of investment properties and net finance costs.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £0.3 million (2015: £0.2 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern
Under the Listing Rules we are required to review the Directors' statement, set out on page 64, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinion
In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting
Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
– the statement given by the Directors on page 85, in accordance with provision C.1.1 of the UK Corporate Governance Code (the 'Code'), that they consider the Annual Report and Accounts taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.	We have no exceptions to report.
– the section of the Annual Report on pages 83 to 86, as required by provision C.3.8 of the Code, describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

– the Directors' confirmation on page 84 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
– the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
– the Directors' explanation on page 86 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making enquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate Governance Statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 90, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the Company financial statements of U and I Group PLC for the year ended 29th February 2016 and on the information in the Directors' Remuneration Report that is described as having been audited.

Julian Jenkins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28th April 2016

Consolidated Statement of Comprehensive Income

For the year ended 29th February 2016

	Notes	2016 Total £'000	2015 Total £'000
Revenue	2	**242,282**	203,740
Direct costs	2	**(192,430)**	(150,769)
Gross profit	2	**49,852**	52,971
Operating costs	2	**(21,752)**	(17,868)
Gain on disposal of investment properties	2	**440**	3,843
Gain on revaluation of property portfolio	10/11	**229**	7,824
Operating profit	4	**28,769**	46,770
Other income		**673**	175
Exceptional item			
– Acquisition costs associated with business combination		**–**	(2,724)
Share of post-tax profits of joint ventures and associates	14(b)	**7,127**	2,875
Profit on sale of joint venture		**–**	521
Profit/(loss) from sale of investment		**2,174**	(86)
Loss on sale of other plant and equipment		**(87)**	(20)
Profit before interest and income tax		**38,656**	47,511
Finance income	6(a)	**2,483**	7,914
Finance costs	6(b)	**(15,351)**	(12,751)
Exceptional item			
– Termination of cross-currency interest rate swap		**–**	(7,917)
Profit before income tax		**25,788**	34,757
Income tax	7	**(2,453)**	(734)
Profit for the year		**23,335**	34,023
Profit attributable to:			
Owners of the Parent		**21,828**	33,276
Non-controlling interest		**1,507**	747
		23,335	34,023
OTHER COMPREHENSIVE INCOME			
Profit for the year		**23,335**	34,023
Items that may be subsequently reclassified to profit or loss:			
Gain on valuation of cross-currency interest rate swap		**–**	7,647
Currency translation differences		**2,438**	(2,263)
Revaluation of operating property		**129**	–
Fair value adjustment of available-for-sale asset realised		**(142)**	–
Deferred income tax credit/(charge)	7/19	**28**	(2,459)
Total comprehensive income for the year		**25,788**	36,948
Attributable to:			
Owners of the Parent		**24,281**	36,201
Non-controlling interest		**1,507**	747
		25,788	36,948
Basic earnings per share attributable to the Parent*	9	**17.5p**	26.8p
Diluted earnings per share attributable to the Parent*	9	**17.5p**	26.8p

* Adjusted earnings per share from continuing activities is given in note 9.

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

The notes on pages 133 to 185 are an integral part of these Consolidated financial statements.

Consolidated Balance Sheet

As at 29th February 2016

	Notes	2016 £'000	2016 £'000	2015 £'000	2015 £'000
NON-CURRENT ASSETS					
Direct real estate interests					
Investment properties	10	**203,318**		203,336	
Operating property	11	**860**		820	
Trade and other receivables	16(a)	**3,403**		4,238	
			207,581		208,394
Indirect real estate interests					
Investments in associates	14(a)	**4,309**		8,253	
Investments in joint ventures	14(b)	**46,782**		40,544	
Intangible assets – goodwill	12	**2,328**		2,059	
Loans to joint operations and other real estate businesses	18(a)	**37,357**		37,261	
			90,776		88,117
Other non-current assets					
Other plant and equipment	13	**7,017**		2,402	
Derivative financial instruments	18(c)	**315**		–	
Deferred income tax assets	19	**1,230**		1,588	
			8,562		3,990
Total non-current assets			**306,919**		300,501
CURRENT ASSETS					
Inventory – development and trading properties	15	**199,779**		217,474	
Other financial assets	18(a)	**1,700**		1,700	
Trade and other receivables	16(b)	**86,420**		44,834	
Monies held in restricted accounts and deposits		**8,096**		19,380	
Cash and cash equivalents		**43,752**		59,949	
			339,747		343,337
Total assets			**646,666**		643,838
CURRENT LIABILITIES					
Trade and other payables	17(b)	**(55,110)**		(73,897)	
Current income tax liabilities		**(2,508)**		(2,547)	
Borrowings	18(b)	**(65,471)**		(36,020)	
Provisions	17(c)	**(14)**		(250)	
			(123,103)		(112,714)
NON-CURRENT LIABILITIES					
Trade and other payables	17(a)	**(7,134)**		(9,857)	
Borrowings	18(b)	**(147,818)**		(169,012)	
Derivative financial instruments	18(c)	**–**		(21)	
Deferred income tax liabilities	19	**(3,555)**		(3,442)	
Provisions	17(c)	**(1,731)**		(2,412)	
			(160,238)		(184,744)
Total liabilities			**(283,341)**		(297,458)
Net assets			**363,325**		346,380
EQUITY					
Share capital	20	**62,537**		62,529	
Share premium	21	**104,113**		104,094	
Other reserves	21	**51,861**		48,677	
Retained earnings	21	**144,814**		130,358	
Equity attributable to the owners of the Parent			**363,325**		345,658
Non-controlling interest			**–**		722
Total equity			**363,325**		346,380
Basic/diluted net assets per share attributable to the owners of the Parent	9		**291p/290p**		276p/276p

The notes on pages 133 to 185 are an integral part of these Consolidated financial statements.

Approved and authorised for issue by the Board of Directors on 28th April 2016 and signed on its behalf by:

M S Weiner
Director

Consolidated Statement of Changes in Equity

For the year ended 29th February 2016

	Notes	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
As 1st March 2015		61,176	103,961	41,021	114,087	320,245	35	320,280
Profit for the year ended 28th February 2015		–	–	–	33,276	33,276	747	34,023
Other comprehensive income:								
– Gain on valuation of cross-currency interest rate swap		–	–	7,647	–	7,647	–	7,647
– Currency translation differences		–	–	(2,263)	–	(2,263)	–	(2,263)
– Deferred income tax charged directly to equity	7/19	–	–	(2,459)	–	(2,459)	–	(2,459)
Total comprehensive income for the year ended 28th February 2015		–	–	2,925	33,276	36,201	747	36,948
Acquisition of subsidiaries	21	1,288	–	4,725	–	6,013	–	6,013
Issue of Ordinary shares	21	65	133	6	–	204	–	204
Share-based payments	21	–	–	–	(21)	(21)	–	(21)
Final dividend 2014	8	–	–	–	(3,994)	(3,994)	–	(3,994)
Interim dividend 2015	8	–	–	–	(2,995)	(2,995)	–	(2,995)
Supplemental dividend 2015	8	–	–	–	(9,995)	(9,995)	–	(9,995)
Total contributions by and distributions to owners of the Company		1,353	133	4,731	(17,005)	(10,788)	–	(10,788)
Transactions with non-controlling interest		–	–	–	–	–	(60)	(60)
Balance at 28th February 2015		62,529	104,094	48,677	130,358	345,658	722	346,380
Profit for the year ended 29th February 2016		–	–	–	21,828	21,828	1,507	23,335
Other comprehensive income:								
– Revaluation of operating property		–	–	129	–	129	–	129
– Fair value adjustment realised		–	–	(142)	–	(142)	–	(142)
– Currency translation differences		–	–	2,438	–	2,438	–	2,438
– Deferred income tax credited directly to equity	7/19	–	–	28	–	28	–	28
Total comprehensive income for the year ended 29th February 2016		**–**	**–**	**2,453**	**21,828**	**24,281**	**1,507**	**25,788**
Issue of Ordinary shares	21	8	19	–	–	27	–	27
Share-based payments	21	–	–	731	–	731	–	731
Final dividend 2015	8	–	–	–	(4,373)	(4,373)	–	(4,373)
Interim dividend 2016	8	–	–	–	(2,999)	(2,999)	–	(2,999)
Total contributions by and distributions to owners of the Company		8	19	731	(7,372)	(6,614)	–	(6,614)
Transactions with non-controlling interest		–	–	–	–	–	(2,229)	(2,229)
Balance at 29th February 2016		**62,537**	**104,113**	**51,861**	**144,814**	**363,325**	**–**	**363,325**

The notes on pages 133 to 185 are an integral part of these Consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 29th February 2016

	Notes	2016 £'000	2015 £'000
CASH GENERATED FROM OPERATIONS			
Cash flows generated from operating activities	22	**7,995**	80,155
Interest paid		**(11,445)**	(12,558)
Income tax paid		**(2,791)**	(2,376)
Net cash (used in)/generated from operating activities		**(6,241)**	65,221
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**2,822**	657
Proceeds on disposal of other plant and equipment		**38**	15
Proceeds on disposal of investment properties		**11,106**	70,850
Purchase of other plant and equipment		**(5,459)**	(449)
Purchase of investment properties		**(7,094)**	(50,056)
Acquisition of subsidiaries, net of cash and including acquisition costs		**(4,222)**	(12,177)
Cash outflow to joint ventures and associates		**(9,001)**	(17,163)
Cash inflow from joint ventures and associates		**9,603**	1,450
Investment in financial assets		**(3,605)**	(13,512)
Cash inflow from financial assets		**3,152**	1,689
Dividends received		**40**	158
Net cash used in investing activities		**(2,620)**	(18,538)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(17,367)**	(6,989)
Issue of new shares		**27**	204
Repayments of borrowings		**(59,788)**	(101,431)
New bank loans raised (net of transaction costs)		**60,404**	67,327
Equity repayment to non-controlling interest		**(2,229)**	(57)
Decrease in monies held in restricted accounts and deposits		**11,284**	14,412
Net cash used in financing activities		**(7,669)**	(26,534)
Net(decrease)/increase in cash and cash equivalents		**(16,530)**	20,149
Cash and cash equivalents at the beginning of the year		**59,949**	40,051
Exchange gains/(losses) on cash and cash equivalents		**333**	(251)
Cash and cash equivalents at the end of the year		**43,752**	59,949
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash at bank and in hand		**43,752**	59,949
Bank overdrafts	18(b)	**–**	–
Cash and cash equivalents at the end of the year		**43,752**	59,949
NET DEBT COMPRISES:			
Monies held in restricted accounts and deposits		**8,096**	19,380
Cash and cash equivalents		**43,752**	59,949
Financial liabilities:			
– Current borrowings	18(b)	**(65,471)**	(36,020)
– Non-current borrowings	18(b)	**(147,818)**	(169,012)
Net debt		**(161,441)**	(125,703)

The notes on pages 133 to 185 are an integral part of these Consolidated financial statements.

Notes to the Consolidated financial statements

For the year ended 29th February 2016

1 Basis of preparation and accounting policies

a)

(i) General information

The Consolidated financial statements of the Group for the year ended 29th February 2016 comprise the results of U and I Group PLC and its subsidiaries and were authorised by the Board for issue on 28th April 2016.

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 adopts the going concern basis in preparing its Consolidated financial statements as discussed in the Financial Review on pages 56 to 69.

b) Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), interpretations issued by the IFRS Interpretations Committee (IFRS IC) and the Companies Act 2006. The accounting policies which follow set out those policies which were applied consistently in preparing the financial statements for the year ended 29th February 2016 and 28th February 2015.

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

c) Critical accounting judgements and estimates

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

Judgements other than estimates

1.1 Classification of directly owned property assets

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

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

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

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

In most cases the property interest is held directly by the Group and is classified either as investment property (refer note 10) or as inventory for development and trading properties (refer note 15).

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 has demonstrably changed for a period of over one year.

During the year the Group completed the development of a mixed-use scheme at Deptford. The Group has sold the residential element and has retained the commercial units of the scheme. As at 29th February 2016, it is the Group's intention to hold the asset for rental income and capital appreciation. Given the Group's intentions, the asset has been reclassified as an investment asset. A fair value uplift of £549,000 has been recognised on transfer.

1 Basis of preparation and accounting policies continued

c) Critical accounting judgements and estimates continued

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, joint operation or a financial asset, typically focussing on the extent of control exercised by the Group.

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

These investments are reported under the relevant balance sheet headings, with a summary in note 27.

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 Accounting for pre-sold development assets

Where development is undertaken on the Group's Balance Sheet under a contract for a pre-sale, a judgement is required as to whether this represents a sale of property or a contract for construction as described in note 1(h)(vi). As at 29th February 2016 and 28th February 2015 the Group does not have any construction contracts (under IAS 11).

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 asset in the Balance Sheet.

The investment property 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. Details of the judgements and assumptions made are set out in notes 1(i), 1(j), 10 and 11.

The same uncertainties affect the determination of fair value of certain available-for-sale financial instruments, described in note 18, 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 15.

1.6 Impairment reviews

The Group's Curzon Park Limited joint venture owns a development site in Birmingham known as Curzon Street. The current proposal for the High Speed Train Link between London and Birmingham (HS2) indicates that the planned route of HS2 passes through the site, including provision for part of the prospective station. In view of this, the ultimate value of the site is uncertain. It is not clear what impact HS2 will have on the development of the 10.5-acre site. The Directors believe that the site will recover at least its carrying value in the books of the joint venture, although the interim and ultimate uses of the site and timing of its development remain unclear. The site is discussed in note 18(a).

In view of operating losses at Executive Communication Centres (ECC), the Group's serviced office subsidiary, the Group has conducted an impairment review of its investment in the business. The review required significant judgements and estimates concerning future customer demand and competitor behaviour, as well as discount rates. The review determined that no further impairment arose during the year.

1.7 Derivative financial instruments

The Group is party to a number of interest rate swap and foreign currency 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. The estimated fair values and the movements in the year are set out in note 18(c).

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.

d) New accounting standards

The following standards have been adopted by the Group for the first time for the financial year beginning on 1st March 2015. The adoption of these amendments did not have any impact on the financial statements of the Group.

- Annual Improvements to IFRSs – 2010-2012 Cycle and 2011-2013 Cycle
- Defined Benefit Plans: Employee Contributions – Amendments to IAS 19.

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1st March 2015 and have not been applied in preparing these Consolidated financial statements. None of these are expected to have a significant impact on the Group's operations.

- IFRS 9, 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces parts of IAS 39. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition and will depend on characteristics of the instrument. For financial liabilities, the main change from IAS 39 is where the fair value option is taken for financial liabilities, the part of the fair value change due to an entity's own credit risk is recorded in Other comprehensive income rather than the Income Statement, unless it creates an accounting mismatch. The Group is yet to assess the full impact of IFRS 9.
- IFRS 15, 'Revenue from Contracts with Customers', deals with revenue recognition and sets out principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard replaces IAS 18, 'Revenue' and IAS 11 'Construction Contracts'. The standard is effective for the accounting period commencing 1st March 2018, subject to EU adoption.
- IFRS 16, 'Leases' was issued on 13th January 2016 and will become mandatory for accounting periods beginning on or after 1st January 2019, with early adoption permitted. IFRS 16 will replace the current guidance under IAS 17. The main feature of IFRS 16 is that lessees will have to recognise a lease liability reflecting future lease payments and a 'right of use asset' for almost all lease contracts, whereas at present a distinction is drawn between finance leases and operating leases depending on whether substantially all the risk and reward of ownership have been transferred to the lessee. The Group is yet to assess the full impact of IFRS 16, and intend to adopt the new standard no later than the accounting period beginning 1st March 2019.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Summary of significant accounting policies

e) Basis of consolidation

The Consolidated financial statements of the Group include the financial statements of U and I Group PLC (the Company), its subsidiaries and share of results of joint ventures and associates.

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group has control when it has rights to variable returns from its involvement in the entity and has the ability to affect those returns through its power over the entity. The Group is deemed to have control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de facto control, taking account of how the entity operates in practice.

The results of subsidiaries acquired during the year are included from the effective date of acquisition, being the date on which the Group obtains control. They are deconsolidated on the date that control ceases.

1 Basis of preparation and accounting policies continued

e) Basis of consolidation continued

Where property is acquired, via corporate acquisition or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. The basis of the judgement is set out in note 1(c), 1.3.

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred taxation arises. Otherwise, acquisitions are accounted for as business combinations.

Business combinations are accounted for under the acquisition method. Any excess of the purchase price of the business combination over the fair value of the identifiable assets and liabilities acquired is recognised as goodwill. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from re-measurement are recognised in profit or loss.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. This fair value includes any contingent consideration at the acquisition date. Any subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income.

Acquisition-related costs are expensed as incurred.

The Group recognises any non-controlling interest on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the identifiable net assets acquired.

Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the Consolidated financial statements. Where necessary, adjustments have been made to the financial statements of subsidiaries, associates and joint ventures to bring the accounting policies used and accounting periods into line with those of the Group.

f) Associates and joint ventures

An associated company is defined as an undertaking other than a subsidiary or joint venture over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted using the equity method of accounting. The Group's investment in associates includes goodwill identified on acquisition.

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed all of its joint arrangements and determined them to be joint ventures, accounted for using the equity method.

Under the equity method, the interest in associates or joint ventures is carried in the Consolidated Balance Sheet at cost adjusted thereafter for the Group's share of post-acquisition profits or losses and movements in Other comprehensive income. When the Group's share of losses in an associate or joint venture equals or exceeds the Group's interest, including any unsecured receivables, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate or joint venture.

g) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in Intangible assets. Goodwill is tested annually, or more frequently if circumstances change, for impairment and carried at cost less accumulated impairment losses. Any impairment is recognised immediately as an expense and is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those CGUs that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

(ii) Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Prior impairment of non-financial assets, other than goodwill, are reviewed for possible reversal at each reporting date.

h) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of the revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when the specific criteria have been met for each of the Group's activities as described below.

(i) Rental income is recognised on a straight-line basis over the term of the lease. Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if payments are not made on such a basis. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at inception of the lease, the Directors are reasonably certain that the tenant will exercise that option. Lease incentives are usually in the form of rent-free periods or capital contributions. Assets held within both the investment and development and trading segments earn rental income.

(ii) Lease surrender payments from tenants are recognised in income when they are contractually agreed.

(iii) Sales of property classified as Inventory are recognised when the risks and rewards of ownership have been transferred to the purchaser, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all of the significant conditions are satisfied.

(iv) Licence fee income from serviced offices is recognised on a straight-line basis over the term of the licence. Other income from serviced offices is recognised when the service is provided. The income is classified within the operating segment.

(v) Project management fee income is recognised on a straight-line basis over the contract term for which project management services are provided.

(vi) Development revenue and profits are recognised in accordance with IAS 11, 'Construction Contracts' or IAS 18, 'Revenue' depending on whether all development risks, apart from the construction risk, have passed to the purchaser under the terms of the development agreement. Where only the construction risk remains, the revenue and profit on the development is recognised under IAS 11 so as to match the proportion of development work completed on a percentage completion basis as determined by consultant monitoring surveyors or using a suitable method particular to the contract concerned. Profits are only recognised where the outcome can be determined with reasonable certainty. Full provision is made for losses as soon as such losses are foreseen. Where revenue and profit is recognised under IAS 18, disposals are recognised where the risks and rewards of ownership are considered to have been transferred to the purchaser. Profits are recognised within the development and trading segment.

(vii) Finance income is recognised by reference to the principal outstanding using the effective interest method and is included in Finance income in the income statement.

(viii) Dividend income from investments is recognised when the Group's right to receive income has been established.

1 Basis of preparation and accounting policies continued

i) Investment properties

(i) Investment properties are those properties, including land holdings, that are held for long-term rental yields or for capital appreciation or both. Investment properties may be freehold or leasehold properties and must not be occupied by members of the Group. For leasehold properties that are classified as investment properties, the associated leasehold obligations are accounted for as finance lease obligations if they qualify to be treated as such.

(ii) Investment properties are measured initially at cost, including directly attributable transaction costs, and thereafter are stated at fair value. Surpluses and deficits arising from changes in the fair value of investment properties are recognised in the income statement in the year in which they arise.

(iii) Completed investment properties are valued, at each reporting date, by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value have been used, which are based upon assumptions including future rental income, anticipated maintenance costs and appropriate discount rate, and make reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs.

(iv) Investment properties under construction are valued by the Directors on the basis of the expected value of the property when complete, less deductions for the costs required to complete the project and appropriate adjustments for risk and finance costs. In preparing these valuations, the Directors consult with agents and other advisors to derive appropriate assumptions specific to each asset.

(v) Gains or losses on disposal of investment properties are calculated by reference to carrying value and recognised when the risks and rewards of ownership are considered to have passed to the purchaser, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all of the significant conditions are satisfied. Gains and losses are recognised within Gains or losses on disposal of investment properties in the income statement.

(vi) Investment properties held for sale are held at fair value and classified separately within current assets in the Balance Sheet. They are stated at the lower of carrying amount and fair value less costs to sell.

j) Property, plant and equipment

(i) Operating properties – serviced offices

Operating properties are held for business purposes rather than for investment, generating revenue by way of licence fees and ancillary services. These properties are recognised initially at cost, which includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Thereafter, the asset is carried at valuation less depreciation and impairment charged subsequent to the date of revaluation. A revaluation surplus is credited to Other comprehensive income and accumulated in equity under the heading of Property revaluation reserve, unless it reverses a revaluation decrease on the same asset previously recognised as an expense, where it is first credited to the income statement to that extent.

Operating properties are valued at each reporting date by independent, professional valuers on the basis of Existing Use Value. Surpluses and deficits in the period are included in the Property revaluation reserve within equity, except where carrying value is below depreciated cost, in which case surpluses and deficits are included in the income statement. Depreciation is provided so as to write off the value of the properties, excluding land, over their expected useful lives, usually 25 years.

(ii) Other plant and equipment

Other plant and equipment is stated at cost less accumulated depreciation and any provision for impairment. Cost includes expenditure that is directly attributable to the acquisition of the assets. Depreciation is provided so as to write off the cost less estimated residual value of the assets over their expected useful lives on a straight-line method. The principal annual rates used for this purpose are as follows:

Fixtures, fittings and computer equipment	– 10% to 33%
Motor vehicles	– 20%

The assets' residual values and useful lives are reviewed and adjusted if appropriate at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the net proceeds with the carrying amount and are recognised within Other gains and losses in the income statement.

k) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rents payable under operating leases, net of any incentives received from the lessor, are charged to the income statement on a straight-line basis over the term of the lease.

l) Inventory – development and trading properties

Property and development interests acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, are held as inventory and are measured at the lower of cost and estimated net realisable value.

Cost includes directly attributable expenditure and interest. No element of overhead is included in cost, since it is not practical to identify overhead amounts in respect of particular assets. Where the Directors consider that the costs are not recoverable from the sale or development of the asset, the project or site is written down to its net realisable value, with the write down taken to the income statement.

Net realisable value is calculated as the estimated selling price of the project or site, based upon the current plans, less all further costs to be incurred in making the sale.

m) Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in Other comprehensive income or directly in equity. In this case, the tax is also recognised in Other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date, together with any adjustment in respect of previous years, in the jurisdiction where the Company and its subsidiaries operate and generate taxable income. Appropriate provisions are made based on the amounts expected to be paid to the tax authorities.

Deferred income tax is recognised using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date, with the following exceptions:

- Where the temporary differences arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, joint ventures and associates where the timing of the reversal of the temporary difference can be controlled by the Parent, venture partner or investor respectively, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

1 Basis of preparation and accounting policies continued

n) Financial assets and financial liabilities

Financial assets and financial liabilities are recognised on the Group's Balance Sheet when the Group becomes a party to the contractual terms of the instrument.

(i) Financial assets

The Group determines the classification of its financial assets at initial recognition. The classification depends on the purpose for which the financial assets were acquired as follows:

– Loans and other receivables with fixed or determinable payments that are not quoted on an active market. The Group's loans and receivables are included within Trade and other receivables, Cash and cash equivalents, Monies held in restricted accounts and deposits and Other financial assets in the Consolidated Balance Sheet.
– Financial assets at fair value through profit or loss. This represents interest and currency swaps which are categorised as held for trading unless they are designated as hedges.
– Available-for-sale financial assets are non-derivatives that are designated as such or are not classified in any other category. After initial recognition at cost, available-for-sale assets are measured at fair value, with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement. Equity instrument financial assets are held at cost in the event that the fair value of the instruments is not reliably measurable.

Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote. Subsequent recoveries of amounts previously written off are credited against the appropriate cost line in the income statement.

Loans and receivables include bank loans acquired which are secured against underlying investment or development assets. The loans acquired are recognised and carried at the lower of cost or recoverable amount. Amounts receivable are reviewed for impairment and a provision is made where there is evidence that the Group will not be able to recover the loan in full. Any gains or losses are recognised in a separate component within the income statement.

Amounts due from customers for contract work are included in Trade and other receivables and represent revenue recognised in excess of payments on account received.

Monies held in restricted accounts and deposits represent cash held by the Group in accounts with conditions that restrict the use of these monies by the Group and, as such, does not meet the definition of Cash and cash equivalents as defined in IAS 7, 'Statement of Cash Flows'.

Cash and cash equivalents comprise deposits held at call with banks and other short-term highly liquid investments with no significant risk of changes in value. Bank overdrafts that are repayable on demand and which form an integral part of the Group's cash management are included as a financial liability. For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents are stated net of outstanding bank overdrafts.

Financial assets are included within current assets except for assets maturing after one year, which will be classified as non-current.

Financial assets are assessed for impairment at each reporting date. Assets are impaired where there is evidence that as a result of events that occurred after initial recognition, the estimated future cash flows from the assets have been adversely affected. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If, in a subsequent period, the amount of the impairment decreases, the reversal of the previously recognised impairment is recognised in the income statement.

(ii) Financial liabilities

Loans and borrowings are initially recognised at fair value, net of directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in Finance income and Finance costs.

Other financial liabilities, including trade and other payables, are initially recognised at fair value and subsequently at amortised cost and are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Amounts due to customers for contract work is included within Trade and other payables and represents payments received in advance from customers.

(iii) Derivatives

The Group enters into derivative financial instruments, including interest rate swaps, caps and collars and cross-currency swaps, to manage its exposure to interest rate and foreign exchange rate risk.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated as an effective hedging instrument, in which case the fair value is taken through Other comprehensive income.

(iv) Hedging

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than twelve months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than twelve months.

At the inception of the hedge relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instruments that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items. The gain or loss of the effective portion of changes in the fair value of the hedging instrument is recognised in Other comprehensive income. The gain or loss relating to an ineffective portion is recognised immediately in the income statement. Amounts taken to equity are recycled to the income statement in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship or the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

The Group does not have any hedging instruments as at 29th February 2016.

o) Borrowing costs

Gross borrowing costs relating to direct expenditure on investment properties and inventories under development are capitalised. The interest capitalised is calculated using the rate of interest on the loan to fund the expenditure, or the Group's weighted average cost of borrowings where appropriate, over the period from commencement of the development work until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted.

Capitalised interest is written off to direct costs on disposal of inventory or to operating profit on disposal of investment properties.

Other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Fees paid on establishment of loan facilities are capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

p) Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Onerous lease provisions are created for properties that are unoccupied, sub-let at below the rent payable on the head lease or for operating sites where the projected future trading revenue is insufficient to cover the value in use.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation. The amortisation in the discount is recognised as an interest expense.

1 Basis of preparation and accounting policies continued

q) Employee benefits

(i) Pensions

The Group operates a defined contribution scheme whereby the Group pays fixed contributions into a pension fund. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees relating to employee service in the current or prior periods. The charge to the income statement in the year represents the actual amount payable to the scheme in the year. Differences between contributions payable in the year and contributions paid are shown as either accruals or prepayments in the Balance Sheet.

(ii) Profit-sharing and bonus plans

The Group recognises a liability and expense for bonus and profit-sharing in accordance with the bonus plans outlined in the Remuneration Report on pages 91 to 113. The Group recognises a liability when contractually obliged.

r) Foreign currencies

The Consolidated financial statements of the Group are presented in UK Sterling, the Company's functional and presentation currency. Transactions denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the dates of the transactions or valuation when items are re-measured.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Exchange movements are dealt with in the income statement, with exchange differences on borrowings taken to Finance income or Finance costs, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

s) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

t) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new Ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where a Group company purchases its own share capital out of distributable reserves, the shares can be held as Treasury shares. The shares are carried at the consideration paid including any directly attributable costs of acquiring the shares. The value of the shares is deducted from the equity attributable to the Company's equity holders until the shares are cancelled or re-issued. If the shares are subsequently re-issued, their value is reattributed to the Company's equity holders.

u) Share-based payments

The Group operates a number of share-based compensation plans, both equity and cash settled, under which the entity receives services from employees as consideration for cash or equity-settled instruments of the Group.

The fair value of the employee services received in exchange for the grant of the option is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted.

Long-Term Incentive Plan (LTIP)

The LTIP commenced on 1st March 2015 and replaced the Performance Share Plan (PSP).

Under the scheme, Ordinary shares are conditionally awarded based on the performance of the Group over a four-year period for Executive Directors and three years for staff. The performance of the Group is referenced to the net asset value per share growth over the vesting period and is based on non-market conditions. The Directors assess the likelihood of the award vesting and the maximum amount that will vest based on forward looking forecast of the Group.

Ordinary shares conditionally awarded under the PSP are valued at their fair value on the date of the award, using an Equal Probability Model, which takes into account the probability of the Ordinary shares vesting based on an equal probability of achieving appropriate total shareholder return ranking as determined under the performance condition.

The Group has used a Black-Scholes option valuation model to determine the fair value of share options granted. An Equal Probability Model has been used to determine the fair value of share awards under the PSP. The cost of cash-settled transactions with employees and Directors is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of cash-settled share-based instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in accruals.

v) Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

w) Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

x) Definitions

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

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

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

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

Adjusted gearing: expressed as a percentage, is calculated by deducting from net debt the current fair value of the subordinated loan notes and adding back relevant restricted cash balances and transaction costs.

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

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

2 Segmental analysis

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

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

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

These divisions are the basis on which the Group reports its primary segmental information. All operations occur and all assets are located in the United Kingdom, except assets of £38,871,000 (2015: £44,396,000) which are located in the Republic of Ireland. All revenue arises from continuing operations.

2016	Investment £'000	Development and trading £'000	Operating £'000	Total £'000
Segment revenue	14,397	223,652	4,233	242,282
Direct costs	(2,365)	(184,701)	(5,364)	(192,430)
Segment result	12,032	38,951	(1,131)	49,852
Operating costs	(3,617)	(18,135)	–	(21,752)
Gain on disposal of investment properties	440	–	–	440
Gain on revaluation of property portfolio	229	–	–	229
Operating profit/(loss)	9,084	20,816	(1,131)	28,769
Other income	483	190	–	673
Share of post-tax profits/(losses) of joint ventures and associates	7,445	(318)	–	7,127
Profit on sale of investment	–	2,174	–	2,174
Unallocated loss on sale of other plant and equipment				(87)
Profit before interest and income tax				38,656
Finance income	813	1,670	–	2,483
Finance costs	(6,280)	(9,071)	–	(15,351)
Profit before income tax				25,788
Income tax				(2,453)
Profit for the year				23,335
ASSETS AND LIABILITIES				
Segment assets	243,191	356,196	4,394	603,781
Unallocated assets				42,885
Total assets				646,666
Segment liabilities	(105,500)	(160,108)	(3,353)	(268,961)
Unallocated liabilities				(14,380)
Total liabilities				(283,341)

A summary of unallocated assets and liabilities is shown on page 147.

2016	Investment £'000	Development and trading £'000	Operating £'000	Total £'000
OTHER SEGMENT INFORMATION				
Capital expenditure	6,819	532	160	7,511
Unallocated capital expenditure				5,032
Impairment of assets	–	(1,837)	–	(1,837)
Depreciation	–	(337)	(465)	(802)
Unallocated depreciation				(242)
REVENUE				
Rental income	14,242	4,649	–	18,891
Serviced office income	–	–	4,233	4,233
Project management fees	–	915	–	915
Trading property sales	–	87,818	–	87,818
Other trading property income	–	2,681	–	2,681
Development proceeds	–	127,589	–	127,589
Other	155	–	–	155
	14,397	223,652	4,233	242,282

In the year ended 29th February 2016, four projects with turnover totalling £134,797,000 generated in excess of 10.0% of total revenue and fell within the development and trading segment.

2 Segmental analysis continued

2015	Investment £'000	Development and trading £'000	Operating £'000	Total £'000
Segment revenue	12,891	186,523	4,326	203,740
Direct costs	(2,721)	(142,762)	(5,286)	(150,769)
Segment result	10,170	43,761	(960)	52,971
Operating costs	(7,770)	(10,098)	–	(17,868)
Gain on disposal of investment properties	3,843	–	–	3,843
Gain on revaluation of property portfolio	7,619	–	205	7,824
Operating profit/(loss)	13,862	33,663	(755)	46,770
Other income	46	129	–	175
Exceptional item				
– unallocated acquisition costs associated with business combination				(2,724)
Share of post-tax profits/(losses) of joint ventures and associates	3,602	(727)	–	2,875
Profit on sale of joint venture	–	521	–	521
Loss on sale of investment	–	(86)	–	(86)
Unallocated loss on sale of other plant and equipment				(20)
Profit before interest and income tax				47,511
Finance income	3,043	4,871	–	7,914
Finance costs	(7,105)	(5,646)	–	(12,751)
Exceptional item				
– unallocated termination of cross-currency interest rate swap				(7,917)
Profit before income tax				34,757
Income tax				(734)
Profit for the year				34,023
ASSETS AND LIABILITIES				
Segment assets	230,513	351,103	4,384	586,000
Unallocated assets				57,838
Total assets				643,838
Segment liabilities	(125,106)	(144,535)	(3,298)	(272,939)
Unallocated liabilities				(24,519)
Total liabilities				(297,458)

2015	Investment £'000	Development and trading £'000	Operating £'000	Total £'000
OTHER SEGMENT INFORMATION				
Capital expenditure	49,317	269	103	49,689
Unallocated capital expenditure				78
Impairment of assets	–	(1,194)	–	(1,194)
Depreciation	–	(179)	(443)	(622)
Unallocated depreciation				(253)
REVENUE				
Rental income	12,721	4,827	–	17,548
Serviced office income	–	–	4,326	4,326
Project management fees	–	1,194	–	1,194
Trading property sales	–	87,484	–	87,484
Other trading property income	–	2,953	–	2,953
Development proceeds	–	90,065	–	90,065
Other	170	–	–	170
	12,891	186,523	4,326	203,740

In the year ended 28th February 2015, three projects with turnover totalling £77,804,000 generated in excess of 10.0% of total revenue and fell within the development and trading segment.

	2016 £'000	2015 £'000
UNALLOCATED ASSETS CAN BE ANALYSED AS FOLLOWS:		
Other plant and equipment	**4,924**	206
Deferred income tax asset	**1,230**	1,588
Derivative financial instruments	**315**	–
Trade and other receivables	**4,169**	10,507
Cash and cash equivalents	**32,247**	45,537
	42,885	57,838
UNALLOCATED LIABILITIES CAN BE ANALYSED AS FOLLOWS:		
Current borrowings	**(17)**	(17)
Trade and other payables	**(10,808)**	(11,044)
Deferred income tax liability	**(3,555)**	(3,442)
Derivative financial instruments	–	(21)
Special dividend 2015	–	(9,995)
	(14,380)	(24,519)

3 Construction contract revenue

There were no construction contracts as at 29th February 2016 or 28th February 2015.

4 Operating profit

	2016 £'000	2015 £'000
OPERATING PROFIT IS STATED AFTER CHARGING/(CREDITING):		
Share-based payments charge/(credit)	**731**	(89)
Goodwill realised on disposal of development asset	**–**	238
Corporate rebranding costs	**846**	–
Write-down of development and trading properties to net realisable value	**1,837**	1,194
Depreciation: – Operating property	**60**	65
– Other plant and equipment	**984**	810
Impairment of trade receivables recognised in direct costs	**46**	433
AUDITORS' REMUNERATION		
Fees payable to the Company's auditors and their associates for the audit of Company and Group financial statements	**217**	217
Fees payable to the Company's auditors and their associates for other services:		
– The audit of the Company's subsidiaries	**331**	373
– Non-recurring fees in respect of conversion to FRS 102	**108**	–
– Half year review procedures	**43**	43
– Tax services	**20**	228
– All other services	**30**	142
	749	1,003

5 Employees

Employee benefit expense	2016 £'000	2015 £'000
Wages and salaries	**10,405**	9,888
Social security costs	**1,306**	1,253
Cost of employee share option schemes	**731**	(89)
Other pension costs – defined contribution plans	**1,061**	874
	13,503	11,926

Average monthly number of employees, including Directors, employed	2016 Number	2015 Number
Property development and investment	**82**	77
Operating property activities	**41**	35
	123	112

The Directors are considered to be the only key management personnel. Their remuneration is shown in the Remuneration Report on pages 91 to 113.

6 Finance income and costs

a) Finance income

	2016 £'000	2015 £'000
Interest receivable on loans and deposits	**2,147**	2,771
Other finance income	**–**	66
Fair value gains on financial instruments – interest rate swaps, caps and collars	**336**	429
Net foreign currency differences arising on retranslation of cash and cash equivalents	**–**	4,648
Total finance income	**2,483**	7,914

b) Finance costs

	2016 £'000	2015 £'000
Interest on bank loans and other borrowings	**(11,923)**	(10,779)
Interest on debenture	**(1,833)**	(2,200)
Amortisation of transaction costs	**(1,109)**	(1,413)
Provision: unwinding of discount	**(243)**	(94)
Net foreign currency differences arising on retranslation of cash and cash equivalents	**(3,180)**	–
	(18,288)	(14,486)
Capitalised interest on development and trading properties	**2,937**	1,735
Total finance costs	**(15,351)**	(12,751)
Net finance costs	**(12,868)**	(4,837)
Net finance costs before foreign currency differences	**(9,688)**	(9,485)

Interest was capitalised at an average rate of 4.52%. Capitalised interest of £2,858,000 (2015: £1,359,000) was written off in the year. The tax treatment of capitalised interest follows the accounting treatment.

7 Taxation

	2016 £'000	2015 £'000
Current tax	**2,760**	4,562
Adjustment in respect of prior years	**(7)**	(453)
Total current tax charge	**2,753**	4,109
Deferred tax credit	**(300)**	(3,375)
Income tax charge	**2,453**	734

	2016 £'000	2015 £'000
Tax on items (credited)/charged to equity:		
Deferred tax (credit)/charge on other revaluations	**(28)**	2,459
Total (credit)/charge in the income statement	**(28)**	2,459

7 Taxation continued

Tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2016 £'000	2015 £'000
Profit before tax	**25,788**	34,757
Tax on profit on ordinary activities at 20.1% (28th February 2015: 21.2%)	**5,180**	7,358
Tax effects of:		
Amounts not deductible for tax purposes	**56**	195
Differences between accounting and tax profit on disposal	**794**	(939)
Non-taxable capital gains	**(2,500)**	(2,281)
Adjustment in respect of prior years	**28**	(3,163)
Impact on change in UK tax rate	**1**	40
Income tax at lower rates	**45**	10
Recognition of tax losses	**36**	(424)
Brought forward losses utilised	**(1,187)**	(62)
Total tax charge	**2,453**	734

The UK corporation tax rate decreased on 1st April 2015 from 21.0% to 20.0%. Deferred income tax is calculated on the temporary differences under the liability method using a tax rate of 20.0% (2015: 20.0%).

8 Dividends

	2016 £'000	2015 £'000
DECLARED AND PAID DURING THE YEAR		
Equity dividends on Ordinary shares:		
Final dividend for 2015: 3.50 pence per share (2014: 3.20 pence per share)	**4,373**	3,994
Interim dividend for 2016: 2.40 pence per share (2015: 2.40 pence per share)	**2,999**	2,995
Supplemental dividend for 2016: nil pence per share (2015: 8.00 pence per share)	**–**	9,995
	7,372	16,984
DIVIDEND DECLARED BUT NOT PAID SINCE 29TH FEBRUARY 2016		
Supplemental dividend for 2016: 8.00 pence per share (2015: nil pence per share)	**10,006**	–
PROPOSED FOR APPROVAL BY SHAREHOLDERS AT THE ANNUAL GENERAL MEETING		
Final dividend for 2016: 3.50 pence per share (2015: 3.50 pence per share)	**4,378**	4,373

On 27th April 2016, the Board approved the payment of a supplemental dividend of 8.00 pence per share which will be paid on 17th June 2016 to Ordinary shareholders on the register at the close of business on 13th May 2016 and will be recognised in the year ending 28th February 2017.

Subject to approval by shareholders, the final dividend was approved by the Board on 27th April 2016 and has not been included as a liability or deducted from retained earnings as at 29th February 2016. The final dividend is payable on 19th August 2016 to Ordinary shareholders on the register at the close of business on 22nd July 2016 and will be recognised in the year ending 28th February 2017.

9 Earnings per share and net assets per share

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

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

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

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

Management has chosen to disclose the European Public Real Estate (EPRA) adjusted net assets per share and earnings per share from continuing activities in order to provide an indication of the Group's underlying business performance and to assist comparison between European property companies.

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

EPRA net assets (EPRA NAV) are the Balance Sheet net assets excluding mark-to-market adjustment on effective cash flow hedges and related debt adjustments and deferred taxation on revaluations and diluting for the effect of those shares potentially issuable under employee share schemes.

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

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

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

	2016 £'000	2015 £'000
PROFIT		
Profit for the purpose of basic and diluted earnings per share	**21,828**	33,276
Revaluation surplus (including share of joint venture revaluation surplus)	**(1,697)**	(11,200)
Gain on disposal of investment properties	**(440)**	(3,843)
Impairment of development and trading properties	**1,837**	1,194
Mark-to-market adjustment on interest rate swaps (including share of joint venture mark-to-market adjustment)	**(216)**	7,548
Acquisition costs in relation to business combination	**–**	2,724
EPRA adjusted profit from continuing activities attributable to owners of the Company	**21,312**	29,699

9 Earnings per share and net assets per share continued

	2016 '000	2015 '000
NUMBER OF SHARES		
Weighted average number of Ordinary shares for the purpose of earnings per share	**124,953**	124,271
Effect of dilutive potential Ordinary shares:		
Share options	**84**	51
Weighted average number of Ordinary shares for the purpose of diluted earnings per share	**125,037**	124,322
Basic earnings per share (pence)	**17.5p**	26.8p
Diluted earnings per share (pence)	**17.5p**	26.8p
EPRA adjusted earnings per share (pence)	**17.1p**	23.9p
EPRA adjusted diluted earnings per share (pence)	**17.1p**	23.9p

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

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

	Net assets £'000 (2016)	No. of shares '000 (2016)	2016 Net assets per share Pence	Net assets £'000 (2015)	No. of shares '000 (2015)	2015 Net assets per share Pence
Basic net assets per share attributable to the owners	**363,325**	**125,074**	**291**	345,658	125,057	276
Cumulative mark-to-market adjustment on interest rate swaps	**148**			(68)		
EPRA adjusted net assets per share	**363,473**	**125,074**	**291**	345,590	125,057	276
Cumulative mark-to-market adjustment on interest rate swaps	**(148)**			68		
Fair value of debt	**(14,713)**			(14,714)		
EPRA adjusted triple net assets per share	**348,612**	**125,074**	**279**	330,944	125,057	265
Effect of dilutive potential Ordinary shares	**563**	**303**		300	336	
Diluted net assets per share	**363,888**	**125,377**	**290**	345,958	125,393	276
EPRA diluted net assets per share	**364,036**	**125,377**	**290**	345,890	125,393	276
EPRA diluted triple net assets per share*	**349,175**	**125,377**	**279**	331,244	125,393	264

* In calculating EPRA triple net assets per share the Directors have not included an estimate of the fair value of the development and trading portfolio, however, with effect from 28th February 2017 the Group will be issuing an EPRA NAV to include an external valuation of properties held at cost.

10 Investment properties

	Freehold £'000	Long leasehold £'000	Total £'000
At valuation 1st March 2014	151,329	8,364	159,693
Additions:			
– acquisitions	7,727	39,866	47,593
– capital expenditure	1,269	455	1,724
Disposals	(5,300)	(7,993)	(13,293)
Surplus/(deficit) on revaluation	8,122	(503)	7,619
At valuation 28th February 2015	**163,147**	**40,189**	**203,336**
Additions:			
– acquisitions	–	4,473	4,473
– capital expenditure	2,206	140	2,346
Disposals	(9,886)	(780)	(10,666)
Transfer from inventory	3,600	–	3,600
Surplus on revaluation	218	11	229
At valuation 29th February 2016	**159,285**	**44,033**	**203,318**

Direct costs of £2,365,000 (2015: £2,721,000) arose as a result of ownership of investment properties.

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.

	2016 £'000	2015 £'000
Market value as assessed by the independent valuers or Directors	**207,111**	207,877
Amount included in prepayments and accrued income in respect of lease incentives	**(3,793)**	(4,541)
Net book amount of Investment properties – non-current assets	**203,318**	203,336

At 29th February (or 28th February) and 31st August each year, the Group engages independent professionally qualified valuers who hold a recognised professional qualification and who have recent experience in the locations and segments of the investment portfolio. The Group have engaged new valuers for the current and subsequent financial years. As at 29th February 2016, completed Investment properties have been valued by CBRE Ltd at a value of £180,888,000 (2015: £184,894,000). The current value equates to the highest and best use of the asset.

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

During the year an asset, fair valued at £3,600,000, was transferred from development to investment assets. The asset is held at its fair value as at 29th February 2016.

Also included within Investment properties are freehold land and buildings representing investment properties under development, amounting to £18,830,000 (2015: £18,442,000), which have been valued by the Directors. These properties comprise buildings and landholdings for current or future development as investment properties. This approach has been taken because the value of these properties is dependent on a detailed knowledge of the planning status, the competitive position of these assets and a range of complex project development appraisals.

Investment properties under development include £8,065,000 (2015: £8,039,000) of landholdings adjacent to retail properties within the Group's portfolio, acquired for the purpose of extending the existing shopping centres. The fair value of these properties rests in the planned extensions, and is difficult to estimate pending confirmation of designs and planning permission, and hence has been estimated by the Directors at cost as an approximation to fair value.

£192,613,000 (2015: £190,487,000) of total Investment properties are charged as security against the Group's borrowings.

10 Investment properties continued

Valuation methodology

Our valuers are engaged as external valuers, as defined in the current edition of the RICS Valuation Standards. The valuation process involves the Investment Team, our asset services provider and valuers. Prior to the valuation date full tenancy information verified by both the Investment Team and asset services provider is provided to the valuers. New lettings, completed and pending lease events and asset management proposals are provided by the Investment Team on an asset by asset basis. The valuers assimilated income information is checked by the Investment Team before the valuers report numbers.

The valuation methodologies for determining rental opinion and fair value differ slightly, however, the valuers benefit from their own internal databases and proprietary/external resources for both rental and capital evidence/yield evidence.

The comparator method is used for establishing rental values. Rental evidence is either self-generating for multi-let assets, in particular shopping centres, or sourced through market evidence. Where appropriate, net effective rents are applied during extant lease terms and market rents applied at reversion.

With the majority of the investment portfolio comprising income producing property, fair value is established using an investment method of valuation. Appropriate capitalisation rates are applied to the asset's income stream in order to arrive at a yield profile, i.e. net initial yield, equivalent yield and reversionary yield that can be reconciled with market evidence. For multi-let properties, generally the approach involves applying differential capitalisation rates to the income stream, making adjustments for tenant covenant, term to expiry and unit quality, in order to arrive at a blended position. For example, a foodstore anchor tenant with a strong covenant could be capitalised at a rate of 4.75% and an independent/sole trader could be capitalised at a rate of 10.00% at the same property. Similarly, outward adjustments to capitalisation rates applied to vacant units in multi-let properties are made to reflect letting and covenant risk associated with future tenants.

There were no changes to valuation techniques during the year.

The following table analyses the non-financial assets carried at fair value, by valuation method. The different hierarchy levels have been defined as follows:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities. This may be the agreed sales price of an asset where exchange has occurred after the year-end date (Level 1).

(ii) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). These assets are valued by external valuers and Directors (Level 3). An analysis of Level 3 assets is provided below.

It is the Group's policy to recognise transfers into and out of hierarchy levels at the date of the change in circumstance.

There are no Level 1 assets or transfers between Levels 1 and 3 during the year ended 29th February 2016 or 28th February 2015.

Analysis of Level 3 Investment properties

Class of property: Level 3	Market value 29th February 2016 £'000	Valuation technique	Key unobservable inputs	Equivalent yield range 29th February 2016	Sensitivity analysis – equivalent yield: 50 basis point yield contraction £'000	Sensitivity analysis – equivalent yield: 50 basis point yield expansion £'000
Shopping centres	**136,312**	Income capitalisation	Equivalent yields	5.50% – 9.40%	11,080	(9,315)
Retail/commercial space	**38,762**	Income capitalisation	Equivalent yields	6.00% – 7.75%	2,360	(2,020)
Office	**12,640**	Income capitalisation	Equivalent yields	7.50% – 8.35%	1,005	(880)
Land held for development	**7,104**	Residual development method	Price per acre/ development margin	£0.45m per acre/ 15.0% – 20.0%	–	–
Buildings held for development	**8,500**	Residual development method	Estimated profit margin	15.0% – 20.0%	–	–
	203,318					

Further information relating to the Group's investment portfolio is set out in the Portfolio Review on pages 38 to 43.

The Group engages external, independent and qualified valuers to determine the fair value of Level 3 assets. The valuers liaise with the Investment Team every six months, reviewing tenant information relating to covenant strength, lease period and rental terms. Valuers will also review comparable transactions in the market. The fair value of Level 3 assets is also determined by reviewing local sales data or, where the assets are held for the purpose of extending an existing retail asset, by reviewing appraisals relating to the proposed scheme.

11 Operating property – serviced offices

	Long leasehold £'000
VALUATION	
At 1st March 2014	1,407
Surplus on revaluation	205
At 28th February 2015	1,612
Surplus on revaluation	100
At 29th February 2016	**1,712**
ACCUMULATED DEPRECIATION	
At 1st March 2014	727
Charge for the year	65
At 28th February 2015	792
Charge for the year	60
At 29th February 2016	**852**
Net book amount 29th February 2016	**860**
Net book amount 28th February 2015	820
Net book amount 1st March 2014	680
Original cost of operating property at 29th February 2016 and 28th February 2015	1,583

The operating property is charged as security against the Group's borrowings.

Depreciation expense of £60,000 (2015: £65,000) is included within operating costs.

11 Operating property – serviced offices continued

The surplus on revaluation of long leasehold property for the year ended 29th February 2016 is £100,000 (2015: £205,000) and has been credited to reserves. If the Operating property was measured using the cost model, the carrying value would be £731,000 (2015: £791,000).

The Group's Operating property has been valued at market value as at 29th February 2016 by independent professional valuers CBRE Ltd, on the basis of Existing Use Value in accordance with the RICS Appraisal and Valuation Manual and without any special assumptions. The values disclosed above are as stated by the valuer in its valuation report to the Directors.

The valuer has consented to the use of its name in the financial statements.

12 Intangible assets

	£'000
GOODWILL	
At 1st March 2014	238
Additions	2,059
Goodwill charged to profit and loss on disposal of development asset	(238)
At 28th February 2015	2,059
Adjustment to goodwill in respect of business combination	269
At 29th February 2016	**2,328**

On 19th May 2014, the Group acquired 100% of the issued shares in Cathedral Group (Holdings) Limited, Cathedral Special Projects (Holdings) Limited and Cathedral (ESCO) Limited and 95% of the shares issued in Deadhare Limited, a property development group specialising in mixed-use regeneration schemes in the South East. The goodwill of £2,328,000 represents the unrecognised asset of the highly skilled workforce and specialist development knowledge acquired with Cathedral. An adjustment of £269,000 was made in the current financial year in respect of loyalty bonuses payable to staff.

Goodwill has been tested for impairment at the reporting date.

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to the operating segment. The recoverable amount of all CGUs has been determined based on value-in-use calculations. The calculations use pre-tax cash flow projections based on financial budgets approved by management covering a period up to the completion of each project (or less than five years). The pre-tax discount rate used was 11.0%. No provision for impairment was considered necessary. No reasonable change in any assumption would give rise to a material impairment.

13 Other plant and equipment

	Fixtures, fittings and computer equipment £'000	Motor vehicles £'000	Total £'000
COST			
At 1st March 2014	10,080	200	10,280
Additions	417	33	450
Disposals	(47)	(33)	(80)
At 28th February 2015	10,450	200	10,650
Additions	5,713	11	5,724
Disposals	(326)	(30)	(356)
At 29th February 2016	**15,837**	**181**	**16,018**
ACCUMULATED DEPRECIATION			
At 1st March 2014	7,347	136	7,483
Charge for the year	779	31	810
Disposals	(24)	(21)	(45)
At 28th February 2015	8,102	146	8,248
Charge for the year	970	14	984
Disposals	(204)	(27)	(231)
At 29th February 2016	**8,868**	**133**	**9,001**
Net book amount 29th February 2016	**6,969**	**48**	**7,017**
Net book amount 28th February 2015	2,348	54	2,402
Net book amount 28th February 2014	2,733	64	2,797

Depreciation expense of £242,000 (2015: £253,000) is included within operating costs and £742,000 (2015: £557,000) is included within direct costs.

14 Investments

	Investments in associates £'000	Investments in joint ventures £'000
At 1st March 2014	4,276	31,780
Additions	3,977	13,186
Acquisition via business combination	–	3,959
Share of loss	–	(443)
Share of revaluation surplus	–	3,376
Share of mark-to-market adjustment on interest rate swaps	–	(58)
Share of results	–	2,875
Disposal of joint venture	–	(9,823)
Capital distributions	–	(1,433)
At 28th February 2015	8,253	40,544
Additions	846	8,306
Share of profit	–	5,779
Share of revaluation surplus	–	1,468
Share of mark-to-market adjustment on interest rate swaps	–	(120)
Share of results	–	7,127
Foreign currency differences	(478)	138
Disposal of joint venture	–	(4,523)
Capital distributions	(4,312)	(4,810)
At 29th February 2016	**4,309**	**46,782**

A summary of the Group's projects in partnership and the Balance Sheet classification of its interests are set out in note 27.

a) Investment in associates

The Group has the following interest in associates:

	% of holding	Country of incorporation	Principal activity	Reporting segment	Acquisition date	Note
Atlantic Park (Bideford) Limited	40	United Kingdom	Property development	Development and trading	September 2010	
Barwood Development Securities Limited	40	United Kingdom	Property development	Development and trading	January 2012	
Barwood Land and Estates Limited	25	United Kingdom	Property development	Development and trading	November 2009	
CDSR Burlington House Developments Limited	20	Ireland	Property development	Development and trading	July 2014	
Northpoint Developments Limited	42	United Kingdom	Property development	Development and trading	November 2007	1
Wessex Property Fund	47	Jersey	Investment property	Investment	September 2007	1

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

2016	**Atlantic Park (Bideford) Limited £'000**	**Barwood Development Securities Limited £'000**	**Barwood Land and Estates Limited £'000**	**CDSR Burlington House Developments Limited £'000**	**Northpoint Developments Limited £'000**	**Wessex Property Fund £'000**	**Total £'000**
SUMMARISED BALANCE SHEETS:							
Non-current assets	–	269	576	–	579	–	1,424
Current assets	312	3,086	718	559	9,212	334	14,221
Current liabilities	(747)	(195)	(52)	(221)	(677)	(11,270)	(13,162)
Non-current liabilities	–	–	–	(68)	(24,321)	–	(24,389)
Net assets/(liabilities)	(435)	3,160	1,242	270	(15,207)	(10,936)	(21,906)
Share of net assets/(liabilities)	(174)	1,264	311	33	(6,387)	(4,863)	(9,816)
Net (assets)/liabilities not recognised	–	–	–	–	6,387	4,863	11,250
Goodwill	450	1,236	1,189	–	–	–	2,875
Group's share of net assets	276	2,500	1,500	33	–	–	4,309
SUMMARISED INCOME STATEMENTS:							
Revenue	–	1,349	442	42,927	117	–	44,835
Post-tax (losses)/profits of associates	(239)	311	(6)	269	(203)	(5)	(127)
Share of (losses)/profits	(239)	124	(6)	54	(85)	(2)	(154)
Share of losses/(profits) not recognised	239	(124)	6	(54)	85	2	154
Share of (losses)/profits recognised	–	–	–	–	–	–	–
Dividends received from associates	–	40	–	–	–	–	40

Any contingent liabilities in relation to our associate investment partners are disclosed in note 24.

14 Investments continued

a) Investment in associates continued

2015	Atlantic Park (Bideford) Limited £'000	Barwood Development Securities Limited £'000	Barwood Land and Estates Limited £'000	CDSR Burlington House Developments Limited £'000	Northpoint Developments Limited £'000	Wessex Property Fund £'000	Total £'000
SUMMARISED BALANCE SHEETS:							
Non-current assets	–	286	612	–	695	–	1,593
Current assets	1,910	2,737	727	35,885	9,062	343	50,664
Current liabilities	(719)	(240)	(93)	(334)	(2,709)	(11,245)	(15,340)
Non-current liabilities	–	–	–	(28,292)	(22,996)	–	(51,288)
Net assets/(liabilities)	1,191	2,783	1,246	7,259	(15,948)	(10,902)	(14,371)
Share of net assets/(liabilities)	475	1,113	312	1,452	(6,698)	(4,849)	(8,195)
Net (assets)/liabilities not recognised	(199)	–	–	–	6,698	4,849	11,348
Goodwill	–	1,387	1,188	2,525	–	–	5,100
Group's share of net assets	276	2,500	1,500	3,977	–	–	8,253
SUMMARISED INCOME STATEMENTS:							
Revenue	–	646	169	–	4,771	–	5,586
Post-tax (losses)/profits of associates	(164)	755	99	–	(2,219)	(2,209)	(3,738)
Share of (losses)/profits	(65)	302	25	–	(932)	(983)	(1,653)
Share of losses/(profits) not recognised	65	(302)	(25)	–	932	983	1,653
Share of (losses)/profits recognised	–	–	–	–	–	–	–
Dividends received from associates	–	158	–	–	–	–	158

b) Investment in joint ventures

As at 29th February 2016, the Group has the following interests in joint ventures:

	% of holding	Country of incorporation	Principal activity	Reporting segment	Acquisition date	Accounting reference date
Accrue Student Housing GP Limited	50	United Kingdom	Property development	Development and trading	September 2011	31st August
Becket House Unit Trust	15	Jersey	Investment property	Investment	March 2014	31st December
Curzon Park Limited	50	United Kingdom	Property development	Development and trading	November 2006	29th February
Development Equity Partners Limited	50	Jersey	Property development	Development and trading	December 2011	29th February
DSCP Property Holdings Limited	50	Ireland	Property development	Development and trading	May 2015	31st December
DSP Piano Investments BV	34	Netherlands	Investment property	Investment	July 2015	31st December
DSP Tirol Limited	50	United Kingdom	Investment property	Investment	January 2015	29th February
DS Renewables LLP*	50	United Kingdom	Property development	Development and trading	May 2012	29th February
Harwell Oxford Developments Limited	50	United Kingdom	Property development	Development and trading	December 2013	29th February
Kensington & Edinburgh Estates (South Woodham Ferrers) Limited	50	United Kingdom	Property development	Development and trading	July 2013	29th February
Manchester Arena Complex LP	30	United Kingdom	Investment property	Investment	June 2010	29th February
Notting Hill (Guernsey Holdco) Limited	24	Guernsey	Investment property	Development and trading	June 2011	31st December
Opportunities for Sittingbourne Limited	50	United Kingdom	Property development	Development and trading	January 2015	29th February
OSB (Holdco 1) Limited	50	United Kingdom	Property development	Development and trading	February 2014	29th February
Winnebago Holdings Sarl	35	Luxembourg	Investment property	Investment	April 2012	31st December

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

In March 2015, the Group acquired the remaining 50.0% of share capital in Cathedral (Brighton) Limited previously held by McLaren Property Limited. The Company is now accounted for as a wholly owned subsidiary. The assets and liabilities of the subsidiary were adjusted to their fair value on the date of acquisition.

In May 2015, the Group acquired a 50.0% holding in DSCP Property Holdings Limited with its partner, Clarendon Dublin Properties Limited, holding the remaining 50.0%. The Company is registered and incorporated in Ireland.

In July 2015 the Group acquired a 34.0% holding in DSP Piano Investments BV with its partner, PSSF Piano BV, holding the remaining 66.0%. The Company is registered and incorporated in the Netherlands.

14 Investments continued

b) Investment in joint ventures continued

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

The Group's share of the assets, liabilities, income and expenses of its joint ventures, which includes amounts receivable from those joint ventures, is as follows:

2016	Accrue Student Housing GP Limited £'000	Becket House Unit Trust £'000	Curzon Park Limited £'000	Development Equity Partners Limited £'000	DSCP Property Holdings Limited £'000	DSP Piano Investments BV £'000	DSP Tirol Limited £'000	Harwell Oxford Developments Limited £'000	Kensington & Edinburgh Estates (South Woodham Ferrers) Limited £'000	Manchester Arena Complex LP £'000	Notting Hill (Guernsey Holdco) Limited £'000	Opportunities for Sittingbourne Limited £'000	OSB (Holdco 1) Limited £'000	Winnebago Holdings Sarl £'000	Total £'000
SUMMARISED BALANCE SHEETS:															
Non-current assets	–	–	–	–	–	16,265	18,325	–	–	13	–	–	–	4,541	39,144
Current assets	10,486	112,078	35,403	552	10,669	1,765	4,620	24,628	1,014	293	60,050	474	35,312	8,786	306,130
Current liabilities	(434)	(55,761)	(10)	–	(77)	(374)	(2,030)	(4,597)	(8)	(73)	(4,083)	(118)	(1,052)	(1,860)	(70,477)
Non-current liabilities	(4,846)	–	(10,505)	–	(6,407)	(6,541)	(14,514)	(9,820)	–	–	(25,979)	–	(31,462)	–	(110,074)
Net assets	5,206	56,317	24,888	552	4,185	11,115	6,401	10,211	1,006	233	29,988	356	2,798	11,467	164,723
Net assets not recognised	–	–	(24,888)	–	–	–	–	–	–	–	–	–	–	–	(24,888)
Share of net assets recognised	2,603	9,093	–	276	2091	3,779	5,121	7,915	503	175	7,197	178	1,399	6,452	46,782
SUMMARISED INCOME STATEMENTS:															
Revenue	10,657	4,985	251	–	760	271	9,209	1,545	–	–	1,471	–	1,366	900	31,415
Direct costs	(8,767)	(737)	(219)	–	(348)	(315)	(7,911)	(990)	–	–	(525)	–	(998)	(549)	(21,359)
Interest costs	(156)	(3,506)	(26)	–	(364)	(85)	(1,200)	(477)	(23)	–	(1,950)	–	(3,258)	(431)	(11,476)
Gain on revaluation/sale	–	18,292	–	–	–	–	–	–	–	–	–	–	–	16,324	34,616
Profit/(loss) before and after tax	1,734	19,034	6	–	48	(129)	98	78	(23)	–	(1,004)	–	(2,890)	16,244	33,196
Share of profit/(loss) before and after tax	837	3,336	3	–	108	(44)	78	585	12	–	(241)	–	(1,445)	3,898	7,127

14 Investments continued

b) Investment in joint ventures continued

2015	Accrue Student Housing GP Limited £'000	Becket House Unit Trust £'000	Cathedral (Brighton) Limited £'000	Curzon Park Limited £'000	Development Equity Partners Limited £'000	DSP Tirol Limited £'000	The Esplanade Partnership Limited £'000	Harwell Oxford Developments Limited £'000	Kensington & Edinburgh Estates (South Woodham Ferrers) Limited £'000	Manchester Arena Complex LP £'000	Notting Hill (Guernsey Holdco) Limited £'000	Opportunities for Sittingbourne Limited £'000	OSB (Holdco 1) Limited £'000	Purplexed LLP £'000	Winnebago Holdings Sarl £'000	Total £'000
SUMMARISED BALANCE SHEETS:																
Non-current assets	–	92,720	–	–	–	16,513	–	–	–	13	–	–	–	–	20,753	129,999
Current assets	8,913	3,453	9,902	35,306	552	254	–	20,861	896	293	56,946	236	32,282	–	1,160	171,054
Current liabilities	(386)	(340)	(856)	(4,113)	–	(150)	–	(1,765)	–	(73)	(1,700)	–	(834)	–	(1,107)	(11,324)
Non-current liabilities	(4,995)	(56,527)	–	(8,450)	–	(10,313)	–	(9,893)	–	–	(25,813)	–	(26,016)	–	(14,000)	(156,007)
Net assets	3,532	39,306	9,046	22,743	552	6,304	–	9,203	896	233	29,433	236	5,432	–	6,806	133,722
Net assets not recognised	–	–	–	(24,743)	–	–	–	–	–	–	–	–	–	–	–	(24,743)
Share of net assets recognised	1,766	5,897	4,523	–	276	5,043	–	7,067	448	175	7,064	118	2,716	–	5,451	40,544
SUMMARISED INCOME STATEMENTS:																
Revenue	844	4,200	–	202	–	34	1,656	3,080	–	85	1,521	–	1,350	232	1,486	14,690
Direct costs	(382)	(733)	–	(358)	–	(49)	(1,444)	(2,612)	–	(11)	(8)	–	(866)	(32)	(1,503)	(7,998)
Interest income	6	373	–	–	–	–	–	3,788	44	–	–	–	–	278	–	4,489
Interest costs	(138)	(1,327)	–	(234)	–	(4)	–	(3,896)	–	–	(2,021)	–	(2,480)	(66)	(529)	(10,695)
Gain on revaluation	–	–	–	–	–	–	–	3,536	–	–	–	–	–	–	7,117	10,653
Profit/(loss) before and after tax	330	2,513	–	(390)	–	(19)	212	3,896	44	74	(508)	–	(1,996)	412	6,571	11,139
Share of profit/(loss) before and after tax	165	377	–	(195)	–	(15)	106	974	22	56	(122)	–	(999)	206	2,300	2,875

Any contingent liabilities in relation to our joint ventures are disclosed in note 24.

c) Principal subsidiaries

The Group's principal subsidiaries at 29th February 2016 are set out below. They have share capital consisting solely of Ordinary share capital that are held directly by the Group and the proportion of ownership interest equals the voting rights held by the Group. Principal subsidiaries are those undertakings with net assets in excess of 5.0% of Group net assets.

	% holding	Country of incorporation	Principal activity
Development Securities Estates PLC	100	United Kingdom	Management and investment company
Development Securities (Investments) PLC	100	United Kingdom	Property investment

A full list of subsidiaries is disclosed in note 43.

The total non-controlling interest for the year is £nil (2015: £722,000).

15 Inventory

	Development properties £'000	Trading properties £'000	Total £'000
DEVELOPMENT AND TRADING PROPERTIES			
At 1st March 2014	86,607	105,876	192,483
Additions:			
– acquisition of subsidiaries	64,969	–	64,969
– acquisitions	8,742	33,351	42,093
– development expenditure	47,713	4,783	52,496
– transfer from development to trading properties	2,300	(2,300)	–
Disposals	(69,120)	(60,576)	(129,696)
Foreign currency differences	(1,037)	(2,640)	(3,677)
Write down of trading properties to net realisable value	(986)	(208)	(1,194)
At 28th February 2015	139,188	78,286	217,474
Additions:			
– acquisitions	27,277	4,725	32,002
– development expenditure	92,677	30,896	123,573
– transfer from joint ventures to development properties	4,523	–	4,523
– transfer from development to investment properties	(3,600)	–	(3,600)
Disposals	(112,947)	(63,950)	(176,897)
Foreign currency differences	1,056	1,895	2,951
Write back of previous adjustment to net realisable value	1,041	–	1,041
Fair value uplift on transfer of inventory to investment properties	549	–	549
Net write down of development properties to net realisable value	(1,837)	–	(1,837)
At 29th February 2016	**147,927**	**51,852**	**199,779**

Included in the above amounts are projects stated at net realisable value of £7,583,000 (2015: £18,720,000).

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

Interest of £2,937,000 (2015: £1,735,000) was capitalised on development and trading properties during the year. Capitalised interest included within the carrying value of such properties on the Balance Sheet is £2,629,000 (2015: £2,550,000).

16 Trade and other receivables

a) Non-current

	2016 £'000	2015 £'000
Prepayments and accrued income	**3,403**	4,238

b) Current

	2016 £'000	2015 £'000
Trade receivables	**4,784**	10,302
Other receivables	**76,172**	25,328
Other tax and social security	**1,748**	1,029
Prepayments and accrued income	**3,716**	8,175
	86,420	44,834

The Group has provided £46,000 (2015: £433,000) for outstanding balances where recovery is considered doubtful. Apart from the receivables that have been provided for at the year end, there are no other material receivables, past due but not impaired. The maximum exposure to credit risk at the reporting date is the carrying value of the receivable.

Transactions and balances with related parties are disclosed in note 26.

17 Trade and other payables

a) Non-current

	2016 £'000	2015 £'000
Trade payables	**7,134**	9,857

b) Current

	2016 £'000	2015 £'000
Trade payables	**4,075**	13,711
Other payables	**11,539**	16,256
Other tax and social security	**1,691**	5,536
Accruals and deferred income	**37,805**	28,399
Special dividend 2015	**–**	9,995
	55,110	73,897

c) Provisions

	Onerous leases £'000	Other provisions £'000	Total £'000
At 1st March 2015	2,648	14	2,662
Credited to the income statement	(999)	–	(999)
Utilised during the year	(161)	–	(161)
Unwind of discount	243	–	243
At 29th February 2016	**1,731**	**14**	**1,745**

Analysis of total provisions	2016 £'000	2015 £'000
Non-current	**1,731**	2,412
Current	**14**	250
	1,745	2,662

Provisions of £14,000 (2015: £14,000) relate to properties and £1,731,000 (2015: £2,648,000) to onerous leases.

£1,270,000 (2015: £1,270,000) has been provided to cover the onerous liability associated with leases at three of our serviced office centres.

Two provisions of £204,000 (2015: £886,000) and £257,000 (2015: £257,000) relate to onerous lease obligations entered into in 2009 and 1974 respectively.

18 Financial assets and financial liabilities

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

	2016 £'000	2015 £'000
NON-CURRENT ASSETS		
Available-for-sale financial assets	**28,544**	28,448
Loan notes at amortised cost less impairment	**8,813**	8,813
Derivative financial instruments not used for hedging at fair value through profit or loss	**315**	–
	37,672	37,261
CURRENT ASSETS		
Loans and receivables	**1,700**	1,700
Trade and other receivables at amortised cost less impairment	**82,481**	41,707
Monies held in restricted accounts and deposits	**8,096**	19,380
Cash and cash equivalents	**43,752**	59,949
	136,029	122,736
Total financial assets	**173,701**	159,997
CURRENT LIABILITIES		
Trade and other payables at amortised cost	**(50,095)**	(65,047)
Borrowings at amortised cost	**(65,471)**	(36,020)
	(115,566)	(101,067)
NON-CURRENT LIABILITIES		
Trade and other payables at amortised cost	**(7,134)**	(9,857)
Borrowings at amortised cost	**(147,818)**	(169,012)
Derivative financial instruments not used for hedging at fair value through profit or loss	**–**	(21)
	(154,952)	(178,890)
Total financial liabilities	**(270,518)**	(279,957)

a) Other financial assets

	2016 £'000	2015 £'000
NON-CURRENT		
Available-for-sale financial assets – development loans	**28,544**	28,448
Loan notes at amortised cost less impairment	**8,813**	8,813
	37,357	37,261

Development loans include a number of working capital and project-specific loans of £8,272,000 (2015: £9,182,000) to Northpoint Developments Limited. The loans attract fixed coupon rates of between 5.0% and 13.0%. Included in the above amount is an interest-free loan of £208,000 (2015: £208,000). As at 29th February 2016, the Group has made a provision of £820,000 (2015: £274,000) against interest receivable in respect of these loans.

The Group provided a loan of £10,505,000 (2015: £8,450,000) to the Curzon Park Limited joint venture in order to repay a share of its bank debt. The joint venture partner provided the equivalent amount. The bank loan, originally secured against the 10.5-acre site in Birmingham, has since been fully repaid.

The Group has two funding agreements totalling £9,214,000 (2015: £10,816,000), in respect of projects in partnership. The loans attract fixed coupon rates of 6.0% and 8.5%. Funding of £553,000 (2015: £nil) has been provided to Henry Davidson Developments Limited in respect of two projects. Interest of 12.5% is charged in respect of this funding.

The Group holds loan notes with a carrying value of £8,813,000 (2015: £8,813,000), issued by Northpoint Developments Limited, with a fixed term of ten years and a fixed coupon rate of 4.25%. As at 29th February 2016, the Group has made a provision of £582,000 (2015: £191,000) against interest receivable in respect of these loan notes.

	2016 £'000	2015 £'000
CURRENT		
Loans and receivables:		
Northpoint Developments Limited	**200**	200
Property Alliance Group	**1,500**	1,500
	1,700	1,700

The Group has provided a short-term, non-interest-bearing loan of £200,000 to Northpoint Developments Limited and £1,500,000 to Property Alliance Group as a contribution to a prospective future project, this amount is repayable on demand.

b) Borrowings

	2016 £'000	2015 £'000
CURRENT		
Bank overdrafts	**–**	–
Current instalments due on bank loans	**5,544**	2,818
Current loans maturing	**60,939**	14,054
First mortgage debenture 11% due 2016	**–**	20,000
Unamortised transaction costs	**(1,012)**	(852)
	65,471	36,020

	2016 £'000	2015 £'000
NON-CURRENT		
Bank loans and loan notes	**149,583**	171,231
Unamortised transaction costs	**(1,765)**	(2,219)
	147,818	169,012

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

18 Financial assets and financial liabilities continued

b) Borrowings continued

	2016 £'000	2015 £'000
BORROWINGS		
£20,000,000 first mortgage fixed rate debenture 2016	–	20,000
£7,810,000 variable rate loan 2015	–	7,810
£3,300,000 variable rate loan 2015	–	3,250
£1,550,000 variable rate loan 2015	–	1,425
£5,000,000 variable rate loan 2015	–	1,552
€20,000,000 variable rate loan 2016	**7,602**	–
£38,000,000 variable rate loan 2016	**28,307**	29,036
£25,100,000 variable rate loan 2016	**20,879**	3,982
€5,430,000 variable rate loan 2016	**4,134**	1,297
£11,398,000 variable rate loan 2018	**11,398**	10,567
£6,296,000 variable rate loan 2018	**6,296**	5,794
€24,307,000 variable rate loan 2018	**11,025**	16,533
£30,750,000 fixed rate loan 2018	**5,149**	–
£12,000,000 variable rate loan 2019	**11,389**	–
£2,795,000 variable rate loan 2020	**2,588**	–
€47,000,000 variable rate loan notes 2021	**36,644**	34,112
£57,565,000 fixed rate loan 2025	**50,711**	52,192
£22,470,000 fixed rate loan 2025	**19,927**	20,536
£16,500 variable rate loan notes 1999	**17**	17
	216,066	208,103
Less: current instalments due on bank loans	**(5,544)**	(2,818)
Current loans maturing	**(60,939)**	(14,054)
First mortgage debenture 11% due 2016	–	(20,000)
	149,583	171,231

£20,000,000 first mortgage fixed rate debenture
This secured debenture was repaid on 6th January 2016.

£7,810,000 variable rate loan
This loan was repaid on 9th November 2015.

£3,300,000 variable rate loan
This loan was repaid on 25th November 2015.

£1,550,000 variable rate loan
This loan was repaid on 12th January 2016.

£5,000,000 variable rate loan
This loan was repaid on 18th December 2015.

€20,000,000 variable rate loan
This secured loan is repayable in one instalment on 20th April 2016. The current balance outstanding on the facility is £7,602,000.

£38,000,000 variable rate loan
£2,700,000 loan capital amortises with effect from the second anniversary of the drawdown of the loan. The remaining balance is repayable in one instalment on 16th December 2016. The current balance outstanding on the facility is £28,307,000.

£25,100,000 variable rate loan
This secured loan is repayable in one instalment on 19th June 2016. This is a development facility where the loan is drawn down over the progress of the development. The current balance outstanding on the facility is £20,879,000.

€5,430,000 variable rate loan
This secured loan is repayable in one instalment on 30th June 2016. This is a development facility where the loan is drawn down over the progress of the development. The current Sterling balance outstanding on the facility is £4,134,000 at the balance sheet date.

£11,398,000 variable rate loan
This is a £9,500,000 secured development facility on which interest can be rolled up. The loan is repayable in one instalment on 31st March 2018. The current balance outstanding on the facility is £11,398,000 including £1,898,000 of rolled up interest.

£6,296,000 variable rate loan
This is a £5,500,000 secured development facility on which interest can be rolled up. The loan is repayable in one instalment on 31st March 2018. The current balance outstanding on the facility is £6,296,000 including £796,000 of rolled up interest.

€24,307,000 variable rate loan
This secured loan is repayable on the earlier of individual units being disposed of or 1st August 2018. The current Sterling balance outstanding on the facility is £11,025,000 at the balance sheet date.

£30,750,000 fixed rate loan
This secured loan is repayable in one instalment on 25th November 2018. This is a development facility where the loan is drawn down over the progress of the development. The current balance outstanding on the facility is £5,149,000.

£12,000,000 variable rate loan
This secured loan is repayable in one instalment on 5th January 2019. The current balance outstanding on the facility is £11,389,000.

£2,795,000 variable rate loan
£1,311,000 loan capital amortises over the term of the loan. The remaining £1,484,000 is repayable in one instalment on 22nd May 2020. The current balance outstanding on the facility is £2,588,000.

€47,000,000 variable EURIBOR loan notes
These unsecured, Euro-denominated loan notes are repayable on 24th April 2021.

£57,565,000 fixed rate loan
£25,665,000 loan capital amortises over the term of the loan. The remaining £31,900,000 is repayable in one instalment on 12th March 2025. The current balance outstanding on the facility is £50,711,000.

£22,470,000 fixed rate loan
£9,980,000 loan capital amortises over the term of the loan. The remaining £12,490,000 is repayable in one instalment on 12th March 2025. The current balance outstanding on the facility is £19,927,000.

£16,500 loan notes
These unsecured loan notes were repayable in 1999. The balance of £16,500 represents the residual amount of unredeemed loan notes.

A full explanation of the Group's borrowings and any changes since the balance sheet date can be found in the Financial Review on pages 56 to 69.

18 Financial assets and financial liabilities continued

c) Derivative financial instruments

Assets	2016 £'000	2015 £'000
Derivative financial instruments at fair value through profit or loss:		
Interest rate swaps, caps and collars	57	189
Foreign exchange contracts	525	228
Derivative financial assets	**582**	417

Liabilities	2016 £'000	2015 £'000
Derivative financial instruments at fair value through profit or loss:		
Interest rate swaps, caps and collars	(267)	(438)
Derivative financial liabilities	**(267)**	(438)
Net derivative financial assets/(liabilities)	**315**	(21)

At 29th February 2016, the Group held interest rate swaps, caps and collars designated as economic hedges and not qualifying as effective hedges under IAS 39. The derivatives are used to mitigate the Group's interest rate exposure to variable rate loans of £64,951,000 (2015: £63,148,000). The fair value of the derivatives amounting to £57,000 and £267,000 are recorded as financial assets and liabilities respectively at 29th February 2016 (2015: £189,000 asset and £438,000 liability) with the fair value loss taken to finance costs.

Fair value estimation

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

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

(ii) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3). Discounted cash flows are used to determine fair values of these instruments.

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

	2016 Level 1 £'000	2016 Level 2 £'000	2016 Level 3 £'000	2016 Total £'000	2015 Level 1 £'000	2015 Level 2 £'000	2015 Level 3 £'000	2015 Total £'000
ASSETS								
Available-for-sale financial assets	–	–	28,544	28,544	–	–	28,448	28,448
Derivative financial instruments:								
Derivative financial instruments at fair value through profit or loss	–	57	–	57	–	189	–	189
Foreign exchange contracts through profit or loss	–	525	–	525	–	228	–	228
Total assets	–	582	28,544	29,126	–	417	28,448	28,865
LIABILITIES								
Derivative financial instruments:								
Derivative financial instruments at fair value through profit or loss	–	(267)	–	(267)	–	(438)	–	(438)
Total liabilities	–	(267)	–	(267)	–	(438)	–	(438)

d) Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The nature and extent of the Group's financial risks, and the Directors' approach to managing those risks, are described in the Financial Review on pages 56 to 69 and below. This note provides further detailed information on these risks.

The Group defines capital as total equity and monitors this on the basis of gearing.

Interest rate maturity profile of financial liabilities

The following table sets out the carrying amount by maturity of the Group's financial instruments that are exposed to interest rate risk:

2016	Within one year £'000	One to two years £'000	Two to three years £'000	Three to four years £'000	Four to five years £'000	More than five years £'000	Total £'000
Fixed rate borrowings	–	–	5,149	–	–	70,638	75,787
Variable rate borrowings	32,632	–	40,108	–	2,588	–	75,328
Variable rate borrowings with interest rate caps or swaps	28,307	–	–	–	–	36,644	64,951
	60,939	–	45,257	–	2,588	107,282	216,066

18 Financial assets and financial liabilities continued

d) Financial risk management continued

2015	Within one year £'000	One to two years £'000	Two to three years £'000	Three to four years £'000	Four to five years £'000	More than five years £'000	Total £'000
Fixed rate borrowings	20,000	–	–	–	–	72,728	92,728
Variable rate borrowings	12,629	5,279	–	32,894	–	–	50,802
Variable rate borrowings with interest rate caps or swaps	1,425	29,036	–	–	–	34,112	64,573
	34,054	34,315	–	32,894	–	106,840	208,103

Interest on financial instruments classified as variable rate is re-priced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial assets and financial liabilities of the Group that are not included above are non-interest bearing and are therefore not subject to interest rate risk.

Foreign currency risk

During the year the Group has continued to invest in the Republic of Ireland. This increased foreign currency exposure is monitored by the Board. Foreign currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Board has set up a policy to manage foreign currency risk against the Group's functional currency. When the Group acquires property assets denominated in Euros, any associated borrowings will also be denominated in Euros to limit exposure. Where appropriate, the Board will also require the foreign exchange risk to be hedged.

As at 29th February 2016, the Group was exposed to foreign currency risk from €47,000,000 (2015: €47,000,000) loan notes denominated in Euros and three Euro-denominated loan facilities of €24,307,000, €5,430,000 and €20,000,000 (2015: two facilities totalling €29,737,000). The Sterling amount drawn against the Euro-denominated loans as at 29th February 2016 was £22,761,000 (2015: £17,830,000).

In March 2015, the Group purchased an option to acquire €25,000,000 during the period to 31st March 2017 and entered into an interest rate cap arrangement for the loan term in order to manage the exchange rate risk associated with the €47,000,000 loan notes.

During the year to 29th February 2016, the movement of Sterling against the Euro was approximately 14.0%. Management consider this movement to be exceptional and that an 8.0% movement to be a prudent measure of sensitivity on this basis.

The following table demonstrates the possible effect of changes in Sterling and Euro exchange rates on loan balances with all other variables held constant:

	Increase/ decrease in rate	Effect on loan balances £'000
2016		
Sterling against Euro	**+8%**	**4,402**
	-8%	**(5,168)**
2015		
Sterling against Euro	+8%	3,848
	–8%	(4,517)

Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates are partially offset by cash held at variable rates. The Board closely monitors interest rate risk and considers whether to fix or cap interest rates on a loan by loan basis. Longer-term facilities tend to be structured with fixed rates whereas for shorter-term loans, a cap may be preferred. Similar principles are also employed in respect of joint ventures.

The following table demonstrates the sensitivity in respect of variable rate debt obligations to a change in interest rates, with other variables held constant, of the Group's profit before income tax.

The sensitivity analysis excludes all non-derivative fixed rate financial instruments carried at amortised cost as well as variable rate financial instruments.

Fair value interest rate hedging instruments that are part of a hedging relationship have been excluded. Variable rate non-derivative financial instruments where the associated interest has been capitalised have also been excluded.

As at 29th February 2016, a movement of 50 basis points higher or lower, with all other variables held constant, would have the following effect on profit before tax. Management consider a movement of 50 basis points to be a reasonable guide to sensitivity in the current interest rate environment.

	Increase/ decrease in basis points	Effect on profit before tax £'000
2016		
Sterling borrowings	**+50**	**(404)**
	–50	**404**
2015		
Sterling borrowings	+50	(207)
	–50	207

Price risk

The Group is not exposed to commodity or security price risk.

Liquidity risk

A review of the Group's liquidity risk is set out in the Financial Review on pages 58 to 62.

The table below summarises the maturity profile of the Group's financial liabilities at 29th February 2016 and 28th February 2015 on a contractual undiscounted payments basis:

2016	On demand £'000	Less than three months £'000	Three to twelve months £'000	One to five years £'000	More than five years £'000	Total £'000
MATURITY PROFILE OF FINANCIAL LIABILITIES						
Interest-bearing loans and borrowings	17	10,203	60,042	73,794	125,179	269,235
Trade and other payables	–	38,520	11,621	7,134	–	57,275
	17	48,723	71,663	80,928	125,179	326,510

18 Financial assets and financial liabilities continued

d) Financial risk management continued

2015	On demand £'000	Less than three months £'000	Three to twelve months £'000	One to five years £'000	More than five years £'000	Total £'000
MATURITY PROFILE OF FINANCIAL LIABILITIES						
Interest-bearing loans and borrowings	17	10,092	35,078	95,083	130,069	270,339
Trade and other payables	–	48,791	16,256	9,857	–	74,904
	17	58,883	51,334	104,940	130,069	345,243

Market risk

A summary of market risk and its effect on the Group is set out in the Risk Review on page 21 and further discussed in the Market Review on pages 10 to 12 and in the Portfolio Review on pages 28 to 43.

Fair values of financial assets and financial liabilities

Except as detailed below, in respect of fixed rate loan facilities, the Directors consider the carrying amount to be either fair value or a reasonable approximation of fair value apart from equity instruments classified as available-for-sale assets under IAS 39, where fair value cannot be reliably measured.

Fixed rate debt

A valuation was carried out as at 29th February 2016 by J C Rathbone Associates Limited, to calculate the market value of the Group's fixed rate debt on a replacement basis, taking into account the difference between fixed interest rates fo the Group's borrowings and the market value and prevailing interest rate of appropriate debt instruments. Whilst the replacement basis provides a consistent method for valuation of fixed rate debt, such financing facilities are in place to provide continuing funding for the Group's activities. The valuation is therefore only an indication of a notional effect on the net asset value of the Group as at 29th February 2016, and may be subject to daily fluctuations in line with money market movements.

J C Rathbone Associates Limited have consented to the use of their name in the financial statements.

The fair value compared with the carrying amounts of the Group's fixed rate financial liabilities as at 29th February 2016 and 28th February 2015 is analysed below:

	Book value 2016 £'000	**Fair value 2016 £'000**	Book value 2015 £'000	Fair value 2015 £'000
First mortgage debenture 11% due 2016	**–**	**–**	20,000	21,485
Fixed rate term loan due 2025	**50,711**	**62,025**	52,192	62,508
Fixed rate term loan due 2025	**19,927**	**23,326**	20,536	23,449
Total fixed rate financial liabilities	**70,638**	**85,351**	92,728	107,442

The fair value difference of £14,713,000 at 29th February 2016 (2015: £14,714,000) represents approximately 20.8% of gross, fixed rate borrowings (2015: 15.9%). The effect on net assets per share after tax of this adjustment would be a decrease of 9.4 pence after tax (2015: 9.3 pence decrease).

19 Deferred income tax

The following are the deferred income tax liabilities and assets and movements thereon recognised by the Group during the current and previous financial year. The UK corporation tax rate decreased on 1st April 2015 from 21.0% to 20.0%. Deferred income tax is calculated on the temporary differences under the liability method using a tax rate of 20.0% (2015: 20.0%).

	2016 £'000	2015 £'000
Credit for the year in the income statement (refer note 7)	**(300)**	(3,375)
(Credited)/charged directly to equity	**(28)**	2,459
	(328)	(916)

	Decelerated capital allowances £'000	Provisions £'000	Tax losses £'000	Net fair value adjustments £'000	Total £'000
DEFERRED INCOME TAX (ASSETS)/LIABILITIES RECOGNISED:					
At 1st March 2014	(224)	(390)	252	–	(362)
Acquired	–	–	(682)	3,814	3,132
Charged/(credited) to the income statement	114	(110)	(544)	(2,835)	(3,375)
Charged directly to equity	–	–	–	2,459	2,459
At 28th February 2015	(110)	(500)	(974)	3,438	1,854
Acquired	–	–	(493)	1,292	799
Charged/(credited) to the income statement	63	–	784	(1,147)	(300)
Credited directly to equity	–	–	–	(28)	(28)
At 29th February 2016	**(47)**	**(500)**	**(683)**	**3,555**	**2,325**

	2016 £'000
Deferred income tax assets	1,230
Deferred income tax liabilities	(3,555)
NET DEFERRED INCOME TAX LIABILITIES	**(2,325)**

Deferred income tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net. Deferred income tax assets arising from the Group's trading and capital losses are recognised on the basis that there will be sufficient profits in the foreseeable future to utilise such losses. The Group has not recognised deferred income tax assets of £5,928,000 (2015: £7,165,000) in respect of losses amounting to £29,642,000 (2015: £35,823,000) that can be carried forward against future taxable income.

Movements in deferred income tax assets and liabilities (prior to the offsetting of balances) are shown above.

20 Share capital

	2016 £'000	2015 £'000
Issued, called up and fully paid		
125,074,280 Ordinary shares of 50 pence (2015: 125,057,003 Ordinary shares of 50 pence)	**62,537**	62,529

	Number of shares
Shares in issue at the date of this report	**125,074,280**

The Company has one class of Ordinary shares which carry no right to fixed income.

The Company acquired 123,397 of its own shares through purchases on the London Stock Exchange in 2012. The total amount paid to acquire the shares, net of income tax, was £171,000 and has been deducted from shareholder equity. The shares are held as 'Treasury shares'. The Company has the right to re-issue these shares at a later date. All shares were fully paid. A number of shares were subsequently sold out of treasury shares to satisfy a good leaver under the save as you earn scheme. The number of treasury shares held as at 29th February 2016 is 118,792 shares.

Share option schemes

As at 29th February 2016, and at the date of this report, the options outstanding under the Company's share option schemes were exercisable as set out below (price stated in pence per share). The share options are more fully described in the Remuneration Report on pages 91 to 113.

Save as you earn option plan 2005:

Date of grant	29.02.16 Number	28.04.16 Number	Exercise dates	Price
22nd December 2014	303,197	282,106	1st February 2018 to 31st July 2018	179.2

Share-based payments

The following table illustrates the number and weighted average exercise prices of, and movements in, share options during the year:

	2016 Number	2016 Weighted average exercise price Pence	2015 Number	2015 Weighted average exercise price Pence
At 1st March 2015/2014	**336,193**	**174.2**	221,972	213.1
Options granted	–	–	321,275	179.2
Options exercised	**(17,277)**	**156.6**	(129,383)	152.0
Options lapsed	**(710)**	**152.0**	(69,382)	347.5
Options cancelled	**(15,009)**	**179.2**	(8,289)	152.0
At 29th February 2016/ 28th February 2015	**303,197**	**179.2**	336,193	174.2

The options outstanding at 29th February 2016 are exercisable at 179.2 pence per share and have a weighted average remaining contractual life of 2.4 years (2015: 1.8 years).

The fair value of grants is measured at the grant date using a Black-Scholes pricing model, taking into account the terms and conditions upon which the instruments were granted. The services received and a liability to pay for those services are recognised over the expected vesting period. The main assumptions of the Black-Scholes pricing model are as follows:

Grant date	22.12.14
Exercise price (pence)	179.2
Term (years)	3
Expected volatility	24%
Expected dividend yield p.a.	2.3%
Risk-free rate	0.9%
Expected forfeiture p.a.	Nil

Expected volatility was determined by calculating the historical volatility of the U and I Group PLC share price over multiple time periods. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

Conditional awards under the Long-Term Incentive Plan (LTIP) and the Performance Share Plan (PSP)

The LTIP commenced on 1st March 2015 and replaced the PSP. The terms of these plans are set out in the Remuneration Report on pages 91 to 113.

The first award made under the LTIP was on 5th June 2015. Under the scheme, Ordinary shares are conditionally awarded based on the performance of the Group over a four-year period for Executive Directors and three years for staff. The performance of the Group is referenced to the net asset value per share growth over the vesting period and is based on non-market conditions. The Directors assess the likelihood of the award vesting with the maximum amount that will vest based on forward looking forecast of the Group.

Ordinary shares conditionally awarded under the PSP are valued at their fair value on the date of the award, using an Equal Probability Model, which takes into account the probability of the Ordinary shares vesting based on an equal probability of achieving appropriate total shareholder return ranking as determined under the performance condition.

The principal assumptions for calculating the fair value of the Ordinary shares conditionally awarded are:

	LTIP 2016	PSP 2015	PSP 2014
Ordinary shares conditionally awarded (no. of shares)	**1,481,203**	570,592	870,143
Date of award	**5th June 2015**	22nd May 2014	29th May 2013
Share price (pence)	**273.4**	244.0	192.0
Percentage probability applied for fair value	**46.1%**	51.0%	51.0%
Vesting period (months)	**33**	32	32

The expense recognised for equity-settled share-based payments in respect of employee services received during the year is £731,000 charge (2015: £21,000 charge).

The charge recognised for cash-settled share-based payments during the year is £nil (2015: £nil).

21 Reserves and movements in equity

	Share capital £'000	Share premium £'000	Net unrealised gain/(loss) reserve £'000	Share-based payments reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Merger reserve £'000	Treasury shares £'000
At 1st March 2014	61,176	103,961	(4,627)	–	1,631	44,188	–	(171)
Acquisition of subsidiaries	1,288	–	–	–	–	–	4,725	–
Employee share option scheme	65	133	–	–	–	–	–	6
Termination of cross-currency interest rate swap	–	–	7,647	–	–	–	–	–
Deferred income tax charged directly to equity	–	–	(2,459)	–	–	–	–	–
Currency translation differences – Group	–	–	(2,263)	–	–	–	–	–
At 28th February 2015	62,529	104,094	(1,702)	–	1,631	44,188	4,725	(165)
Employee share option scheme	8	19	–	–	–	–	–	–
Share-based payments	–	–	–	731	–	–	–	–
Revaluation of operating property	–	–	129	–	–	–	–	–
Realisation of valuation uplift	–	–	(142)	–	–	–	–	–
Deferred income tax charged directly to equity	–	–	28	–	–	–	–	–
Currency translation differences – Group	–	–	2,438	–	–	–	–	–
At 29th February 2016	**62,537**	**104,113**	**751**	**731**	**1,631**	**44,188**	**4,725**	**(165)**

The Capital redemption reserve arose from business combinations in prior financial years. This reserve is not distributable.

The Merger reserve comprises the premium on shares following the share issue to acquire Cathedral Group. No share premium is recorded in the Company's financial statements through the operation of the Merger Relief provisions of the Companies Act 2006.

Retained earnings

	£'000
At 1st March 2014	114,087
Profit for the year	33,276
Share-based payments	(21)
Final dividend 2014	(3,994)
Interim dividend 2015	(2,995)
Supplemental dividend 2015	(9,995)
At 28th February 2015	130,358
Profit for the year	21,828
Final dividend 2015	(4,373)
Interim dividend 2016	(2,999)
At 29th February 2016	**144,814**

22 Note to the cash flow statement

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

	2016 £'000	2015 £'000
Profit before income tax	**25,788**	34,757
Adjustments for:		
Gain on disposal of investment properties	**(440)**	(3,843)
Gain on revaluation of property portfolio	**(229)**	(7,824)
Other income	**(673)**	(175)
Share of post-tax profits of joint ventures and associates	**(7,127)**	(2,875)
(Profit)/loss from sale of investment	**(2,174)**	86
Profit from sale of joint venture	**–**	(521)
Loss on sale of other plant and equipment	**87**	20
Finance income	**(2,483)**	(7,914)
Finance cost	**15,351**	12,751
Exceptional item: acquisition costs associated with business combination	**–**	2,724
Exceptional item: termination of cross-currency interest rate swap	**–**	7,917
Depreciation of property, plant and equipment	**1,044**	875
Amortisation of goodwill	**–**	238
Operating cash flows before movements in working capital	**29,144**	36,216
Decrease in development and trading properties	**32,096**	37,951
Increase in receivables	**(41,061)**	(10,137)
(Decrease)/increase in payables	**(11,021)**	16,575
Decrease in provisions	**(1,163)**	(450)
Cash flows generated from operating activities	**7,995**	80,155

23 Financial commitments and operating lease arrangements

Capital commitments

At 29th February 2016, the Group had contracted capital expenditure of £955,000 (2015: £nil). The Group has no commitments for loans to its associates (2015: £nil).

Operating lease arrangements

Operating lease arrangements in respect of land and buildings where the Group is lessee:

	2016 £'000	2015 £'000
Minimum lease payments under operating leases recognised for the year	**4,664**	3,679

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 £'000	2015 £'000
Within one year	**4,020**	3,124
In the second to fifth years inclusive	**14,926**	8,253
After five years	**12,529**	7,127
	31,475	18,504

Operating lease payments represent rentals payable by the Group for certain of its leasehold properties. Leases were negotiated for an average term of 13.5 years (2015: 15.3 years).

In respect of operating lease arrangements where the Group is lessor, at the balance sheet date, the Group had contracted with tenants for the following future minimum payments:

	2016 £'000	2015 £'000
Within one year	**21,374**	20,384
In the second to fifth years inclusive	**68,945**	69,006
After five years	**77,989**	127,080
	168,308	216,470

Property investment income earned during the year was £14,397,000 (2015: £12,891,000).

24 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. At 29th February 2016, such guarantees amounted to £6,917,000 (2015: £10,129,000).

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 £165,000 (2015: £279,000) with an average unexpired lease period of 3.7 years (2015: 3.1 years).

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

25 Pension scheme

The Company operates a defined contribution scheme for Directors and employees. Monthly premiums are invested in an independent insured fund.

The amounts charged to the income statement during the year are set out in note 5.

26 Related parties

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

Transactions entered into and balances outstanding at 29th February 2016 and 28th February 2015 with related parties are set out below. Only Directors are considered to be key management personnel.

Richard Upton, an Executive Director of the Group, received rental income in respect of St Thomas' Church of £133,000 (2015: £180,000) during the period from 1st March 2015 to 8th November 2015. £nil (2015: £15,000) was outstanding at the balance sheet date. In addition Richard Upton owed a total of £77,000 to the Group in respect of the wind down of activities at St Thomas' Church, the office previously occupied by Cathedral Group. This amount will be settled in due course.

Barry Bennett, a Non-executive Director of the Group, is a Director and holds six B shares in Deadhare Limited. U and I Group PLC owns 100 A shares in Deadhare Limited. Prior to the year under review, Barry made a loan of £1,500,000 to Deadhare Limited. This loan and accrued interest was repaid on 12th November 2015.

There were no further transactions with Directors other than remuneration set out in the Remuneration Report on pages 91 to 113.

	Finance income from related parties £'000	Amounts owed by related parties (before provision) £'000
JOINT VENTURES		
2016	**671**	**34,620**
2015	1,567	30,905
ASSOCIATES		
2016	**40**	**20,325**
2015	619	22,624

27 Projects in partnership

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

Project/partner	Project activity	Accounting classification	2016 £'000	2015 £'000
Atlantic Park (Bideford) Limited	Strategic land investment	Investment in associates	**276**	276
Barwood Development Securities Limited	Strategic land investment	Investment in associates	**2,500**	2,500
Barwood Land and Estates Limited	Strategic land investment	Investment in associates	**1,500**	1,500
CDSR Burlington House Developments Limited	Property development	Investment in associates	**33**	3,977
Wessex Property Fund	Property investment	Investment in associates	**–**	–
Beyond Green Developments Limited	Property development	Development properties	**–**	6,923
Wessex Investors	Property development	Development properties	**–**	4,752
Grantham Associates Limited	Hotel operator	Trading property	**–**	4,267
Cathedral (Greenwich Beach) Limited	Property development	Financial assets	**–**	–
Cathedral (Movement, Greenwich) LLP	Property development	Financial assets	**441**	1,329
Northpoint Developments Limited	Property development	Financial assets	**17,285**	18,195
Curzon Park Limited	Property development	Investment in joint ventures	**–**	–
Curzon Park Limited	Property development	Financial assets	**10,505**	8,450
Deeley Freed Limited	Property development	Financial assets	**8,773**	9,487
Henry Davidson Developments Limited	Property development	Financial assets	**553**	–
Property Alliance Group	Property development	Financial assets	**1,500**	1,500
Accrue Student Housing GP Limited	Student accommodation	Investment in joint ventures	**2,603**	1,766
Becket House Unit Trust	Investment property	Investment in joint ventures	**9,093**	5,897
Cathedral (Brighton) Limited	Property development	Investment in joint ventures	**–**	4,523
Development Equity Partners Limited	Property development	Investment in joint ventures	**276**	276
DSCP Property Holdings Limited	Property development	Investment in joint ventures	**2,091**	–
DSP Piano Investments BV	Investment property	Investment in joint ventures	**3,779**	–
DSP Tirol Limited	Investment property	Investment in joint ventures	**5,121**	5,043
DS Renewables LLP	Property development	Investment in joint ventures	**–**	–
Harwell Oxford Developments Limited	Property development	Investment in joint ventures	**7,915**	7,067
Kensington & Edinburgh Estates (South Woodham Ferrers) Limited	Property development	Investment in joint ventures	**503**	448
Manchester Arena Complex LP	Investment property	Investment in joint ventures	**175**	175
Notting Hill (Guernsey Holdco) Limited	Property development	Investment in joint ventures	**7,197**	7,064
Opportunities for Sittingbourne Limited	Property development	Investment in joint ventures	**178**	118
Orion Land & Leisure Limited	Property development	Investment in joint ventures	**1,399**	2,716
Winnebago Holdings Sarl	Investment property	Investment in joint ventures	**6,452**	5,451
			90,148	103,700

The aggregate amounts included within each relevant Balance Sheet account are as follows:

	2016 £'000	2015 £'000
Investment in associates	**4,309**	8,253
Investment in joint ventures	**46,782**	40,544
Financial assets – current	**1,700**	1,700
Financial assets – non-current	**37,357**	37,261
Development properties	**–**	11,675
Trading properties	**–**	4,267
	90,148	103,700

28 Post balance sheet events

As at 29th February 2016, the Group had exchanged contracts on the sale of a number of assets held directly and in joint venture. These sales have since successfully completed.

Report on the Company financial statements

Our opinion

In our opinion, U and I Group PLC's Company financial statements (the 'financial statements'):

– give a true and fair view of the state of the Company's affairs as at 29th February 2016;
– have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
– have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

– the Company Balance Sheet as at 29th February 2016;
– the Company Statement of Changes in Equity for the year then ended; and
– the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)') we are required to report to you if, in our opinion, information in the Annual Report is:

– materially inconsistent with the information in the audited financial statements; or
– apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
– otherwise misleading.

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

– we have not received all the information and explanations we require for our audit; or
– adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
– the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' Remuneration Report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 90, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

– whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
– the reasonableness of significant accounting estimates made by the Directors; and
– the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the Group financial statements of U and I Group PLC for the year ended 29th February 2016.

Julian Jenkins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28th April 2016

Company Balance Sheet
As at 29th February 2016

	Notes	£'000	2016 £'000	£'000	2015 £'000
FIXED ASSETS					
Tangible assets	32	**4,924**		206	
Debtors	36	**17,598**		18,669	
Derivative financial instruments		**582**		417	
Investments	33	**123,250**		122,880	
			146,354		142,172
CURRENT ASSETS					
Inventory	34	**–**		720	
Debtors	36	**1,700**		1,700	
Debtors	35	**403,880**		398,951	
Cash at bank and in hand		**31,884**		45,518	
		437,464		446,889	
CREDITORS					
Amounts falling due within one year	37(a)	**(177,134)**		(175,626)	
Net current assets			**260,330**		271,263
Total assets less current liabilities			**406,684**		413,435
CREDITORS					
Amounts falling due after more than one year:					
Bank loans	37(b)	**(103,789)**		(102,871)	
Provisions for liabilities	37(c)	**(205)**		(944)	
			(103,994)		(103,815)
Net assets			**302,690**		309,620
CAPITAL AND RESERVES					
Called up share capital	38	**62,537**			62,529
Share premium account	39	**104,113**			104,094
Other reserves	39	**6,922**			6,191
Profit and loss account	39	**129,118**			136,806
Total shareholders' funds			**302,690**		309,620

The notes on pages 190 to 200 are an integral part of these financial statements.

Approved by the Board of Directors on 28th April 2016 and signed on its behalf by:

M S Weiner
Director

Company Statement of Changes in Equity
For the year ended 29th February 2016

		Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1st March 2015		61,176	103,961	1,460	153,871	320,468
Loss and total comprehensive income for the year ended 28th February 2015		–	–	–	(60)	(60)
Acquisition of subsidiaries		1,288	–	4,725	–	6,013
Issue of Ordinary shares		65	133	6	–	204
Share-based payments		–	–	–	(21)	(21)
Final dividend 2014		–	–	–	(3,994)	(3,994)
Interim dividend 2015		–	–	–	(2,995)	(2,995)
Supplemental dividend 2015		–	–	–	(9,995)	(9,995)
Total contributions by and distributions to owners of the Company		1,353	133	4,731	(17,005)	(10,788)
Balance at 28th February 2015		62,529	104,094	6,191	136,806	309,620
Loss and total comprehensive income for the year ended 29th February 2016		**–**	**–**	–	(316)	(316)
Issue of Ordinary shares	39	8	19	–	–	27
Share-based payments	39	–	–	731	–	731
Final dividend 2015		–	–	–	(4,373)	(4,373)
Interim dividend 2016		–	–	–	(2,999)	(2,999)
Total contributions by and distributions to owners of the Company		8	19	731	(7,372)	(6,614)
Balance at 29th February 2016		**62,537**	**104,113**	**6,922**	**129,118**	**302,690**

29 Accounting policies

a) General information

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the UK. U and I Group PLC is the holding company for the U and I Group of companies.

i) Basis of preparation

The Company's financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) and the Companies Act 2006. Accounting policies adopted are consistent with the previous year, unless otherwise stated, and are set out below. Details of the transition to FRS 102 are disclosed in note 42.

The Company has not presented its own profit and loss account, as permitted by s408 of the Companies Act 2006. The loss after tax for the year was £316,000 (2015: £60,000 loss, restated).

The Company has also taken advantage of the following exemptions:

i. from presenting a reconciliation of the number of shares outstanding at the beginning and end of the year;
ii. from preparing a statement of cash flows on the basis that it is a qualifying entity and the Consolidated Cash Flow Statement, included in these financial statements, includes the Company's cash flows;
iii. from the financial instrument disclosures required under FRS 102 as the information is provided in the Consolidated financial statements;
iv. from disclosing the share based payment arrangements, required under FRS 102 concerning its own equity instruments. The Company financial statements are presented within the Consolidated financial statements and the relevant disclosures are included therein;
v. from disclosing key management personnel compensation as required by FRS 102.

The financial statements were approved by the Directors for issue on 28th April 2016.

ii) Critical accounting judgements and estimates

When preparing the Company 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 below.

Judgements other than estimates

1.1 Derivative financial instruments

The Company is party to a number of interest rate swap and foreign currency 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. The estimated fair values and the movements in the year are set out in note 18(c) to the Group financial statements.

1.2 Group long term incentive plan

During the year, the Company made awards to staff under the Group's Long-Term Incentive Plan. 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.

b) Investments

The Company's investments in subsidiaries, associates and joint ventures are accounted for in the financial statements at cost less any provision for impairment.

Loans and receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

c) Operating leases

Rental payments under operating leases are charged on a straight-line basis to the profit and loss account over the lease term even if the payments are not made on such a basis.

d) Tangible assets

Tangible assets are held at cost less accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided so as to write off the cost less estimated residual value of such assets over their expected useful lives on a straight-line basis. The principal annual rates used for this purpose are as follows:

Fixtures, fittings and computer equipment	– 10% to 33%
Motor vehicles	– 20%

e) Inventory

Trading properties are carried as inventory and stated at the lower of cost and estimated net realisable value. Cost also includes directly attributable expenditure. No element of overhead is included in cost, since it is not practical to identify overhead amounts in respect of particular assets. Where Directors consider that the costs are not recoverable from the proposed scheme, the project or site is written down to its net realisable value, with the write-down taken to the profit and loss account. Net realisable value is calculated as the estimated realisable value of the project or site, based upon our current plans, less all further costs to be incurred in making the sale.

f) Provisions for liabilities

A provision is recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation. The accretion in the discount is recognised as an interest expense.

g) Taxation

Current tax is the expected tax payable on the taxable income for the year, using tax rates applicable at the balance sheet date, together with any adjustment in respect of previous periods.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences or unutilised tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Income tax relating to items recognised directly in equity is recognised in equity and not in the profit and loss account. Deferred tax is measured on a non-discounted basis.

h) Pension schemes

The Company operates a defined contribution scheme on behalf of the U and I Group. The charge to the profit and loss in the year represents the actual amount payable to the scheme in the year. Differences between contributions payable in the year and contributions paid are shown as either accruals or prepayments in the Balance Sheet.

i) Foreign currencies

Transactions denominated in foreign currencies are translated into UK Sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Exchange movements are dealt with in the profit and loss account.

j) Financial instruments

Derivatives, including interest rate swaps and foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in financial costs or income as appropriate.

The Company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

k) Share-based payments

The Group operates a number of share-based compensation plans, both equity and cash settled, under which the entity receives services from employees as consideration for cash or equity-settled instruments of the Group.

The fair value of the employee services received in exchange for the grant of the option is recognised as an

29 Accounting policies continued

k) Share-based payments continued

expense. The total amount to be expensed is determined by reference to the fair value of the options granted.

Long-Term Incentive Plan (LTIP)

The LTIP commenced on 1st March 2015 and replaced the Performance Share Plan (PSP).

Under the scheme, Ordinary shares are conditionally awarded based on the performance of the Group over a four-year period for Executive Directors and three years for staff. The performance of the Group is referenced to the net asset value per share growth over the vesting period and is based on non-market conditions. The Directors assess the likelihood of the award vesting and the maximum amount that will vest based on forward-looking forecast of the Group.

Ordinary shares conditionally awarded under the PSP are valued at their fair value on the date of the award, using an Equal Probability Model, which takes into account the probability of the Ordinary shares vesting based on an equal probability of achieving appropriate total shareholder return ranking as determined under the performance condition.

The Group has used a Black-Scholes option valuation model to determine the fair value of share options granted. An Equal Probability Model has been used to determine the fair value of share awards under the PSP. The cost of cash-settled transactions with employees and Directors is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of cash-settled share-based instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in accruals.

30 Operating loss

Details relating to staff costs can be found in note 5 of the Group financial statements.

Auditors' remuneration in respect of the audit for the Company was £15,000 (2015: £15,000).

31 Operating lease arrangements

	2016 £'000	2015 £'000
The Company as lessee:		
Minimum lease payments under operating leases recognised for the year	**2,371**	1,168

Annual commitments under non-cancellable operating leases are as follows:

	2016 £'000	2015 £'000
Operating leases which expire:		
Within one year	**–**	–
In the second to fifth years inclusive	**–**	831
After five years	**2,571**	763
	2,571	1,594

Operating lease payments represent rentals payable by the Company for its office property. The lease payments were negotiated for an average term of 10.6 years (2015: 11.5 years).

32 Tangible assets

	Fixtures and fittings and computer equipment £'000	Motor vehicles £'000	Total £'000
COST			
At 1st March 2015	1,167	110	1,277
Additions	5,024	9	5,033
Disposals	(207)	–	(207)
At 29th February 2016	**5,984**	**119**	**6,103**
ACCUMULATED DEPRECIATION			
At 1st March 2015	1,000	71	1,071
Charge for the year	228	14	242
Disposals	(134)	–	(134)
At 29th February 2016	**1,094**	**85**	**1,179**
Net book amount 29th February 2016	**4,890**	**34**	**4,924**
Net book amount 28th February 2015	167	39	206

33 Investments

	Shares in subsidiary undertakings £'000	Interest in associated undertakings £'000	Interest in joint ventures £'000	Interest in loan notes £'000	Total £'000
COST:					
At 1st March 2015	162,597	997	–	8,813	172,407
Additions	270	–	100	–	370
At 29th February 2016	162,867	997	100	8,813	172,777
AMOUNTS PROVIDED:					
At 1st March 2015 and 29th February 2016	(48,530)	(997)	–	–	(49,527)
Net book amount 29th February 2016	**114,337**	**–**	**100**	**8,813**	**123,250**
Net book amount 28th February 2015	114,067	–	–	8,813	122,880

The Company holds £8,813,000 (2015: £8,813,000) of loan notes in Northpoint Developments Limited, a company incorporated and registered in the United Kingdom. £8,425,000 (2015: £8,425,000) of the loan notes earn interest at a fixed rate of 4.25% per annum. As at 29th February 2016, the Company made a provision of £582,000 (2015: £191,000) against interest receivable in respect of these loan notes.

The full list of subsidiaries of the Company are set out in note 43.

34 Inventory – trading properties

	Freehold £'000
NET REALISABLE VALUE:	
At 1st March 2015	720
Transfer to subsidiary undertaking	(720)
At 29th February 2016	**–**

35 Debtors

Amounts falling due within one year	2016 £'000	2015 £'000
Trade debtors	26	10
Amounts owed by subsidiary undertakings	399,163	385,979
Amounts owed by associated undertakings	–	1,388
Other debtors	3,520	8,634
Other taxation recoverable	622	2,504
Prepayments and accrued income	549	436
	403,880	398,951

Amounts owed by subsidiary undertakings are unsecured, interest free and repayable on demand.

36 Debtors

Amounts falling due after more than one year	2016 £'000	2015 £'000
FIXED ASSETS		
Loans to joint operations	17,598	18,669

Amounts falling due within one year	2016 £'000	2015 £'000
CURRENT ASSETS		
Loans and receivables	1,700	1,700

Development loans to joint operations include a number of working capital and project-specific loans of £8,272,000 (2015: £9,182,000) to Northpoint Developments Limited. The loans attract fixed coupon rates of between 5.0% and 13.0%. Included in the above amount is an interest-free loan of £208,000 (2015: £208,000). As at 29th February 2016, the Group has made a provision of £820,000 (2015: £274,000) against interest receivable in respect of these loans.

The Group has a funding agreement of £8,773,000 (2015: £9,487,000) in respect of a project in partnership. The loan attracts a fixed coupon rate of 6.0%. Funding of £553,000 (2015: £nil) has been provided to Henry Davidson Developments Limited in respect of two projects. Interest of 12.5% is charged in respect of this funding.

The Company also provided a short-term, non-interest bearing loan of £200,000 to Northpoint Developments Limited and £1,500,000 to Property Alliance Group, repayable on demand, as a contribution to a prospective future project.

37 Creditors

a) Amounts falling due within one year	2016 £'000	2015 £'000
Bank loans and overdrafts	17	17
Bank loans	9,182	3,038
Trade creditors	264	187
Amounts owed to subsidiary undertakings	152,830	150,787
Amounts owed to associated undertakings	2,450	1,932
Other creditors	4,027	4,678
Accruals and deferred income	8,364	4,992
Special dividend 2015	–	9,995
	177,134	175,626

Bank loans are secured against investment assets held in other Group companies.

Amounts owed to subsidiary undertakings are unsecured, interest free and repayable on demand.

b) Amounts falling due after more than one year	2016 £'000	2015 £'000
Bank loans	103,789	102,871

c) Amounts falling due after more than one year	2016 £'000	2015 £'000
Provisions for liabilities	205	944

The provision of £205,000 (2015: £939,000) relates to an onerous lease obligation entered into in 2009.

d) Derivative financial instruments	2016 £'000	2015 £'000
ASSETS		
Derivative financial instruments at fair value through profit and loss:		
Interest rate swaps	57	189
Foreign exchange contracts	525	228
Derivative financial assets	582	417

38 Called up share capital

	2016 £'000	2015 £'000
Issued, called up and fully paid		
125,074,280 Ordinary shares of 50 pence (2015: 125,057,003 Ordinary shares of 50 pence)	62,537	62,529

	Number of shares
Shares in issue at the date of this report	125,074,280

The Company has one class of Ordinary shares which carry no right to fixed income.

The Company acquired 123,397 of its own shares through purchases on the London Stock Exchange in 2012. The total amount paid to acquire the shares, net of income tax, was £171,000 and has been deducted from shareholder equity. The shares are held as 'Treasury shares'. The Company has the right to re-issue these shares at a later date. All shares were fully paid. A number of shares were subsequently sold out of treasury shares to satisfy a good leaver under the save as you earn scheme. The number of treasury shares held as at 29th February 2016 is 118,792 shares.

38 Called up share capital continued

Share option schemes

As at 29th February 2016, and at the date of this report, the options outstanding under the Company's share option schemes were exercisable as set out below (price stated in pence per share). The share options are more fully described in the Remuneration Report on pages 91 to 113.

Save as you earn option plan 2005:

Date of grant	29.02.16 Number	28.04.16 Number	Exercise dates	Price
22nd December 2014	303,197	282,106	1st February 2018 to 31st July 2018	179.2

Details relating to share-based payments are disclosed in note 20 to the Consolidated financial statements.

39 Reconciliation of movements in shareholders' funds

	Called up share capital £'000	Share premium account £'000	Share-based payments reserve £'000	Capital redemption reserve £'000	Merger reserve £,000	Treasury shares £'000
At 1st March 2015	62,529	104,094	–	1,631	4,725	(165)
Employee share option scheme	8	19	–	–	–	–
Share-based payments	–	–	731	–	–	–
At 29th February 2016	**62,537**	**104,113**	**731**	**1,631**	**4,725**	**(165)**

	£'000
PROFIT AND LOSS ACCOUNT	
At 1st March 2014	153,871
Loss for the financial year	(60)
Share-based payments	(21)
Final dividend 2014	(3,994)
Interim dividend 2015	(2,995)
Supplemental dividend 2015	(9,995)
At 28th February 2015	136,806
Loss for the financial year	(316)
Final dividend 2015	(4,373)
Interim dividend 2016	(2,999)
At 29th February 2016	129,118

The loss after tax of the Company was £316,000 (2015: £60,000 loss).

40 Contingent liabilities

The contingent liabilities of the Group are set out in note 24. The Company has provided guarantees in respect of loans and overdrafts of its subsidiary entities totalling £101,165,000 (2015: £136,258,000). In addition, the Company has guaranteed the performance of subsidiary entities under a range of operating obligations, none of which is expected to give rise to a liability in the Company.

41 Related parties

Related party transactions are the same for the Company as for the Group. Details can be found in note 26 to the Consolidated financial statements.

42 Transition to FRS 102

This is the first year that the Company has presented its results under FRS 102. The last financial statements prepared under UK GAAP were for the year ended 28th February 2015. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 28th February 2015 and the total equity as at 1st March 2014 and 28th February 2015 between UK GAAP as previously reported and FRS 102.

Loss for the financial year	28th February 2015 £'000
UK GAAP as previously reported	(477)
Derivative financial instruments	417
FRS 102	(60)

Total equity	1st March 2014 £'000	28th February 2015 £'000
UK GAAP as previously reported	320,468	309,203
Derivative financial instruments	–	417
	320,468	309,620

Derivative financial instruments

FRS 102 requires derivative financial instruments to be recognised at fair value. Previously under UK GAAP the Company did not recognise these instruments in the financial statements. The Company entered into a new derivative transaction in March 2014. During the year to 28th February 2015, the Company recognised a gain of £417,000 in the profit and loss account for the year then ended and a corresponding asset of £417,000 was recognised at that date.

43 Details of related undertakings of U and I Group PLC

All of the companies listed below are owned 100% by the Group and are located and operate in the United Kingdom.

All interests are in Ordinary share capital and have been consolidated.

Airport House Business Centre Limited
Albion Securities and Developments Ltd
Barrack Close Limited
Becket House Asset Management Limited
Beyond Green Developments (Broadland) Limited
Beyond Green Developments (Thame) Limited
Birmingham International Park (2000) Limited
Birmingham International Park Limited
Blue Living (Pincents Hill) Limited
Brownsea View Developments Limited
Bruform Limited
Bryn Blaen Wind Farm Limited
Buckshaw Village Commercial Centre Management Company Limited
Burghfield Bolt Ltd
Calabrese Court Limited
Cambourne Business Park Limited
Cambourne Business Park Management Limited
Capital Business Parks Developments Limited
Capital Business Parks Globeside Limited
Cathedral (Brighton) Limited
Cathedral (Bromley 2) Limited
Cathedral (Bromley Esco) Limited
Cathedral (Bromley) Limited
Cathedral (Deptford 2) Limited
Cathedral (Goswell) Limited
Cathedral (Greenwich Beach) Limited
Cathedral (Moss) Limited
Cathedral (Preston Barracks) Limited
Cathedral (Sittingbourne) Limited
Cathedral Special Projects (H) Limited
Central Research Laboratory (Hayes) Ltd
Church Aston Developments Limited
Cm (Winchester) Limited
D S Property Developments Limited
Development Securities (10 St Bride Street) Limited
Development Securities (Abbey Wood) Limited
Development Securities (Armagh) Limited
Development Securities (Ashford) Limited
Development Securities (Bicester) Ltd
Development Securities (Blackpool Developments) Ltd
Development Securities (Bond Street) Limited
Development Securities (Brentford) Limited
Development Securities (Cannock) Limited
Development Securities (Charlton Riverside) Limited
Development Securities (Colston Tower) Limited
Development Securities (Curzon Park) Limited
Development Securities (Edgware Road No.1) Ltd
Development Securities (Edgware Road No.2) Ltd
Development Securities (Furlong) Limited
Development Securities (Glasgow Airport) Limited
Development Securities (Greenwich Beach) Limited
Development Securities (Greenwich) Limited
Development Securities (Hale Barns) Limited
Development Securities (Hammersmith) Limited
Development Securities (HDD) Limited
Development Securities (Ilford) Limited
Development Securities (Investment Ventures) Limited
Development Securities (Investments) PLC
Development Securities (Launceston) Limited
Development Securities (Lichfield) Limited
Development Securities (Littlehampton) Limited
Development Securities (Maidstone) Limited
Development Securities (Marsh Mills) Limited
Development Securities (Moreton Woods) Limited
Development Securities (Nailsea) Limited
Development Securities (No. 11) Limited
Development Securities (No. 14) Limited
Development Securities (No. 22) Limited
Development Securities (No. 23) Limited
Development Securities (No. 24) Limited
Development Securities (No.1) Limited
Development Securities (No. 18) Limited
Development Securities (No. 25) Limited
Development Securities (No. 26) Limited
Development Securities (No. 28) Limited
Development Securities (No. 3) Limited
Development Securities (No. 37) Limited
Development Securities (No. 39) Limited
Development Securities (No. 42) Limited
Development Securities (No. 43) Limited
Development Securities (No. 45) Limited
Development Securities (No. 5) Limited
Development Securities (No. 51) Limited
Development Securities (No. 53) Limited
Development Securities (No. 69) Limited
Development Securities (No. 7) Limited
Development Securities (No. 75) Limited
Development Securities (No. 78) Limited
Development Securities (No. 79) Limited
Development Securities (No. 80) Limited
Development Securities (No. 81) Limited
Development Securities (No. 85) Limited
Development Securities (No. 88) Limited
Development Securities (No. 9) Limited
Development Securities (No. 90) Limited
Development Securities (No. 91) Limited
Development Securities (No. 95) Limited
Development Securities (No. 97) Limited
Development Securities (North London) Limited
Development Securities (Romford) Limited
Development Securities (Sevenoaks) Limited
Development Securities (Slough) Limited
Development Securities (Southampton A) Limited
Development Securities (Southampton B) Limited
Development Securities (Southampton C) Limited
Development Securities (Southwark) Limited
Development Securities (Watford) Limited
Development Securities (Wells) Limited
Development Securities (Woking) Limited
Development Securities Limited
Development Securities Properties (Wales) Limited
DS Wessex Barnstaple Limited
ECC Investments PLC
Elvidean Limited
Elystan Developments Limited
EPD Buckshaw Village Limited
Executive Communication Centres (Birmingham) Limited
Executive Communication Centres (Cardiff) Limited
Executive Communication Centres (London City) Limited
Executive Communication Centres (Milton Keynes) Limited
Executive Communication Centres Limited
Executive Communication Centres(London West End) Limited
Extreme Cool Limited
Furlong Shopping Centre Limited
Golden Leisure (North West) LTD
Goswell Works Limited
Greenwitch Limited
Griffe Grange Wind Farm Limited
Group U+I Limited
HDD Ashford Limited
HDD Bannerbrook Limited
HDD Bridgwater Limited
HDD Burghfield Common Limited
HDD Didcot Limited
HDD Dover Limited
HDD Lawley Residential Limited
HDD Lawley Village Limited
HDD Lichfield Limited
HDD Llanelli Limited
HDD Newcastle Under Lyme Limited
HDD Newport Limited
HDD Newton Leys Limited
HDD Oxley Units Limited
HDD Pemberton Limited
HDD RAF Watton Limited
HDD Stanground Limited
HDD Takeley Limited
HDD Tranmere Limited
Heart Of Slough Management Company Limited
Hendy Wind Farm Limited
Hsic Gp1 Limited
Hsic Gp2 Limited
Kingsland Shopping Centre Limited
Landpack Limited
Luneside East Limited
Manchester Arena GP Limited
Men Arena GP Limited
Mendip Land Limited
Minevote Public Limited Company
Moss Works Limited
Njord Wind Developments Limited
Orion Shepherds Bush (Market) Limited
Orion Shepherds Bush (No.2) Limited
Orion Shepherds Bush (No.3) Limited
Orion Shepherds Bush (Number 42 Goldhawk Road) Limited
Orion Shepherds Bush Limited
OSB (Holdco 2) Limited
Parkes Court Limited
Public Private Partnership (H) Limited
R.D.B.P. Management Limited
RHD (Dartmouth) Limited
Rhoscrowther Wind Farm Limited
Rivella Properties Bicester Ltd
The Deptford Project 2 Limited
The Deptford Project Limited
The Harwell Science And Innovation Campus Nominee Limited
The Royals Business Park Limited
The Telegraph Works Limited
Triangle Developments Limited
Triangle London Limited
U and I (Projects) Limited
U and I Finance PLC
U and I PPP Limited
U and I Property Limited
UAIH Yorkshire Limited
Wallis Court Buckshaw Limited
Wassand Wind Farm Limited
Waterfront Wakefield (Hebble Wharf) Limited
Westway House Limited
Wimbledon Phoenix Limited

43 Details of related undertakings of U and I Group PLC continued

Other subsidiaries, joint arrangements and other significant holdings.

	Country of incorporation	% Holding
Axis Manchester LLP	United Kingdom	50
Barwood Land Investments Limited	United Kingdom	25
DS Investment Properties 2 LLP	United Kingdom	100
DS Investment Properties LLP	United Kingdom	100
Purplexed LLP	United Kingdom	100
Spirit Of Sittingbourne LLP	United Kingdom	65
WPG Investment LLP	United Kingdom	50
Deadhare Limited	United Kingdom	95
OSB (Holdco 1) Limited	United Kingdom	84.94
Accrue Student Housing GP Ltd	United Kingdom	50
Atlantic Park (Bideford) Limited	United Kingdom	50
Curzon Park Limited	United Kingdom	50
DSP Tirol Limited	United Kingdom	50
Harwell Oxford Developments (GP) Limited	United Kingdom	50
Harwell Oxford Developments Limited	United Kingdom	50
Harwell Oxford Management Limited	United Kingdom	50
Kensington & Edinburgh Estates (South Woodham Ferrers) Limited	United Kingdom	50
Opportunities For Sittingbourne Limited	United Kingdom	50
Tarmac Clayform Limited	United Kingdom	50
The Harwell Science And Innovation Campus General Partner Limited	United Kingdom	50
The Harwell Science and Innovation Campus Limited Partnership	United Kingdom	49.91
Northpoint Developments Ltd	United Kingdom	42
Barwood Development Securities Limited	United Kingdom	40
Manchester Arena Complex LP	United Kingdom	30
Barwood Land and Estates Limited	United Kingdom	25
DS Renewables LLP	United Kingdom	100
Notting Hill (Guernsey Holdco) Ltd	Guernsey	25
Notting Hill Gate KCS Limited	Guernsey	25
DS CP Property Holdings	Ireland	100
DS Robswall Ireland (Residential) Limited	Ireland	100
Development Securities Properties (Dublin) Limited	Ireland	100
Percy Place DS (Ireland) Limited	Ireland	100
CDSR Burlington House Developments Limited	Ireland	20
D S (Bexleyheath) Limited	Jersey	100
Drake Bideford Limited	Jersey	100
DS (Brentford) Limited	Jersey	100
DS (Ringwood) Limited	Jersey	100
DS (Thatcham) Limited	Jersey	100
DS Jersey (Manchester 1) Limited	Jersey	100
DS Jersey (No.5) Limited	Jersey	100
DS Jersey (Notting Hill) Limited	Jersey	100
DS Jersey Capital Partners Limited	Jersey	100
DS Jersey Retail Limited	Jersey	100
Hammersmith Central Unit Trust	Jersey	100
Hammersmith Central South Unit Trust	Jersey	100
STRD Holding Company Limited	Jersey	100
Wessex Property Fund	Jersey	47
Becket House Unit Trust	Jersey	15
DS Cardiff Unit Trust	Jersey	100
Nailsea Unit Trust	Jersey	75
Development Equity Partners Ltd	Jersey	50
Winnebago Holdings S.a.r.l	Luxembourg	35
Development Securities Netherlands B.V.	Netherlands	100
DSP Investments Piano B.V.	Netherlands	34

Annual General Meeting	**14th July 2016**
Payment of Ordinary dividend	**19th August 2016**
Announcement of Interim Results to 31st August 2016	**October 2016**

Company Secretary
C Barton ACIS

Registered office
7A Howick Place
London SW1P 1DZ
Telephone: 020 7828 4777
Facsimile: 020 7828 4999

Website address
www.uandiplc.com

Registered number
1528784

Incorporation
U and I Group PLC is incorporated in Great Britain and registered in England and Wales

Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Principal bankers
Aviva Commercial Finance Limited
Barclays Bank PLC
Lloyds Banking Group
Santander Group
The Royal Bank of Scotland plc

Corporate solicitors
Linklaters LLP

Financial advisors
Rothschild

Corporate stockbrokers
Peel Hunt LLP
Barclays Bank PLC

Registrars and transfer office
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Telephone: 0871 664 0300
UK calls cost 10p per minute plus network extras
Lines are open 9.00am – 5.30pm Monday to Friday excluding public holidays
Overseas telephone: +44 20 8639 3399
Email: shareholderenquiries@capita.co.uk

Consultancy, design and production
www.luminous.co.uk

U and I Group PLC
7A Howick Place
London
SW1P 1DZ

www.uandiplc.com