

Cockpit Yard  
Springfield Park  
10 and 12 Hammersmith Grove  
399 Edgware Road  
Algarve House  
Future Works  
Charlton Riverside  
Circus Street  
Deptford Market Yard  
Donnybrook House  
Friarsgate Shopping Centre  
Harwell  
Mill Green  
Telegraph Works  
Preston Barracks  
St Mark's Square  
The Horizon Building  
8 Albert Embankment  
The Old Vinyl Factory  
Mayfield  
Vertium  
Blackhorse Road  
Westminster Industrial Estate  
Caxton Works  
Equipment Works  
Shepherds Bush Market  
Morden Wharf  
Spirit of Sittingbourne

# YOU WILL KNOW US BY THE PLACES WE CREATE

U and I Group PLC Annual Report and Accounts 2017



## One year on

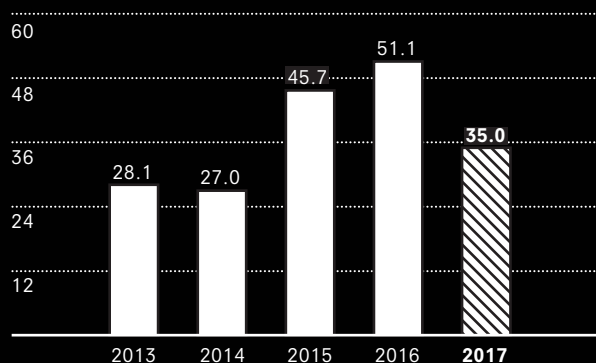
In our first Annual Report as U+I, we told you about a business with a vision to create long-lasting positive change for communities and sustainable value for our shareholders.

What underpins this is our genuine passion for unlocking the potential of undervalued urban sites, transforming them into thriving communities and neighbourhoods.

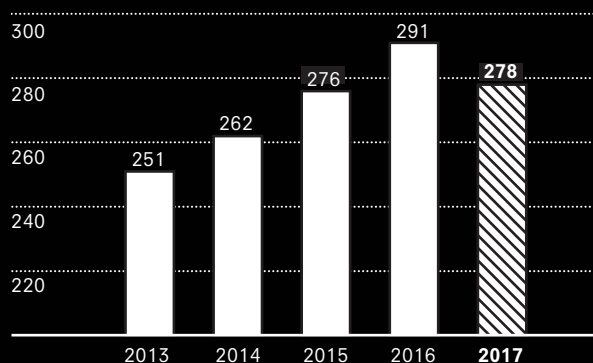
At the end of our second year, we are on our way to achieving our ambitious targets with a focus on value creation and a clear strategy to get us there.

### 2017 financial highlights

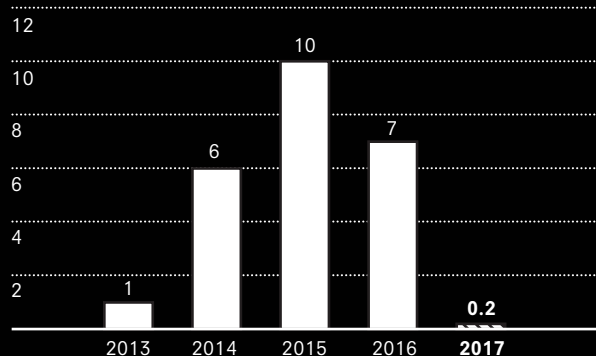
Development and trading gains (£'m)



NAV per share (pence)



Total return (%)\*



Total dividends per share declared in the year

**8.7p**  
(2016: 13.9p)

Gearing

**34.8%**  
(2016: 44.4%)

\* Total return is the growth in our basic NAV including dividends.

# U+I EXISTS TO UNLOCK POTENTIAL THROUGH REGENERATION, DELIVERING POSITIVE CHANGE FOR COMMUNITIES AND SUSTAINABLE VALUE FOR SHAREHOLDERS...

## Annual Report and Accounts 2017

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# **“OUR PERFORMANCE OVER THE PAST YEAR HIGHLIGHTS THE EXTENT OF OUR AMBITIONS AND OUR POTENTIAL FOR THE FUTURE”**

We are highly ambitious, not for ambition's sake, but because we are clear about the need for the regeneration projects we create. We are proud of our ability to deliver them and we understand the value, both financial and social, that can be generated from them.

As our business expands and develops, the combination of our operational focus and our financial model will deliver consistent, long-term value, driven by a dynamic blend of development, trading and investment activity.

**Matthew Weiner**  
Chief Executive Officer



## Our role in the world

### WHY WE EXIST

We exist to create long-term socio-economic benefit for the communities in which we work, delivering sustainable returns to our shareholders

### WHAT WE DO

We are a specialist regeneration developer and investor that transforms undervalued parts of towns and cities into communities where people and enterprise can thrive

### 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

## Our strategic objectives

1

### GROW PIPELINE

Build a pipeline of regeneration projects that deliver superior returns

2

### DRIVE VALUE

Optimise the value within our portfolio through an integrated business model

3

### DELIVER RETURNS

Deliver excellent returns on a through-cycle basis

4

### MAINTAIN CAPITAL EFFICIENCY

Maintain capital discipline and a strong balance sheet with a rigorous approach to risk

### DEVELOPMENT AND TRADING PORTFOLIO

Trading

**£206m\*\***

capital value\*\*\*

**39%**

of gross assets\*

**Delivers:**

- Longer-term development profit
- Shorter-term trading profit
- Some elements of completed developments retained within investment portfolio

PPP

**£116m\*\***

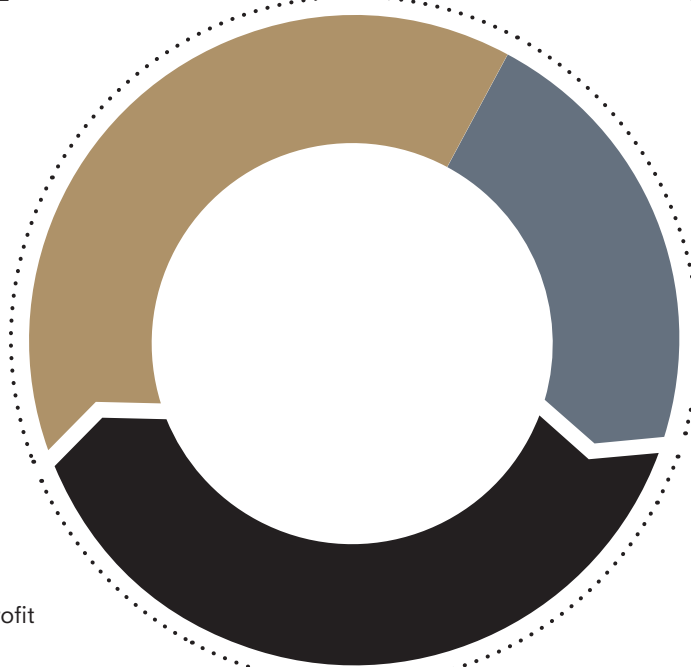
capital value\*\*\*

**22%**

of gross assets\*

**Key value drivers:**

- Planning gain
- Development margin
- Arbitrage/mispricing



### INVESTMENT PORTFOLIO

**Delivers:**

- Income return/growth
- Capital growth
- Future development opportunities

**Key value drivers:**

- Asset management
- Planning gain

**£211m**

capital value\*\*\*

**39%**

of gross assets\*

\* Group share where appropriate

\*\* Assets held at cost, not revalued

\*\*\* Capital value includes all property interests held both directly and indirectly

## How we create value

U+I is a specialist mixed-use regeneration developer and investor. We realise gains and drive value as we unlock the potential of land and assets.

We have a talent for **buying well** and delivering **value through planning and development**. We focus on opportunities where our size and expertise afford us competitive advantage. We are experts in managing the complexities of the planning system to deliver high quality, mixed-use regeneration projects.

With a track record of over 25 years of investment and development, and a diverse team of property experts, our £6 billion portfolio contains a mixture of **longer-term large-scale regeneration projects, shorter-term trading opportunities and investment assets** (see pages 22 to 39). This combination of projects allows us to generate consistent returns and income through the property cycles.

We have an equity-efficient approach to development, whereby we limit our financial exposure through the Public Private Partnership (PPP) model (see pages 28 to 31). This reduces our risk exposure in any one individual project whilst allowing us to build a portfolio with significant upside potential.

Our activity is focused 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, tenants and tourism to succeed.

Placing **people at the heart of everything we do**, we are committed to delivering profitable projects that create a legacy and deliver socio-economic change for the communities in which we work (see pages 48 to 54).

\* A catchment area that includes satellite towns and locations within an hour's commute of Central London

## How we measure our progress

### Our KPIs

#### Development and trading gains

Target:

**£50m**

per annum and in excess of £150m over the next 3 years

FY2017 performance:

**£35m**

#### Total return

Target:

**12%**

post tax total return per annum in the next 3 years

FY2017 performance:

**0.2%**

#### Investment portfolio total return

Target:

**10%**

return per annum in the next 2-4 years

FY2017 performance:

**1.7%**

#### Gearing

Target:

**40-50%**

on balance sheet

FY2017 performance:

**34.8%**

**+** Read more in our KPI section p.16-17

### Operational highlights

**£6bn**

Gross Development Value of portfolio including joint ventures

**4**

PPP projects won, adding £1.5bn to our development pipeline

**>90%**

Success rate in planning

**45,000**

Visitors to our meanwhile use projects

**EVERYTHING WE DO IS  
ABOUT CONNECTION,  
UNCOVERING OPPORTUNITY  
AND REALISING POTENTIAL**

**WE'VE BEEN BUSY  
DOING THIS ACROSS  
OUR PORTFOLIO...**



# A YEAR OF ACHIEVEMENT

# UNLOCKING POTENTIAL TO REALISE POSITIVE CHANGE

U+I is establishing a reputation as a leading regeneration developer and the public sector's development partner of choice. Four major wins this year are evidence of this, together adding over £1.5 billion of Gross Development Value (GDV) to our pipeline and over £90 million of development and trading gains in 2020 and beyond. Our business is focused on mixed-use regeneration projects where we can apply our expertise and deliver superior returns.

4

Major PPP projects won

£1.5bn

GDV added to pipeline






## MAJOR NEW WIN: MAYFIELD

### A HIGH QUALITY URBAN NEIGHBOURHOOD IN THE HEART OF MANCHESTER

As part of a joint venture with The Mayfield Partnership, we will be transforming the former Mayfield railway station into a high quality urban neighbourhood in the heart of the city.

The plans for the regeneration of Mayfield will rejuvenate a site which has been derelict for more than three decades, breathing new life into a once thriving city district.

 Read more in our portfolio review p.22-39

#### Type

Public Private Partnership

£850<sub>m</sub>

GDV

#### Development partners

The Mayfield Partnership  
– Manchester City  
Council, London  
Continental Railways  
and Transport for  
Greater Manchester

24<sub>acres</sub>

Size of development

#### Location

Manchester Piccadilly

#### Architect

Studio Egret West






## MAJOR NEW WIN: 8 ALBERT EMBANKMENT

### A NEW CHAPTER FOR THE LONDON FIRE BRIGADE

This central London site, which overlooks the River Thames and the Houses of Parliament, is teeming with history and importance. First constructed in 1937, this Grade II listed building was originally the headquarters of the London Fire Brigade before becoming the home to Lambeth fire station.

Our plans for 8 Albert Embankment will take the site into the next chapter of its life. We are completely redesigning the space to create a modern, fit-for-purpose fire station and training yard within a wider mixed-use regeneration project, delivering a new landmark for London.

 Read more in our portfolio review p.22-39

#### Type

Public Private Partnership

#### Development partners

London Fire  
and Emergency  
Planning Authority

#### Location

Lambeth, London

#### Architect

Pilbrow & Partners

£400m

GDV

2.5 acres

Size of development





## AN ICONIC REGENERATION

8 Albert Embankment will house a permanent London Fire Brigade museum alongside the operating station. Formerly located in Southwark, the museum will provide a world-class collection which depicts the history of firefighting, from the Great Fire of London to the present day. To kick things off we have provided a temporary home for a pop-up fire museum within 8 Albert Embankment.



## Cockpit Yard

A mixed-use PPP project in the heart of Holborn, London



## MAJOR NEW WIN: COCKPIT YARD

# A NEW DESTINATION FOR HOLBORN

Our partnership with Camden Council will deliver a new mixed-use destination for Holborn. Located on Theobald's Road within the Bloomsbury Conservation Area, the site is currently occupied by Holborn library and Cockpit Arts – an award winning social enterprise and creative business incubator for designer-makers.

We are now working on plans that will see the site completely redeveloped to provide brand new work spaces, a fully remodelled library, a local archive facility, and new public spaces. The redevelopment will also deliver 105 new homes, including new affordable units.

### Type

Public Private Partnership

### Development partners

London Borough of Camden

### Location

Holborn, London

### Architect

Coffey Architects

# £100m

GDV

**+** Read more in our portfolio review p.22-39



## **IMPROVING OUR INVESTMENT PORTFOLIO**

Playing to our strengths as a regeneration specialist, we are aligning our investment portfolio with the wider activities of the Group. Our focus is to hunt for overlooked and undervalued sites in areas of the market where value can be driven through regeneration.





## REALISING POTENTIAL

# REGENERATING A GREAT LONDON HIGH STREET

Having completed the development of The Deptford Project, we have retained Deptford Market Yard (DMY) within our investment portfolio. This new retail destination opened in November 2016 and we have carefully curated a mix of tenants to create a retail experience that embraces the culture and community of Deptford. A daily street market will sit at the heart of DMY, lined with independent shops and restaurants to create a truly original London leisure destination. Our achievements were recently recognised with a 'Placemaking Award' at the Property Week Awards.

✚ Read more in our portfolio review p.22-39

### Type

Retained investment asset

### Development partners

London Borough of Lewisham

### Location

Deptford, Lewisham, London

# 10.4%

FY2017 valuation growth

# 8.2%

Estimated rental value









## CREATING SPECIALIST PLATFORMS

Forming specialist platforms with capital partners allows us to deliver projects off balance sheet, in a capital efficient manner. These platforms allow us to leverage both our equity and our intellectual capital to acquire, enhance and deliver projects, generating annual fees and development and trading profits to the business. In effect, they allow us to do more than we could on our own.

FY17 highlights

////////////////////

2

platforms created



**DOING  
MORE  
THAN WE  
COULD  
ON OUR  
OWN**



## ENHANCING COMMUNITIES

Creating long-term socio-economic growth in the places where we work is core to our approach. From the start of the development process we engage with local communities in meaningful and creative ways through meanwhile use activities on our sites.

In this way, we learn more about the heritage and reality of these places and build deeper relationships with local communities. Ultimately, this allows us to develop better proposals, more suited to the local context resulting in a smoother, more successful journey through planning and regeneration.

### FY17 highlights

45,000

visitors to our  
meanwhile projects

850

events hosted at our  
meanwhile projects



Read more in our sustainability section p.48-54





## THE WORKSHOP

This year we launched The Workshop at 8 Albert Embankment creating a temporary home for the London Fire Museum and a public co-working space for creative businesses who run events for the local community.

[www.eightalbertembankment.com](http://www.eightalbertembankment.com)





# Platform Southwark







## SOUTHWARK

# A PLATFORM TO ENGAGE THE COMMUNITY

Housed at our development site in Southwark, Platform is a multi-disciplinary temporary project space with a mission to encourage and promote ground-breaking art, music and performance. Collaboration and engagement with the local community are central to Platform's mission, which aims to be a fun and creative space that is accessible to all.



**"Working with U+I above and around Southwark Underground station will see us create homes, jobs and new community facilities on a site that has been left undeveloped for far too long. Southwark is a great example of what we are doing across our portfolio, and we look forward to working with U+I at sites across the capital to meet London's needs whilst generating revenues to reinvest in the transport network."**


Graeme Craig, Director of Commercial Development, TfL





## STRENGTHENING OUR TEAM

Our people are what allow us to do what we do. We are growing a strong culture around a clear brand ambition, values and behaviours that will set us apart and fuel our success. It's what differentiates us from our competition. It's what enables us to grow our pipeline. It's what allows us to deliver great places and generate value for all of our stakeholders.

 Read more in our sustainability p.48-54 and Corporate governance p.56-113 sections





## THE RIGHT SKILLS

This year we established our Executive Committee (ExCo) to ensure greater responsibility and accountability for delivering our business plan, with each member having ownership of key work streams within the business.

We strengthened this team with the appointment of Mark Richardson as Head of Delivery and Brenda Bates as Head of Communications and Business Services during the year.

From left to right: Mark Richardson, James Bishop, Brenda Bates, Simon Hesketh, Bradley Cassels





## UNITED AND INDUSTRIOUS

We are building a company that our team is proud to be part of, living out our values every day as we deliver our strategy together.

 Read more in our sustainability section on p.48-54







**DON'T JUST TAKE  
OUR WORD FOR IT**

**“WE HAVE WORKED CLOSELY WITH U+I WHO HASN'T BEEN AFRAID TO CHALLENGE OUR THINKING AND BRING NEW IDEAS TO THE TABLE. THE COMBINATION OF OUR INTRICATE KNOWLEDGE OF THE CITY AND U+I'S DEPTH OF UNDERSTANDING OF URBAN REGENERATION IS CREATING A NEW DEVELOPMENT THAT WILL BRING GROWTH AND BUILD AN EXCITING LEGACY FOR OUR CITY.”**

Cllr Mike Wilcox, Leader of Lichfield District Council

**“U+I HAS BEEN AN EXCELLENT DEVELOPMENT PARTNER, BRINGING A THOROUGH AND EXPERT APPROACH TO RISK MANAGEMENT, CARE AND ATTENTION TO DESIGN AND A THOUGHTFUL APPROACH TO COMMUNITY ENGAGEMENT. WE ARE PROUD OF THE LEGACY WE HAVE CREATED WITH 10 AND 12 HAMMERSMITH GROVE.”**

Gerry Ferguson, Head of UK Property Pooled Funds, Aberdeen Asset Management

**“U+I HAS BEEN A LONG-STANDING PARTNER OF GREENWICH COUNCIL AND WE HAVE ALWAYS ENJOYED THE SPARK AND COMMUNITY-FOCUSSED APPROACH THAT THEY BRING. THE PROJECTS THAT THEY ARE DELIVERING ARE ENLIVENING AND ENRICHING OUR BOROUGH.”**

Denise Hyland, Leader of Royal Borough of Greenwich Council

**“U+I IS EXACTLY THE KIND OF DEVELOPMENT PARTNER WE ARE LOOKING FOR. ITS IDEAS, ENERGY AND DRIVE HAVE BEEN A WELCOME AND REFRESHING ADDITION TO THE FUTURE DEVELOPMENT OF OUR TOWN.”**

Cllr Gerry Clarkson, Leader of Ashford Borough Council

**“U+I SPOTTED THE OPPORTUNITY TO CREATE A HIGH QUALITY OFFICE-LED REGENERATION PROJECT AT THE GATEWAY TO SLOUGH. BRUNEL PLACE IS A FIRST-RATE BUILDING THAT IS SET TO BENEFIT FROM THE STRENGTH OF ITS LOCATION AND THE HIGH DEMAND FOR QUALITY COMMERCIAL SPACE. WE ARE EXCITED TO BE PARTNERING ON A PROJECT THAT IS SET TO TRANSFORM SLOUGH TOWN CENTRE.”**

Peter Ferrari, Chief Executive of Ashby Capital



**WITH A CLEAR FOCUS,  
WE ARE BUILDING ON OUR  
STRONG TRACK RECORD**

**DELIVERING LONG-TERM  
VALUE FOR ALL OF OUR  
STAKEHOLDERS**

# A SUSTAINABLE AND SUCCESSFUL BUSINESS

Peter Williams photographed at U+I's offices in Victoria, London

**This is my first statement as Chairman of U+I and I am pleased to report another solid set of annual results.**

We delivered a headline profit before tax and exceptional items of £0.4 million and development and trading gains of £35.0 million. These are profits realised from sales made during the year that demonstrate U+I's highly effective origination activity, coupled with an ability to add value through the planning and development process.

The results are noteworthy, given the impact of the UK's decision to leave the EU, following the referendum in June 2016. In the months following that referendum, a pall of uncertainty hung over the property market, as investment decisions were delayed and activity stalled. More normalised conditions have begun to return but the environment remains unpredictable.

At U+I, however, we are optimistic about the future and our ability to proactively drive value and generate strong cash flows as evidenced by the Board declaring a third consecutive supplemental dividend in addition to our ordinary dividend.

There are strong grounds for our positive outlook, which reflect why I am excited to be chairing this company. U+I is distinctive. It stands out within the property sector both in what it does and the way it does it. The Group takes a creative approach to real estate. We dare to challenge the status quo and, as a result, we win business that others don't and deliver results that others can't.

With my background in cutting-edge retail, these are attributes that I recognise and appreciate. They are already helping U+I to generate momentum, as evidenced by the four major regeneration projects that the Company won last year. These will not only deliver sustainable value; they are also an endorsement of U+I's approach, strategy and growing reputation among public sector decision-makers.

U+I's focus on mixed-use regeneration makes sense on many levels. It chimes with government policy to deliver more homes and jobs, improve productivity and stimulate local communities. It encourages better use of brownfield and public land, which is in vast supply. It supports pressurised local authorities and public bodies in their drive to deliver the regeneration that their communities need but with limited resource to do so. It responds to consumer demand for mixed-use environments where they

can live, work, play and study. It delivers tangible socio-economic benefits and it creates value for shareholders.

It is particularly inspiring to see the way that the U+I team approaches these projects. There is real care and conviction, a desire to build true partnerships with local communities and decision-makers but also a rigorous focus on risk management and value creation for shareholders.

The Group's portfolio, with a Gross Development Value (GDV) of £6 billion, is anchored by large-scale Public Private Partnership (PPP) projects, balanced with shorter-term trading activity to produce regular, consistent returns. These projects give us visibility on a pipeline that stretches to 2020 and beyond, with over £150 million of gains set to be delivered in the next three years.

The investment portfolio is transitioning to a focus on regeneration to support development and trading activities, improve performance and drive stronger returns. And our specialist platforms are designed to leverage our equity and intellectual capital to drive growth and maximise financial efficiency. This spread of activity – with assets in the London City Region\*, Manchester and Dublin – provides welcome diversification and several routes to value creation.

In my nine months as Chairman, Matthew and Richard have continued to knit this company together, strengthen the team and create a unified whole. The energy, enthusiasm and drive across the business are palpable and symptomatic of a company that is progressing at pace.

U+I's values – audacity, imagination and intelligence – are rare in the property industry. Yet this Company lives by these values with integrity. It has the imagination to visualise a better, brighter future for the places in which it works. It has the audacity to make those transformations real. And it has the intelligence to know what is worth striving for.

I am pleased and proud to see what the Group has achieved so far and I am confident that the team are developing a strong, sustainable and successful business.



**Peter Williams**

Chairman

26 April 2017

\* A catchment area that includes satellite towns and locations within an hour's commute of Central London





# CONFIDENT IN OUR AMBITIOUS TARGETS

Matthew Weiner photographed at 8 Albert Embankment, London

**As I look back over the past year, I am proud of what we have achieved and even more excited about what is yet to come. We are making measurable progress in our ambition to build a sustainable business, centred on mixed-use regeneration. These projects respond to real needs within our society and they are recognised as a priority by central and local government. There are growing opportunities in the regeneration market within which we play a leading role, with a strengthening competitive advantage in our chosen regions.**

In the year to February 2017, we delivered development and trading profits of £35.0 million (2016: £51.5 million) and a profit before tax and exceptional items of £0.4 million (2016: £25.8 million). The reduction in profit before tax was principally caused by a lower level of development and trading gains, a negative valuation performance of our investment portfolio in H1 and lower rental income as we disposed of non-core assets from our investment portfolio. After paying £17.4 million of dividends (13.9 pence per share) our net asset value (NAV) decreased to £347.6 million/278 pence per share (2016: £363.3 million/291 pence per share).

The Board has recommended the payment of a final dividend of 3.5 pence per share payable on 17 August 2017 to all shareholders on the register on 21 July 2017 bringing the total dividend for the financial year to 5.9 pence per share. In addition, we will pay a supplemental dividend of 2.8 pence per share on 16 June 2017 to all shareholders on the register on 12 May 2017. This will be the third supplemental dividend paid to shareholders in the past three years and underlines our confidence in continuing to generate strong cash flows from our development and trading activities.

### **Navigating the market**

I am particularly pleased with our performance, given the unusual and unpredictable economic and political backdrop. The decision, last June, to leave the EU temporarily stalled the UK property market, creating headwinds throughout the summer and beyond. Although we have seen little evidence of a permanent impact on prices, we have experienced delays on the realisation of a number of projects as businesses paused to assess the revised environment.

Looking ahead, even as market conditions remain deeply uncertain, we are confident that we can make significant

progress. The need for creative, well-executed regeneration projects is clear. The UK faces a growing structural housing deficit, while consumers increasingly favour mixed-use real estate, where they can live, work, play and forge real communities. These are the schemes that U+I is focused on and where we are developing an increasingly competitive edge.

### **Strengthening our portfolio**

During the year, we were highly focused, concentrating on: growing our portfolio of larger projects; improving our investment portfolio; and building efficient, capital-light specialist platforms. Our ambition remains unchanged: to generate robust, long-term, sustainable growth, quantified by our target to achieve annual post-tax total returns of 12 per cent in the next three years.

This ambition is centred on delivering a balance of PPP and trading projects, with a focus on mixed-use regeneration schemes in our chosen regions: the London City Region, Manchester and Dublin. Winning large, complex projects is a crucial element of our strategy and they are the foundations around which our business is based.

Against that backdrop, winning four large-scale PPP projects during the year was particularly pleasing, namely 8 Albert Embankment, Cockpit Yard and the Westminster Industrial Estate in London, and Mayfield in Manchester. These projects were won in competitive situations, underscoring our growing reputation in the mixed-use regeneration space. They add more than £1.5 billion of Gross Development Value (GDV) to our portfolio and an additional £90 million of development and trading gains to our pipeline in 2020 and beyond.

These projects also indicate the extent to which U+I is functioning as a single, unified Group, capable of winning business that we would not have been able to secure in the past. Mayfield alone is valued at £850 million, testament to our ability to take on even the most sizeable regeneration projects. Notably too, these partnerships are built on trust and quality of execution, developed over the long term by forming genuine partnerships with public bodies and local communities. This blend of skill and reputation creates high barriers to entry, only overcome through genuine commitment and proven results.

The £35.0 million of development and trading gains that we delivered this year were achieved through consistent

# "Our aim is simple – to regeneration projects that economic and social value long-lasting value for our

effort and hard work on a number of projects. In each case, we have delivered tangible gains by buying well and then adding value through the planning and development processes. The full breakdown of projects that underpin this year's gains is provided in the portfolio review. I am particularly proud of these results, which reflect genuine value uplift, evidenced by cash profits.

I have every confidence that we will produce a record result in the current year, targeting £65-£70 million of development and trading gains. Over the next three years, we are targeting more than £150 million of gains.

I am optimistic too about our investment portfolio, which is being steadily realigned to reflect the Group's strategic focus on regeneration. Having assessed each of the assets within this portfolio, we are progressing the disposal of non-core assets, optimising the value of those we are retaining and reinvesting in new assets that make best use of our regeneration expertise.

During the year, we formed two specialist platforms – strategic joint ventures with majority capital partners. In August 2016, we signed a £200 million joint venture agreement with Proprium Capital Partners to secure income-generating assets in the London City Region. In November, we formed a €300 million partnership with Colony NorthStar, focused on adding value to

underperforming office buildings in London, Manchester and Dublin. These platforms give us the ability to acquire and deliver projects off balance sheet, leveraging our equity and intellectual capital, whilst generating fees to the business which offset overhead. In effect, they enable us to do more than we could on our own.

## **A market-leading team**

None of this would be possible without our people. This year, we formed our Executive Committee (ExCo), a step that should tangibly improve the way we do business and the results we achieve. Created to support the Company's development, the ExCo is responsible for implementing our strategy on a day to day basis. As such, this committee plays a central role in helping the business to deliver results today and to ensure it is positioned for growth tomorrow.

We have selectively strengthened this team with the appointment of Mark Richardson as Head of Delivery and Brenda Bates as Head of Communications and Business Services. Mark, previously pre-construction director at Laing O'Rourke, has worked on some of the most prestigious projects in London, whilst Brenda, who joined U+I from the World Gold Council, brings significant strategic expertise. We have also strengthened our team in Manchester with the appointment of experienced development professionals to oversee our Mayfield regeneration site, deepening our roots in this city.

# deliver vibrant, mixed-use create recurring, sustainable for local stakeholders and shareholders”

While our senior people provide direction within our Company, they are supported by an experienced team bringing talent, enthusiasm and energy to the projects we undertake. Our work is not easy – if it were, we would not be in the unique position we are in – combining long-term regeneration, short-term trading and investment. But our work is exciting, audacious and rewarding. It demands intelligence and imagination. It delivers tangible change.

As a result, we attract people at every level who share our vision, our desire for progress and our commitment to delivering returns both to our investors and the communities in which we work.

## **Well-positioned for the future**

Our team’s energy and combination of skills will help us achieve our targets this year and beyond: growing our pipeline, driving value, delivering returns and maintaining capital efficiency.

Having built a substantial regeneration platform, we are in a position where we can remain selective about the future projects we take on. We have a range of specific criteria that need to be satisfied before we consider new projects and we will only undertake those where we can deliver meaningful social change and significant shareholder value.

Looking ahead, I am optimistic that we can succeed in our ambitions. We operate in markets that will continue to grow, where we have built a genuine competitive advantage that will only intensify over time. We operate an equity-efficient model, designed to minimise balance sheet risk and maximise shareholder returns. As our business expands and develops, the combination of our operational leverage and our financial model should deliver consistent, long-term value, driven by a dynamic blend of development, trading and investment activity.

We are highly ambitious, not for ambition’s sake, but because we are clear about the need for these projects; we are proud of our ability to deliver them and we understand the value, both financial and social, that can be generated from them. Our targets are stretching but, based on the work we have done so far, the team that we have created, the relationships we have built and the pipeline of opportunities ahead, I am confident of success.



**Matthew Weiner**  
Chief Executive Officer  
26 April 2017

**A challenging  
backdrop**

**This time last year, amid a multitude of economic, financial and social concerns, one specific issue stood out – the referendum on EU membership and the impact of a vote to leave.**

**Today, Brexit is a fact of life. The full effects of that decision have yet to be felt but the UK has triggered Article 50 and departure from the EU is inevitable.**

The property market might have been expected to slump against such an unpromising backdrop – and certainly Brexit had a significant impact, with Q3 2016 being characterised by limited transactional activity.

However, during Q4 2016, activity started to return and confidence grew, following a series of unexpectedly strong economic indicators. GDP growth was better than forecast, while consumer spending and business optimism were both greater than expected.

In recent months, however, some worrying signs have begun to emerge. UK GDP growth is slowing, inflation is rising and wages are static, all

trends that we expect to intensify during 2017.

Business investment has been disappointing for several months and is likely to continue in that vein. The quarterly Deloitte CFO survey – a key measure of business confidence – shows that most finance directors would still prefer to retain cash than invest it in new projects. This is unlikely to change as Brexit negotiations get underway.

And consumers, who have buoyed the UK economy for years, are under pressure. Household budgets are being squeezed by the rising cost of everyday goods, as wage growth remains elusive. This creates a further

challenge for retailers, many of which are already struggling as e-commerce becomes ever more prevalent and business rates rise.

**Opportunities remain**

Despite these challenging conditions, our competitive advantages remain strong and we are confident that plenty of opportunities exist for us to make rewarding investments and generate value for our stakeholders.

Our optimism is tempered with caution. We have raised our required rate of return on new projects and we have become even more forensic in our due diligence. However, a number of factors contribute to our sense of optimism – factors that hold



good today and are likely to persist for several years in our core markets of the London City Region, Manchester and Dublin.

### **Commercial – pockets of potential**

Within the commercial property space, the cycle is at a point where rents are broadly stable and yields static but where construction costs are rising. Against this, development has been limited for almost a decade so the supply of office space is tight and vacancies are low. We believe there are some broad themes that will provide opportunities.

First, there is a growing demand for interesting, high quality office space. With low unemployment, companies are striving to attract and retain top talent – dynamic, inspiring office space that encourages collaboration is one important way of doing so.

Second, the growth of the gig economy is changing the work environment, driving demand for shared offices, both for individuals and for companies seeking flexible space.

Third, investors the world over are searching for income-producing assets. Sterling's weakness has enhanced the appeal of UK assets and this trend is likely to continue as long as the value of Sterling does not plummet. It is also worth noting that property yields remain materially above those of ten-year gilts – as long as this continues, UK commercial real estate will remain an attractive investment.

Looking ahead, rising construction costs and an uncertain economic environment are likely to limit the supply of central London office development. According to some estimates, construction costs

increased by almost 20 per cent in 2016, driven by rising commodity prices, wage inflation and a stronger Dollar (JP Morgan Cazenove, European Property review February 2017). Our bias towards suburban London should shield us from this given that demand is growing but supply is weak – in outer London 1.6 million sq. ft. of office space is required and only 700,000 sq. ft. is set to be delivered in the next five years (Savills). This presents clear opportunities for our office-repositioning platform with Colony NorthStar, which focuses on reviving and reworking tired office buildings rather than new build office space, a process that is quicker to deliver and involves less cost risk.

### **Retail – an experiential movement**

The retail market has changed dramatically over the past decade, as e-commerce becomes a way of life and consumers become increasingly promiscuous about where, when and how they shop.

The challenges facing retailers are exacerbated by shifting spending patterns, as consumers become more demanding, leaning towards experiences, rather than material possessions, and are happy to rent or share goods and services, rather than buy them outright. Such trends are making their presence felt across all demographics, but they are particularly prevalent among millennials.

Against this backdrop, retailers are having to think carefully about where they are physically located, what they offer discerning consumers and how their offer is presented. Convenience, experience and value are all critical and across the board, retailers are challenged with working

hard and thinking differently to attract and retain customers.

Our retail assets benefit from these trends, offering convenient experiences in attractive environments. Created as part of a bigger mixed-use environment, these developments are designed to capture growth in footfall over the long term as the quality of place improves.

Interestingly too, local authorities are moving into this sector, purchasing assets such as shopping centres, in a bid to generate long-term income and influence the culture and soul of their towns. This is likely to have a material impact on the market and should benefit developers and owners of town centre leisure and retail developments, such as U+I, by creating a new form of investment demand.

### **Residential – persistent demand at the right price point**

The outlook for mid-market residential space remains strong. Both the UK and Ireland suffer from a structural supply deficit, a situation that will not change in the near term without a rapid supply response.

The mismatch between demand and supply is particularly acute in the London City Region, but it is also apparent in Manchester and Dublin. The UK Government's Housing White Paper may encourage an increase in supply over the long term but it is unlikely to have a material impact in the next few years.

Across the UK, 225,000-275,000 new homes are required per annum to keep up with population growth. In 2015, around 168,000 new homes were built (DCLG). The gap between supply and demand persists.

## Our markets

continued

At the top end of the market, prices have come down and activity has slowed. However, well-located, affordable homes in the London suburbs continue to see strong demand and single digit price increases. Demand is both from end users and housebuilders wanting 'shovel-ready' projects which we are able to deliver through our planning expertise. This mid-market sector is a key focus for U+I.

### London – a booming capital

London remains a booming metropolis and the main driver of UK economic growth. In 2015, London's gross value added per head was £43,629, more than double the national average (Office for National Statistics) and London's economy is forecast to continue growing by a minimum of two per cent per year (Greater London Authority).

Within the commercial market, the capital has reduced its reliance on financial services in recent years and become a TMT hub. Not only is home-grown tech talent blossoming in London but Apple, Snapchat, Google and Facebook have all taken space in the city, highlighting its resilience in a post-Brexit world.

On the residential front, the city is growing by around 100,000 people a year, a trend that will continue regardless of Brexit. That growth requires 40,000 – 50,000 new residential units per annum and these are simply not being built. Demand is particularly strong within suburban locations and the sub-£600,000 price points where we focus our regeneration efforts.

Our focus on the London City Region – a catchment area that includes satellite towns within an hour's

commute of Central London – is well placed as we believe that it will continue to be the dominant force within the UK economy.

### Manchester – the UK's second city

Increasingly acknowledged as the UK's second city, Manchester is now the third most influential city in Europe, according to the latest Cities of Influence report from Colliers International.

**THESE TRENDS  
SUPPORT U+I'S FOCUS  
ON WELL-LOCATED,  
ATTRACTIVE AND HIGH  
QUALITY DEVELOPMENTS,  
PRIMARILY FORWARD-  
FUNDED BY LONG-TERM  
CAPITAL PARTNERS.**

That position is hard won, reflecting strong leadership from the city council and a determined effort to create quality places to live and work. The council's strategy has created a virtuous circle, which is changing perceptions of Manchester and driving demand for both office and residential real estate.

The commercial office market has been strong for the past three years and demand is increasing, reaching its highest level since 2010 in the final quarter of 2016 (Manchester Office Agents Forum).

Looking ahead, Manchester is expected to retain and consolidate its reputation as a leading European city, bolstered by continued efforts to improve the city's commercial and residential infrastructure. Our regeneration of the Mayfield site will play a key role in the evolution of the

Manchester Piccadilly area, acting as a catalyst for the regeneration of the wider city.

### Dublin – shining bright

In 2016, Ireland was yet again the fastest growing economy in the EU, delivering GDP growth of 5.2 per cent. Dublin is the key driver of that growth. Widely seen as an appealing city with strong links to the US, it benefits from a well thought out corporate tax policy which has attracted large numbers of international businesses in recent years. Dublin has already established itself as an international hub, ranked third in the FDI Global Cities of the Future and tenth in the Global Talent Competitiveness Index.

Last year alone, global tech companies, including Microsoft, announced expansion plans in the city. Notably too, once Brexit takes place, Dublin will be the only major English-speaking city in the EU, a factor that should play in its favour.

Commercial property investment is buoyant in the city, with Dublin ranked as a top five European city for property investment for the fourth consecutive year (Society of Chartered Surveyors, Ireland, Residential & Commercial Property Outlook 2017). Supply is increasing but rental rates are expected to continue rising this year before stabilising thereafter.

As the city grows and its economy develops, the need for housing intensifies. Ireland is suffering from a national housing crisis, the Government is under pressure to address this and Dublin faces a substantial deficit of new homes. In the first nine months of 2016, fewer than 3,500 houses were completed, less than half the number required to address the current shortage.



### Mixed-use projects – a growing need

Society is changing. Globalisation, technological advances and growing inequality are giving rise to tensions and pressures. Static wages, highly priced properties and a dearth of new supply have put home ownership increasingly out of reach.

These developments are both unwelcome and potentially dangerous, as both central and local government increasingly recognise. Against this backdrop, consumer demand is also changing – people no longer want to live in one area, work in another and spend their leisure time somewhere else again.

The mixed-use regeneration schemes that we deliver are designed to address these issues – providing the buzz of urban life within the more affordable areas of the London City Region, Manchester and Dublin, where people can live, work and play.

For local authorities and public landowners, mixed-use regeneration schemes offer the opportunity to rebuild communities and generate much-needed revenue. Forward-looking local authorities are increasingly interested in partnering with trusted developers, such as ourselves, to create projects in which they can have a direct long-term stake. The benefits for both public and private partners are significant. For our partners: revitalised places, valuable community assets, profit shares, business rates. For U+I: access to valuable, high-quality sites and the ability to generate substantial socio-economic value and financial returns.

These agreements can be highly productive for both parties but they require trust. We have gained a hard-won reputation for creating quality spaces that stand the test of time and, importantly, delivering high quality results.

Demand for mixed-use regeneration schemes is widely expected to remain strong, boosted by social and structural change. This is U+I's chosen sector and it is a sector in which we have already proven our ability. No real estate company is immune to the outside world but the space in which U+I operates is likely to remain relevant and in demand for years to come.

Mayfield, Manchester

## PRIORITY

### 1. GROW PIPELINE

Build a pipeline of regeneration projects that deliver superior returns

✚ Portfolio review p.22-29

### 2. DRIVE VALUE

Optimise the value within our portfolio through an integrated business model

✚ Portfolio review p.22-39

### 3. DELIVER RETURNS

Deliver excellent returns on a through-cycle basis

✚ Chief Executive Officer's statement p.6-9

### 4. MAINTAIN CAPITAL EFFICIENCY

Maintain capital discipline and a strong Balance Sheet with a rigorous approach to risk

✚ Chief Executive Officer's statement p.6-9  
Dividend policy p.46  
Portfolio review p.22-39  
Risk review p.18-20  
Financial review p.40-47

## OVERVIEW

Our core skills as a business lie in smart land acquisition and adding value through the planning process. Our focus is to build a pipeline of PPP and trading projects that generate excellent shareholder returns through the property cycle as we realise profits from asset disposals. Our large scale developments are structured to limit our upfront equity investment and 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 with an appropriate balance of risk and return.

We are experts in generating value by transforming overlooked sites into distinctive, vibrant new places that deliver substantial socio-economic value. The combination of skills within the business enables us to maximise the value across our portfolio and offer different but connected routes to market.

The business has the capacity to generate consistent returns through the property cycle from a balance of longer-term PPP projects, shorter-term trading activity and improving the value of our investment portfolio.

We do not hoard capital on our Balance Sheet but use our strong cash flows to 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 throughout the property cycle.

The creation of specialist platforms allows us to deliver projects in a capital-efficient manner through joint ventures with majority capital partners. These generate management fees which enable us to offset overhead costs and to monetise the land within our portfolio.

## CASE STUDY

This year we won four major PPP regeneration projects including 8 Albert Embankment and Mayfield in Manchester.

✚ Read more on p.28-31

Having completed The Deptford Project, we retained Deptford Market Yard within our investment portfolio and will be proactively managing this asset to drive value.

✚ Read more on p.36

Birmingham International Park was a non-income producing legacy asset. We realised £8.4 million of gains upon disposal having added value through planning change of use.

✚ Read more on p.32

In November 2016 we formed a JV with Colony Northstar Inc to target office repositioning opportunities in London, Manchester and Dublin.

We also formed a JV with Proprium Capital Partners to target income-producing long-term development sites within the London City Region.

✚ Read more on p.39

## FY2017 HIGHLIGHTS

### £6bn

Gross Development Value of our whole portfolio including joint ventures

### £1.5bn

of GDV added from 4 new PPP wins

### >90%

success rate in planning

### £35m

of development and trading gains

### 34.8%

gearing

### 4.6%

average cost of debt

### 8.7p

dividend per share declared

## OUTLOOK

- We will continue to grow our pipeline of trading and PPP assets, with a strict focus on projects within our core markets that match our returns profile and suit our regeneration focus.
- Within the investment portfolio, our target for the year ahead is to reinvest to build a portfolio of regeneration-focused investment assets.

- Planning remains the key value driver across all of our activity. Our focus for the year ahead is to secure planning consent on a number of projects including Blackhorse Road, Preston Barracks and Kensington Church Street.
- We will also continue to focus on optimising the value of our investment portfolio through proactive asset management and enhancement, with a medium-term target of driving 10% return per annum.

- The Board has established a medium-term target to deliver over £50 million of development and trading gains per annum and a minimum of £150 million over the next three years.
- For FY2018, our target for development and trading gains is £65-£70 million. The Board is also targeting a post-tax total returns target of 12% per annum in the next 3 years.

- We will continue to maintain our gearing within our target range of 40-50% and redistribute surplus capital in accordance with our dividend policy.

## KEY RISKS

- Scarcity of viable investment and development opportunities

- Market risk
- Planning risk
- Construction risk
- Counterparty risk

- Scarcity of viable investment and development opportunities
- Planning risk
- Construction risk
- Counterparty risk
- Bank funding risk

- Counterparty risk
- Bank funding risk



## The following KPIs are used by the Board to measure the success of the Group's performance against its strategic objectives

### Development and trading gains

#### Definition

Development and trading (D+T) gains are profits realised as we sell land and assets, having added value through planning, asset management or development.

#### Comment

In 2017 we delivered £35 million of D+T gains which was within our guidance range. The delivery of gains in FY2017 was impacted by the result of the EU referendum which delayed the realisation of a number of projects into FY2018.

#### Remuneration linkage

D+T gains are the principal contributor to our total return, the key metric against which our Long Term Incentive Plan (LTIP) is determined. The level at which our LTIP vests relies on a consistent level of performance over a number of years,

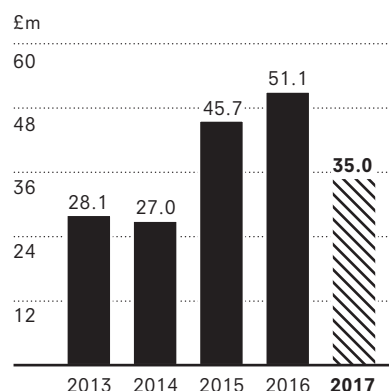
hence delivering a steady level of D+T gains is a key focus for the business. 30% of the Directors' annual bonus is determined by D+T gains being achieved within the range of guidance given at the start of each financial year.

**+** Read more on p.26-32

Gains realised in 2017  
**£35.0m**

#### Target

£50 million minimum per annum and a minimum of £150 million in the next three years.



### Investment portfolio total return

#### Definition

The investment portfolio total return includes the capital growth and income growth realised during the financial year across our investment assets.

#### Comment

During the year, investment income reduced from £203.3 million to £179.2 million as we disposed of a number of assets in line with our strategy. Values declined by 5.1% as a result of weakness in some of our secondary retail markets. As a result our investment portfolio

total return was 1.7%. As outlined in our portfolio review, we are proactively transitioning our investment portfolio in order to drive growth and support our overall returns target.

#### Remuneration linkage

Our investment portfolio performance is a key driver of our NAV growth which underpins our LTIP. Improving the performance of our investment portfolio is a key focus for the Board.

**+** Read more on p.33-37

#### Investment portfolio return in 2017

**1.7%**

#### Target

10% total return in the next two to four years.



## Total returns

### Definition

Total return is the growth in our basic NAV including dividends, and is the most direct way of measuring returns to shareholders during the year.

### Comment

In 2017, we delivered a total return of 0.2% due to the negative performance of our investment portfolio.

### Remuneration linkage

Under the Group's Remuneration Policy, the Directors' LTIP is calculated according to a scale of total returns targets. As such, total return is considered a key performance measure for the Group.

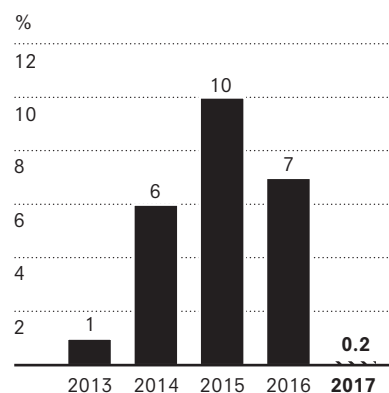
**+** Read more on p.84

### Total return in 2017

**0.2%**

### Target

12% per annum in the next three years.



## Gearing

### Definition

The Group seeks to maintain a conservative level of gearing appropriate to the size of our Balance Sheet in order to maintain capital efficiency. At certain points, the Group's gearing may increase as a result of a higher level of construction debt against specific assets. However, construction finance is usually only ever secured on properties where the exit has been guaranteed 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.

### Comment

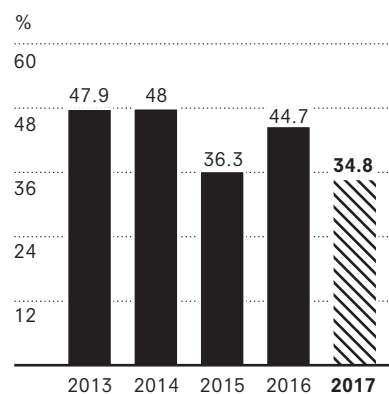
During the year, gearing fell from 44.4% to 34.8%. This was primarily driven by the disposal of the pre-sold residential units at Deptford in February 2016 and the subsequent repayment of the related debt facilities in March 2016.

### 2017 Gearing

**34.8%**

### Target

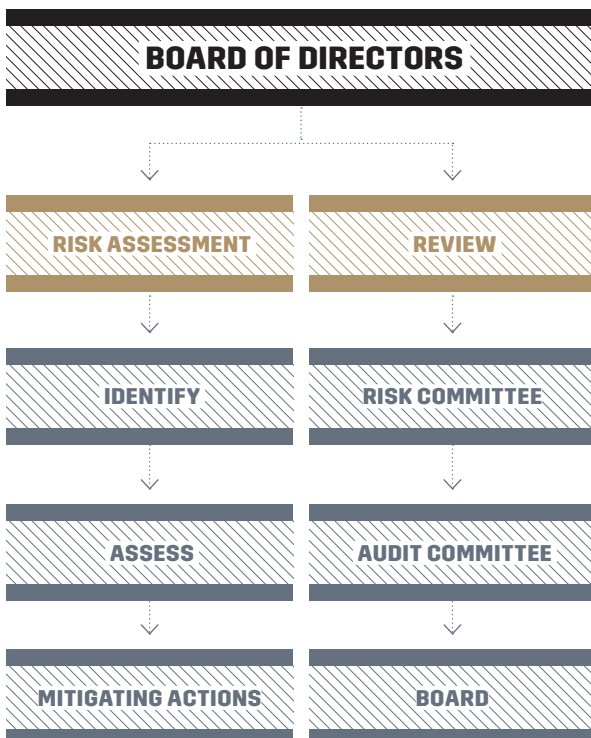
40-50% on balance sheet and 50-60% including our share of joint venture debt.



# Our business model is shaped by the risks that 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 comprises senior employees from across the Group, covering all areas of the Group's operations.

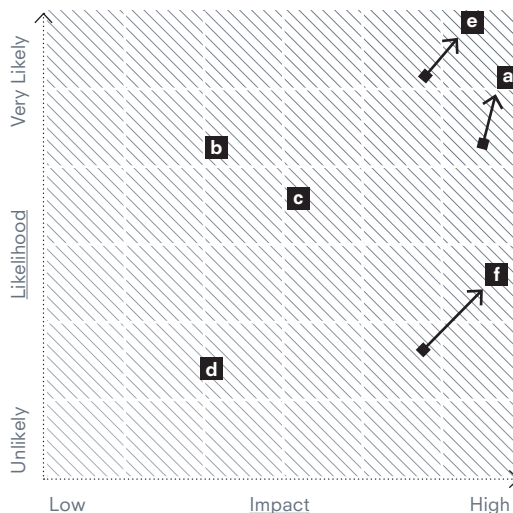


## Mapping our risks

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

#### a. Market risk

The real estate market is directly linked to the health of the local, national and increasingly international economies. Lack of economic growth, recessionary conditions or economic uncertainty can translate into negative sentiment towards the performance of real estate.

#### b. Scarcity of viable investment and development opportunities

The Group's business is predominantly transactional and requires a flow of PPP, trading and investment opportunities to generate consistent returns. The risk is that the flow of suitably priced opportunities either reduces or stops.

#### 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.

#### d. Bank funding risk

The pressure on a large number of traditional real estate lending banks to reduce their exposure to real estate reduces the capacity and liquidity within the lending market and can impact upon the availability of debt to deliver business plans.

### IMPACT

- 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.

- 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.

- 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.

- 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.
- Inability for buyers to complete.

### MITIGATION

- Risk-averse property development strategy whereby projects are pre-funded, pre-let, or pre-sold where appropriate.
- Long maturities of debt finance facilities.
- Moderate level of gearing.
- Regular meetings with economic forecasters to gauge economic trends.

- 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.

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

### RISK EXPOSURE CHANGE YEAR ON YEAR

↑ The UK economy remains supportive to our activities however, continuing political uncertainty following the result of the EU referendum and the triggering of Article 50 by the UK Government, together with escalating geopolitical risks continue to overshadow the market.

→ Opportunities continue to be sourced for development, trading and investment which satisfy Group underwriting criteria.

The Group is now focusing on increasing the number of short-term trading opportunities following the successful PPP wins during the year. Due to its deep relationships and acquisition expertise, the Group is able to source a steady stream of opportunities despite lower cost overseas capital making the market more 'expensive'.

→ The Group continues to have exposure to the private residential market through the development of pre-sold residential units both on and off balance sheet. The risk of purchasers failing to complete has not changed to any material extent during the year.

→ The lending market continues to see new entrants. Competitive pressures have led to a reduction in margins and an increase in maturities available. Through the year there has been a gradual reduction in lenders' appetite for development risk particularly on a speculative basis post the EU referendum result.

## BUSINESS RISKS:

### RISK

#### e. Construction risk

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

Real estate construction is subject to the risk of cost overruns, delay and the financial failure of an appointed contractor.

### IMPACT

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

### MITIGATION

- The Group retains in-house experienced project managers throughout the life of individual projects to ensure that costs are appropriately budgeted, 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 100% of the contract sum.

### RISK EXPOSURE CHANGE YEAR ON YEAR

↑ Since the result of the EU referendum in June 2016, there has been a fall in the value of sterling against the Euro which has resulted in an increase in construction material prices. At the same time, construction workforce shortages and increasing labour costs are anticipated, reflecting uncertainty about the long-term status of EU nationals working in the UK. These are both impacting upon pricing and making the placement of construction contracts more difficult in terms of cost certainty with a resulting impact on margin.

Tender periods are also under pressure, as more detailed designs are required before a viable construction contract can be agreed.

The time and cost of provision of supporting off site infrastructure is often outside our direct control.

#### 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, consent is prone to delay, modification and rejection.

Even when consent has been granted, the time and cost taken to agree local infrastructure issues is impacted by a lack of capacity which can lead to considerable delays in implementing consent.

- 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.
- Delay in the period between consent and start on site can reduce profitability.

- 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 increasingly compromised by key political events such as the constant cycle of regional and national elections. It is also hampered by under-resourced planning departments. As projects and planning regulations become ever more complex, particularly where more dense mixed-use schemes are concerned, there is an urgent need to professionalise planning departments and decision making committees. This was ignored by the recent White Paper.

## Viability statement

### 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

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

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

### Consideration of principal risks

The nature of the Group's business and the industry in which it operates expose it to a variety of risks. The principal risks and uncertainties facing the Group are detailed on pages 18 to 20. 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 i.e. a fall of 25% in property values.
- 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.
- Debt facilities were stress tested to see at what level of property valuation fall loan covenants would be breached and how much cash would be required to cure any loan covenant defaults.

### Conclusion

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

The Directors therefore have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period to February 2022.





Richard Upton, Deputy Chief Executive photographed at Charlton

**Regeneration can be hard work, particularly in the unloved, overlooked and neglected suburban areas in which we often work. It requires a blend of creativity, experience, understanding and integrity.**

But it is rewarding work – changing the lives of those who live and work in these revitalised places; inspiring public landowners who act as enablers for change and delivering value for shareholders, who benefit as we realise gains through planning and development.

This is where U+I is building a leading edge. Projects that are all too often dismissed as dull and distant by Central London developers or considered too large and complicated for local or regional developers. Projects which require imagination, innovation and connection to unlock value.

For the Government, these projects are a priority and local authorities are under pressure to deliver them – in partnership with private sector developers. Given that these local authorities own £370 billion of developable land – 40 per cent of the total – the scale of the opportunity is immense, particularly in our chosen areas, the London City Region, Manchester and Dublin.

These cities are peppered with industrial and retail wastelands, overlooked spaces that can become thriving places, where people genuinely want to live and work. In essence, the sites are there and the need is clear – the need for affordable homes, the need to improve productivity, the need to stimulate local economies and drive value. Successful, mixed-use regeneration projects can address all these issues, while generating returns for our shareholders too.

Not everyone can do this work and many have chosen not to – so how do we unlock potential and deliver value where others cannot?

As seasoned property entrepreneurs, we hunt better than many, looking in places that have been ignored by others. As creative, imaginative thinkers, we see value in places that may not always be obvious to others. As responsible partners, we recognise that the best way to unlock potential is by engaging with communities and public bodies in a way that builds trust and understanding.

PPP projects rely on trust and the more we prove our ability to deliver places of lasting value, the more we become a partner of



choice for the public sector with whom we work, and the more we create barriers to entry for our competitors. And the more we foster that virtuous circle, the more opportunities come our way and the more we can deliver great places and long-lasting shareholder value.

Our portfolio, with a GDV of £6 billion, comprises a mix of major PPP projects, our trading schemes and investment assets, all centred on value creation through regeneration. This pipeline is well balanced, combining large-scale, longer-term PPP projects, which provide sustainable growth with shorter-term trading projects, which deliver consistent, strong cash flows. We have won four major projects in the past year. These give us a pipeline of growth stretching out to 2020 and beyond.

Our portfolio also carries significant latent value, given that value enhancement within regeneration projects is not reflected in our NAV until profit is realised.

The moving parts are many – buying well, having the imagination to see how the grey can be transformed to the great, and digging deep into the provenance of the places where we build to deliver schemes that are truly relevant to those who live and work there. We are not afraid to challenge

convention in pursuit of the best results. We are not afraid to engage with local authorities and local people to build a true partnership. And we are not afraid to admit that we care about the outcome.

We made real progress this year and we intend to do even better as we move forward – unlocking potential to create value for our shareholders and the communities in which we work.



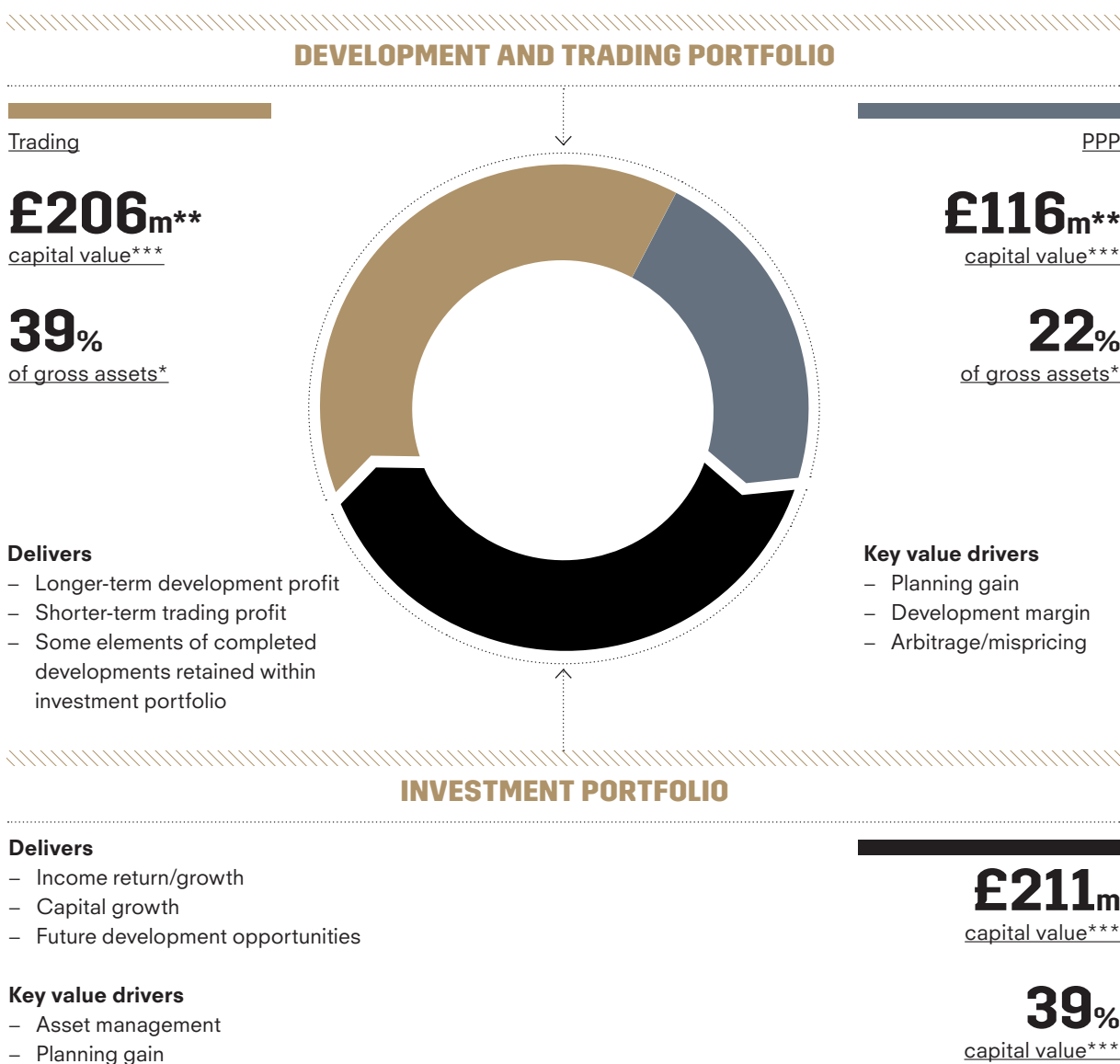
Westminster Industrial Estate  
One of four PPP projects secured in FY2017

**Richard Upton**  
Deputy Chief Executive  
26 April 2017

### How we manage our portfolio

The mixed-use nature of our portfolio is one of our biggest advantages. It gives us several routes to market and different options for driving value from our projects. As outlined in the following diagram, we deliver growth as we realise gains from development and trading activity, and drive income and capital growth through our investment activities. Importantly, these portfolios are not run in isolation. By thinking about our portfolio as one, we apply our skills in land buying, planning, asset management and development across all of our projects, driving maximum value and creating more routes to market.

For example, we hold income-producing assets with longer-term regeneration potential within our investment portfolio that can ultimately feed our development pipeline (warehouse assets). We also retain elements of our completed developments within our investment portfolio where we see opportunities for medium to long-term asset management potential (retained assets). In this way, our investment activities feed our development activities and vice versa, capitalising on the mix of skills within the business.



\* Group share where appropriate

\*\* Assets held at cost, not revalued

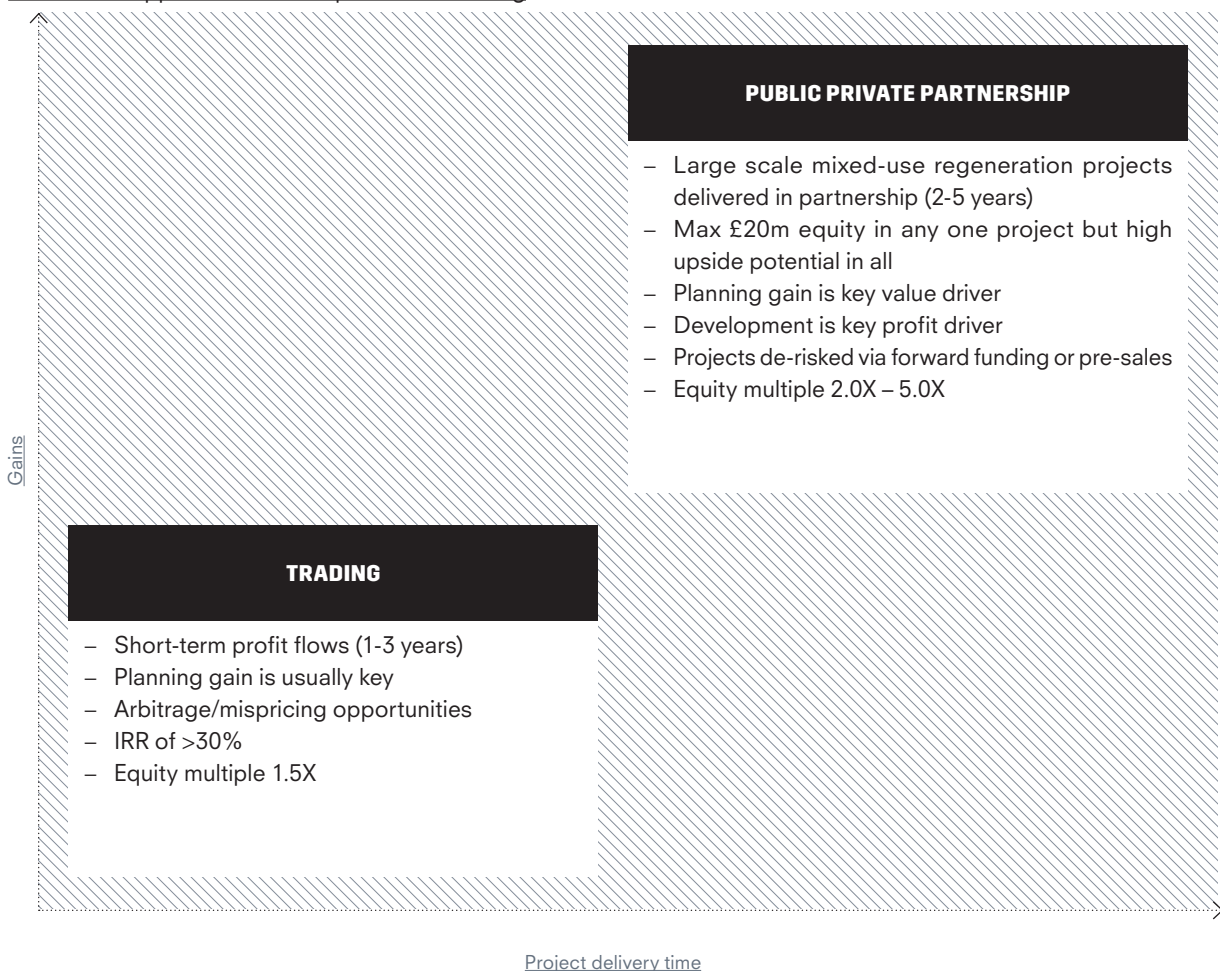
\*\*\* Capital value includes all property interests held both directly and indirectly

## Development and trading portfolio

Our development and trading portfolio comprises long-term, large scale PPP projects and shorter-term trading opportunities. The combination of these different projects

allows us to balance the 'lumpier' profits generated from PPP development with shorter-term profit realisations, allowing us to deliver a consistent level of aggregate returns.

### A balanced approach to development and trading





The balance of this activity has enabled us to deliver another strong year of gains as outlined below, building on our strong track record over the past years. Going forwards, in line with our overall returns target of 12 per cent, we are

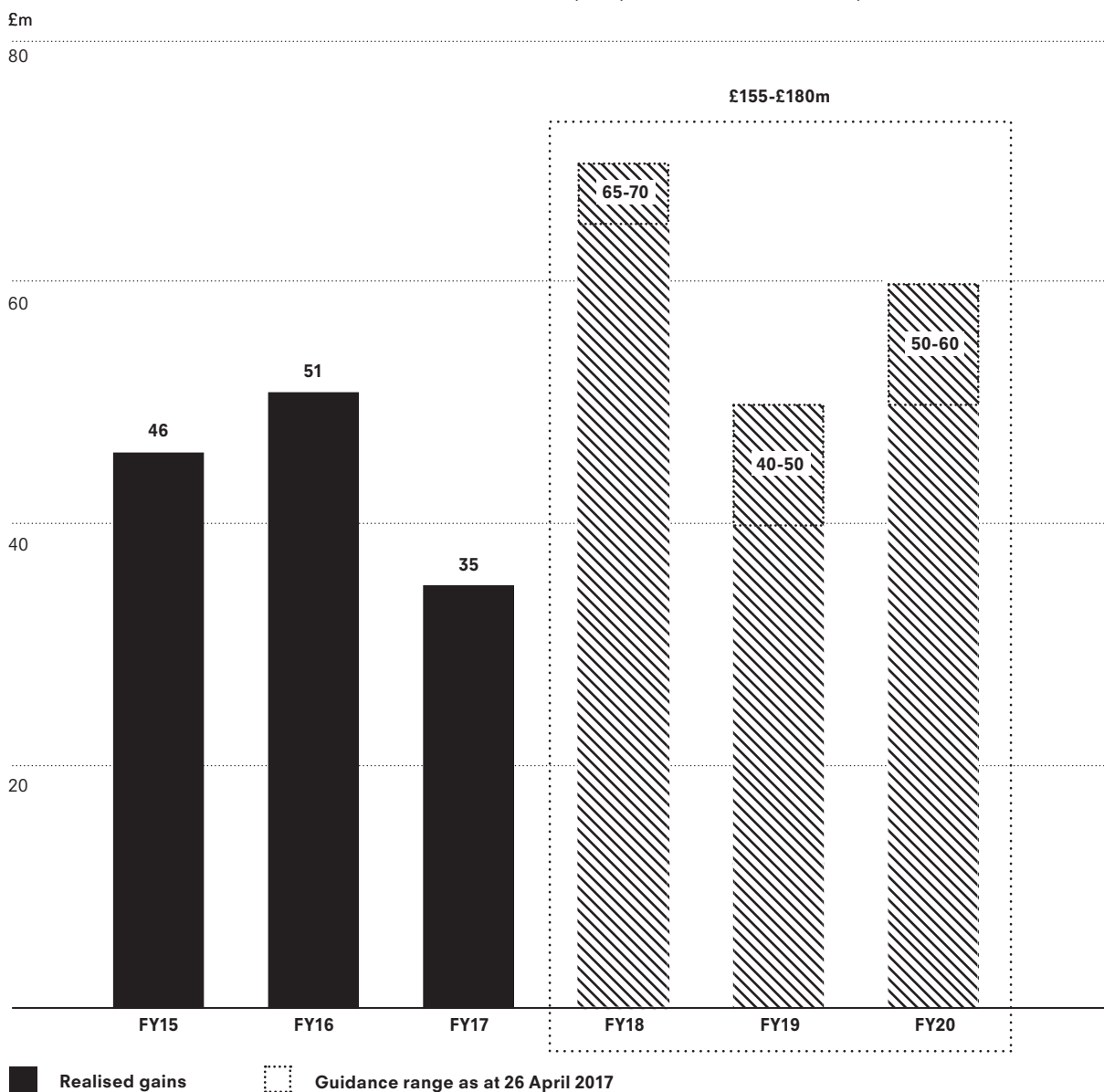
focused on driving £50 million gains from our development and trading activities per annum, with a minimum of £150 million to be delivered over the next three years.

#### Anticipated gains to FY2020

3 year target

**£50m**  
plus pa

**12%**  
post-tax total return\*



\* Total returns: the growth in our basic net asset value including dividends

A reconciliation of the development and trading gains for the year is included in the Finance review on p.42

## Portfolio review

continued

The following table shows the main projects driving our development and trading gains for the year. The majority of these profits are driven by the value gain captured from planning improvements.

	Anticipated FY17 gains*	Gains realised in FY17	Profit trigger
Dublin projects:			
The Vertium building	£4-5m	£4m	Entire building let to a global brand triggering profit share
Other	£5-6m**	£5m	Sale of Percy Place and commercial and residential units across two projects
Birmingham International Park	£8m	£8m	Planning secured and sale of site completed
Maidstone	£2-4m	£2m	Sale completed on phase 1 of project; planning secured on phase 2
Ashford (Powergen site)	£4m	£4m	Site disposal completed
Woking	£2-6m	£5m	Sale of site completed
Other (8 projects)	£8m	£7m	Trading: smaller projects (profit below £2m)
Total	£35-40m	£35m	

\* As at 19 October 2016

### PPP development

The PPP model reflects our core strengths as a business and is responding to a real need within the UK regeneration market. We are experts in this field in which there are significant barriers to entry. One of the keys to this form of development is that the public sector is not completely price sensitive. It is driven by its definition of 'best value' which differs from project to project. This plays to our strengths and focus on delivering places that put people at their heart and which embrace good design at their foundation. The mixed-use nature of these sites is also best suited to development partners such as ourselves with a 25-year track record of delivering complex urban regeneration projects.

One of the benefits of the PPP model to U+I lies in the equity-light nature of these partnerships. Typically the public sector partner seeds the partnership with land and U+I applies its planning and development expertise to deliver a completed, regenerated place. Importantly, risk

and equity is spread across the development phases as outlined in the facing diagram. U+I commits a maximum of £20 million of equity in any one project spread across the planning, viability and development phases and manages the associated risks. Ultimately, the public and private sector partners share in the profit delivered by the development. This allows us to control risk, limit our equity exposure in any one project and deliver large scale projects in a capital efficient manner. The details of this model are outlined in a case study on 8 Albert Embankment on p.30-31.

This has been a highly successful year for the business, winning four PPP projects: 8 Albert Embankment, Mayfield, Cockpit Yard and Westminster Industrial Estate. These projects taken together have added more than £1.5 billion of GDV to our pipeline and further cemented our reputation as a leading regeneration developer and the public sector's partner of choice.

### \*\*Errata Statement

Following the publication of our Annual Report and Accounts 2017, a typographical error was identified in the Strategic Report on this page (page 28).

In the table above that shows the main projects driving our development and trading gains for the year, the 'Dublin projects, Other Anticipated FY17 gains' figure originally read £8m but should have read £5-6m. We have amended the number in this PDF file and thus the correct figure is now shown.

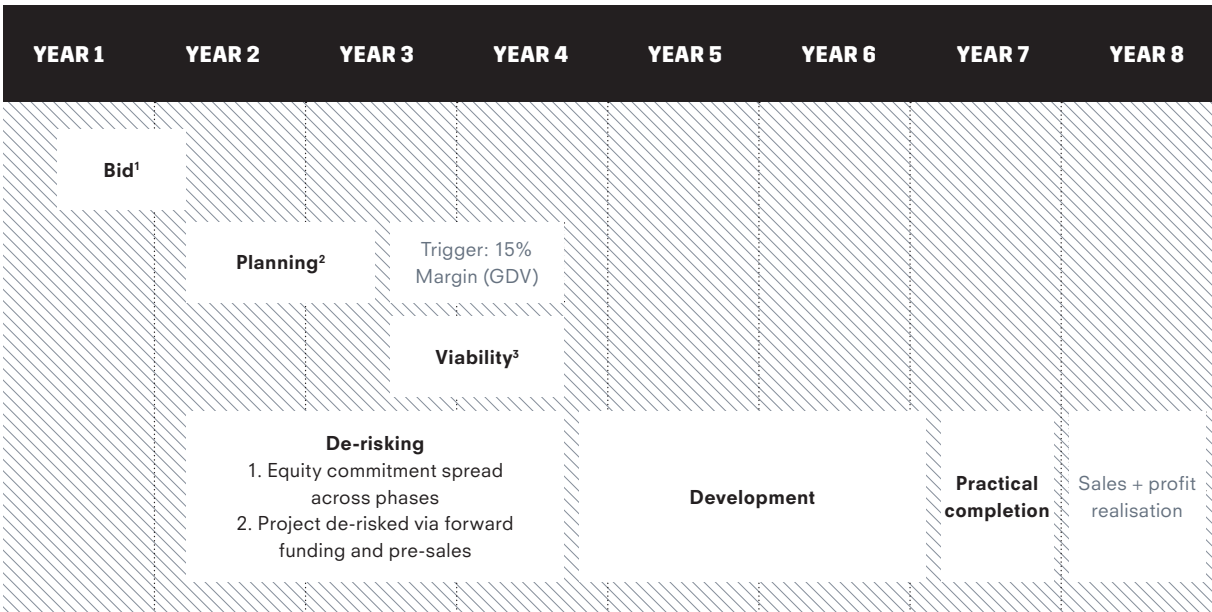
We apologise for any inconvenience.

“We are delighted to have appointed U+I as our development partner for Mayfield. It was a challenging decision given the exceptionally high calibre of candidates; however, we were particularly impressed by U+I’s innovative approach. We are confident that they have the expertise and experience to successfully drive this world-class development forward and are now excited to see our vision for Mayfield take shape.”

Sir Richard Leese, Leader of Manchester City Council

Mayfield, Manchester

PPP phased development model



8 Albert Embankment (indicative cost)

- 1 Bid cost: £200-300k
- 2 Planning phase cost: c.£4.7m
- 3 Viability phase cost: c.£5m



## OUR BUSINESS IN ACTION: 8 ALBERT EMBANKMENT

In April 2016, we were given the mandate for the regeneration of 8 Albert Embankment in partnership with the London Fire and Emergency Planning Authority (LFEPA). The selection process was competitive, detailed and challenging, given the status of this project and the high expectations from LFEPA to deliver a transformational project. During the bid process, we were assessed alongside other leading regeneration developers and contractors. We were highly commended, and ultimately selected, based on our approach to placemaking and community consultation, two areas that really separated us from our competitors.

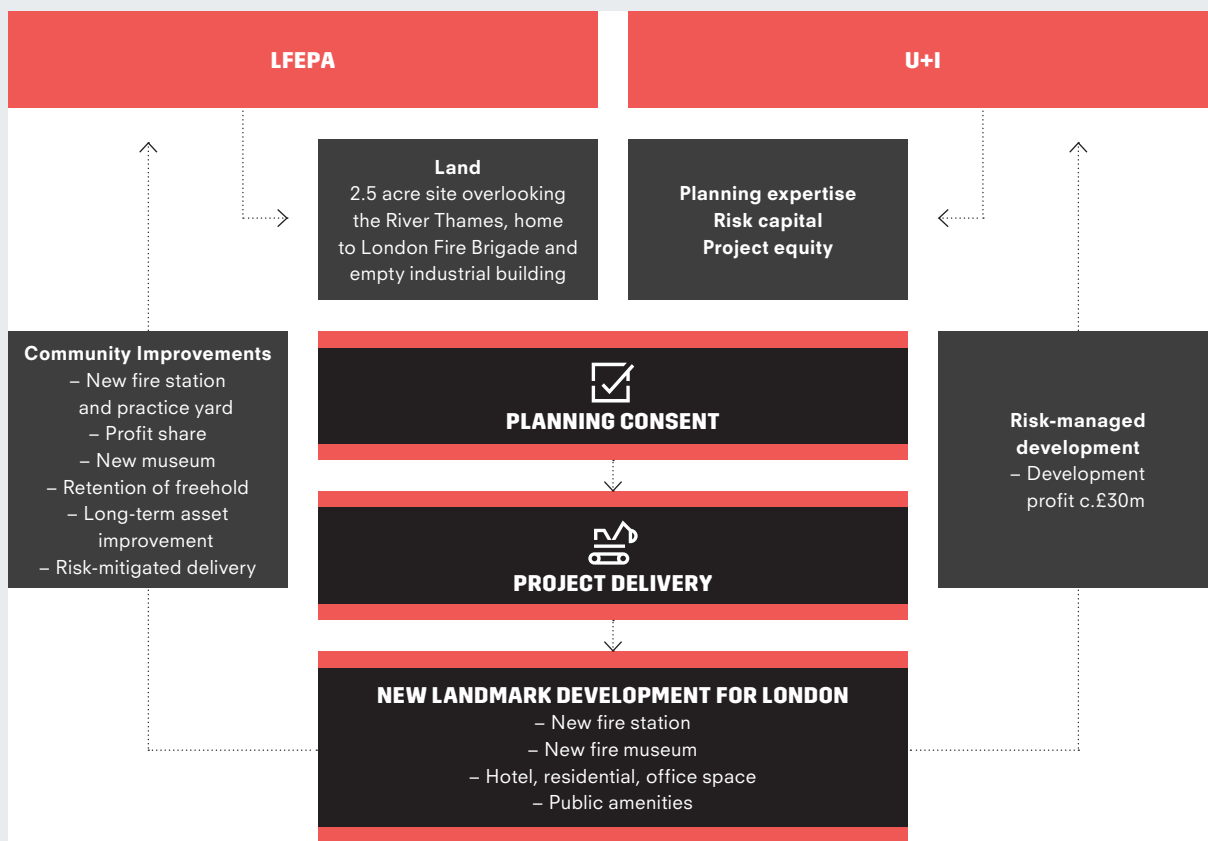
LFEPA has seeded the partnership with a 2.5 acre site next to the River Thames and overlooking the Houses of Parliament. This has allowed us to secure a prime regeneration opportunity with limited upfront equity. The site has been home to Lambeth fire station and the Fire Brigade's Headquarters since 1937, although nowadays, the site is underused. There is a working fire station on the riverfront element of the site. To the back of the site, industrial buildings sit empty, in search of a modern use that will fill them once again with life and activity. Working with LFEPA, our objective is to breathe new life into the site, taking the fire station into the next chapter of its life

whilst delivering a wider mixed-use regeneration scheme that opens up this prominent location to the community once again.

We are now preparing a planning application for the regeneration of the site and aim to submit our planning proposals in summer 2017. U+I will manage the development process and deliver this landmark development which includes residential apartments both private and affordable, a hotel, office space and a brand new fire station designed by Pilbrow & Partners.

At this early stage of the project's life, U+I is engaging with the local community, council and other stakeholders to shape the development. To facilitate better collaboration, in November 2016 we opened up the site with a meanwhile-use community and events space – The Workshop. Alongside a London Fire Brigade pop-up museum, the space is home to charities, social and start-up enterprises and artists who host events for the local community, all with creativity at their heart.

This project demonstrates our reputation as a leading development partner for public sector bodies and adds to our portfolio of significant PPP projects.







**"This is an iconic site and a regeneration project that will create an important cultural landmark for London including the new London Fire Brigade Museum alongside a working fire station. Through the bidding process, U+I stood out as a regeneration partner who proactively engages the community in the development process and is committed to quality, inclusive design. We were impressed by their approach and look forward to delivering something very special together."**

**Sue Budden, Director of Finance and Contractual Services for London Fire Brigade**



### Trading

We also apply our core skills to a pipeline of trading activity, whereby we source undervalued land and buildings with potential for value creation through improved planning consents. Typically these projects allow us to acquire assets and realise gains over the short term. We focus on opportunities where terms of trade are in our favour and where we can efficiently unlock value via planning and/or asset management. We have a strong track record in being

able to source well-priced land, drive value through planning and monetise this value through disposals.

Birmingham International Park exemplifies this approach, generating £8.4 million of gains to the Company this year (as outlined below), with the profitable realisation demonstrating the importance of planning as the value trigger, enabling us to capture gain from the land and assets within our portfolio.

#### OUR BUSINESS IN ACTION:

### BIRMINGHAM INTERNATIONAL PARK

Birmingham International Park generated £8.4 million of gains to the Company this year. This was a 16-acre non-income producing site, the final undeveloped piece of land from a larger piece of strategic land held at close to nil cost on our Balance Sheet. The land was within the green belt and we successfully argued a needs-based case allowing the land to be designated for development. In December 2016, we secured outline planning consent which enabled a sale of the site to Prologis. The site, which is close to Birmingham International railway station and airport, will now be developed by Prologis into a 310,000 sq. ft. distribution park for much-needed logistics space.

£8<sub>m</sub>

of gains delivered





# Investment portfolio

Our investment portfolio size reduced from £203.3 million to £179.2 million, largely as a result of disposing of £18.0 million of non-core assets. On a like for like basis, our portfolio valuation declined by 5.1 per cent. Though values stabilised in the second half of the year, our portfolio suffered a 4.6 per cent decline in H1 as a result of weakness in the regional retail markets in which we operate, partly impacted by the slowdown after the EU referendum. We expect values to remain stable across the market in the next 12 months. Disposing of non-core assets was a focus for us during the year and a key part of our strategy to transition the portfolio. On a like for like basis, our rental income decreased to £12.7 million and we maintained low void rates of 4.7 per cent across the portfolio through our

proactive asset management activities. To support our strategy of transitioning our investment portfolio our focus for the year ahead is as follows:

- **Acquisitions:** Target a minimum of £50 million of new assets that align to our regeneration focus and retention of assets from our development portfolio
- **Drive value:** Continue to create value through selective planning change of use and proactive asset management – £5.5 million of management-driven capital growth to be delivered in FY2018
- **Disposals:** Where we have reached the end of our asset business plan, we will dispose of mature assets, targeting a further £50 million of sales in the year ahead

## NUMBER OF ASSETS

**18**

Feb 2016: 20

## VALUATION CHANGE (INC JVS)

**(£6.8m)**

Feb 2016: £1.7m

## SIZE OF PORTFOLIO

**£179.2m**

Feb 2016: £203.3m

## INITIAL YIELD\*

**6.6%**

Feb 2016: 6.8%

## CONTRACTED RENTAL INCOME

**£12.7m**

Feb 2016: £13.6m

## ESTIMATED RENTAL VALUE\*

**£13.7m**

Feb 2016: £13.5m

## VOID RATE

**4.7%**

Feb 2016: 4.5%

## EQUIVALENT YIELD\*

**7.50%**

Feb 2016: 7.09%

\* On a like-for-like basis and core portfolio only

## Portfolio review

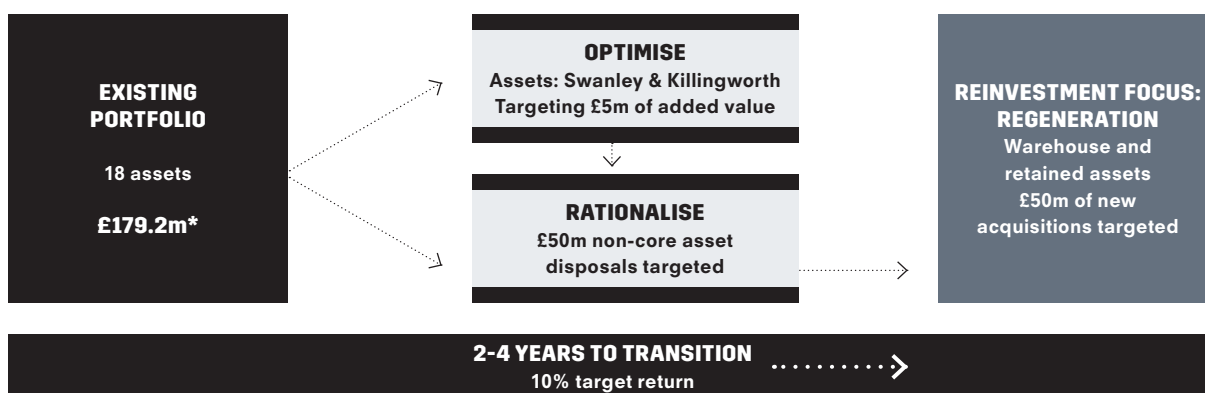
continued

### Investment portfolio strategy

We are repositioning our investment portfolio over the next four years, with the following objectives:

- Drive growth from our investment portfolio with a target of 10 per cent return per annum to support our overall 12 per cent total returns target
- Use our collective intellectual capital and regeneration expertise to drive value from overlooked and undervalued investment assets
- Provide the business with a stable rental income stream
- Provide greater optionality within our portfolio:
  - Store income-producing assets with longer-term potential for regeneration (warehouse assets - see p.35)
  - Retain elements of our completed developments or acquire assets close to development projects that will benefit from the halo effect of our regeneration

### Investment portfolio: overview of target transition process in FY2018



\* Valuation as at 28 February 2017

**Rationalisation:** This year, within our current portfolio, we have made continued progress to dispose of mature assets. During the year we sold £18.0 million of investment assets, disposing of a number of properties and elements of schemes that no longer fit our strategic objectives for the overall business plan for the asset. Since the year end, we have agreed terms on a further £8.0 million of non-core asset disposals and a new acquisition of £10.0 million.

**Optimisation:** We have also made good progress to optimise the value of specific assets for example at our retail scheme in Killingworth. Matalan currently occupy a large unit within the scheme that no longer fits their space requirements. Terms have now been agreed with Matalan to split this unit, downsize their store, and to re-let the remaining space to a national retailer, with an anticipated resultant yield shift from 7.75 per cent to 6.75 per cent on this element. There are also two drive-through restaurants within the site which were valued at a 7.5 per cent yield in line with the whole scheme. However, these well-let, self-contained assets can be separated

from the scheme, allowing us to sell into the strong private investor market. By carving out these units from the overall scheme, we will realise disposals at a yield of circa 5.8 per cent.

**Reinvestment:** Going forward, our investment strategy is aligned with our core strengths as a regeneration specialist.

We will continue to invest in our core markets, focusing on assets where performance can be driven through a specific regeneration process. We will look to reposition assets through active asset management, refurbishment and development whilst also focusing on investment assets where there is redevelopment upside that can be unlocked in the future via the planning process (warehouse assets). We will also retain elements of our completed regeneration projects where we believe there is more value to be created, allowing us to benefit from the positive impact we have created in that location (retained assets).

These strategies are laid out in full on the opposite page.

**Warehouse assets:** Income-producing assets that have longer-term regeneration potential.

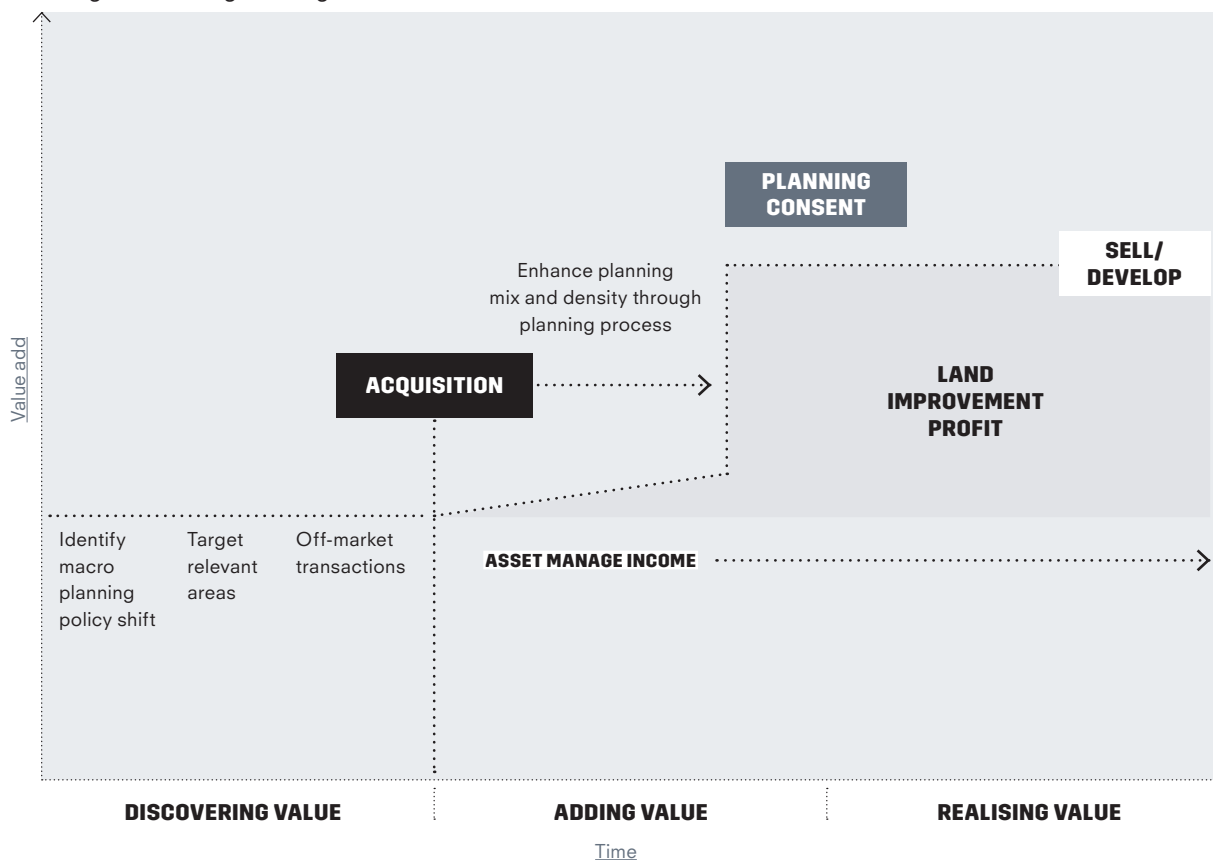
Warehouse assets lie at the very early stages of the regeneration process and are income-producing assets with future redevelopment potential and an ability to secure land improvement profit. They may also allow us to add to our development pipeline in a risk-controlled and capital efficient manner, generating consistent income throughout.

#### Charlton Riverside

Charlton is an area that fits our acquisition strategy perfectly – located in a well-connected, growing area of London, where demand for affordable residential homes is growing and where the local authority has ambitious regeneration plans for the wider area. To date, we have acquired 10-acres of riverside land in joint venture, with future development potential. The sites are for the most part occupied by low density industrial units generating a blended yield of 3.5 per cent. Over the next few years we will develop a masterplan for the sites to bring forward a mixed-use redevelopment that complements the Council's wider vision.



#### Creating value through trading and warehouse assets





## Portfolio review

continued

**Retained assets:** Identifying opportunities where asset management and maturity can add further value, we will retain certain elements of our completed developments within our investment portfolio. Where we have worked to develop or regenerate an area and we believe there is more value to come, we will bring these assets into our portfolio and nurture their value over time. Typically, these will be the ground floor retail, leisure and commercial elements of mixed-use projects which, through creative and proactive asset management, can be cultivated to enhance the sense of place and drive further value.

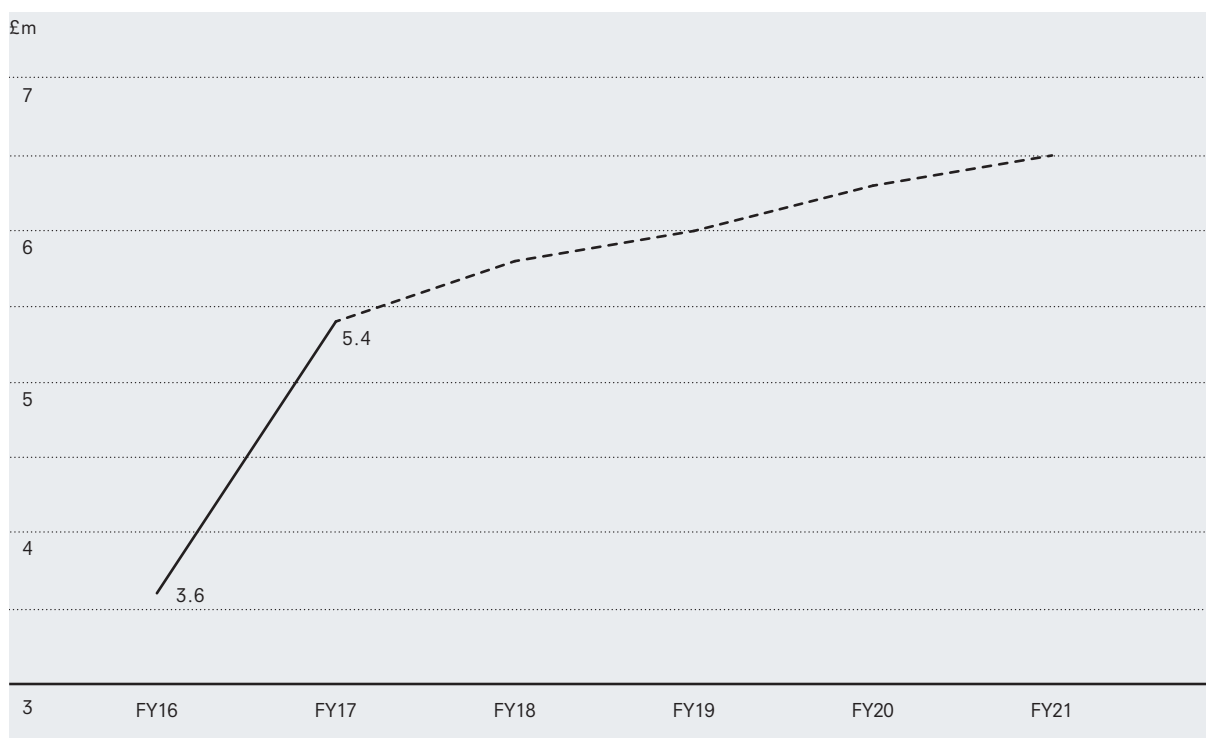
### Deptford Market Yard

Having completed The Deptford Project, a mixed-use regeneration project next to Deptford train station in spring 2016, we officially opened Deptford Market Yard (DMY) in November 2016. DMY lies at the heart of The Deptford Project and is home to 14 local start-up retail and leisure operators, who occupy the historic railway arches that run along the ground floor level of the development.

Our priorities for DMY were to transform a forgotten corner of Deptford into a new destination for London, drive footfall and investment to the area and add value to the asset, all the while retaining and protecting the character of the local area. From a specialist in African womenswear to sellers of gourmet cheese toasties, an eclectic range of tenants has brought vibrancy to this bustling, up-and-coming area.

There is further value to be created as we prove the strength of this location, let the remaining vacant units and help to establish DMY. In the year ahead, our priorities are to fully let the remaining commercial and restaurant space as well as launching a regular weekend food market and weekly themed markets. This will help to drive critical mass and create a vibrant and full retail experience. We are also in negotiation with Network Rail to open up one of the exits to Deptford station directly onto the railway ramp that leads to DMY. This is expected to boost footfall numbers as well as giving the retailers greater visibility to the hundreds of thousands of commuters who pass through Deptford station each week.

### Deptford Market Yard: growing value



Top five occupiers as at 28 February 2017

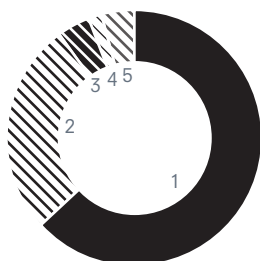
	Annual rent £'m	% of contracted rent
1. Waitrose	1.59	12.48
2. Matalan	0.72	5.61
3. J Sainsbury	0.49	3.85
4. Ricardo-Aea Limited	0.39	3.06
5. Wilkinson	0.28	2.23

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

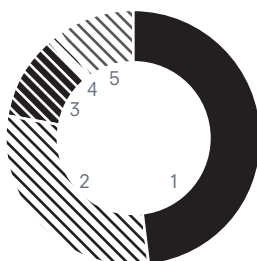
	Property owned throughout the year £'000	Acquisitions £'000	Disposals £'000	Total rental income £'000
Year ended 28 February 2017				
Investment	12,035	390	311	12,736
Development and trading	2,494	552	315	3,361
Joint ventures	2,050	431	403	2,884
	16,579	1,373	1,029	18,981

Year ended 29 February 2016

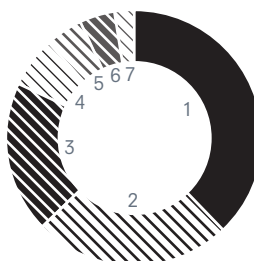
Investment	12,313	297	1,632	14,242
Development and trading	2,679	452	1,518	4,649
Joint ventures	1,984	93	1,462	3,539
	16,976	842	4,612	22,430

**Core investment portfolio — 28 February 2017**Gross rental income  
– tenant profile

1. PLC/nationals	63.1%
2. Local traders	26.9%
3. Regional multiples	4.3%
4. Government	1.8%
5. FTSE 100	3.9%

Gross rental income  
– lease term profile

1. 0 – <5 years	48.3%
2. 5 – <10 years	29.5%
3. 10 – <15 years	11.0%
4. 15 – <20 years	1.6%
5. 20 years+	9.6%

Capital value  
– location profile

1. South East	37.8%
2. South West	25.1%
3. North	19.2%
4. London	6.3%
5. Wales	4.7%
6. Northern Ireland	4.4%
7. Midlands	2.5%

## Portfolio review

continued

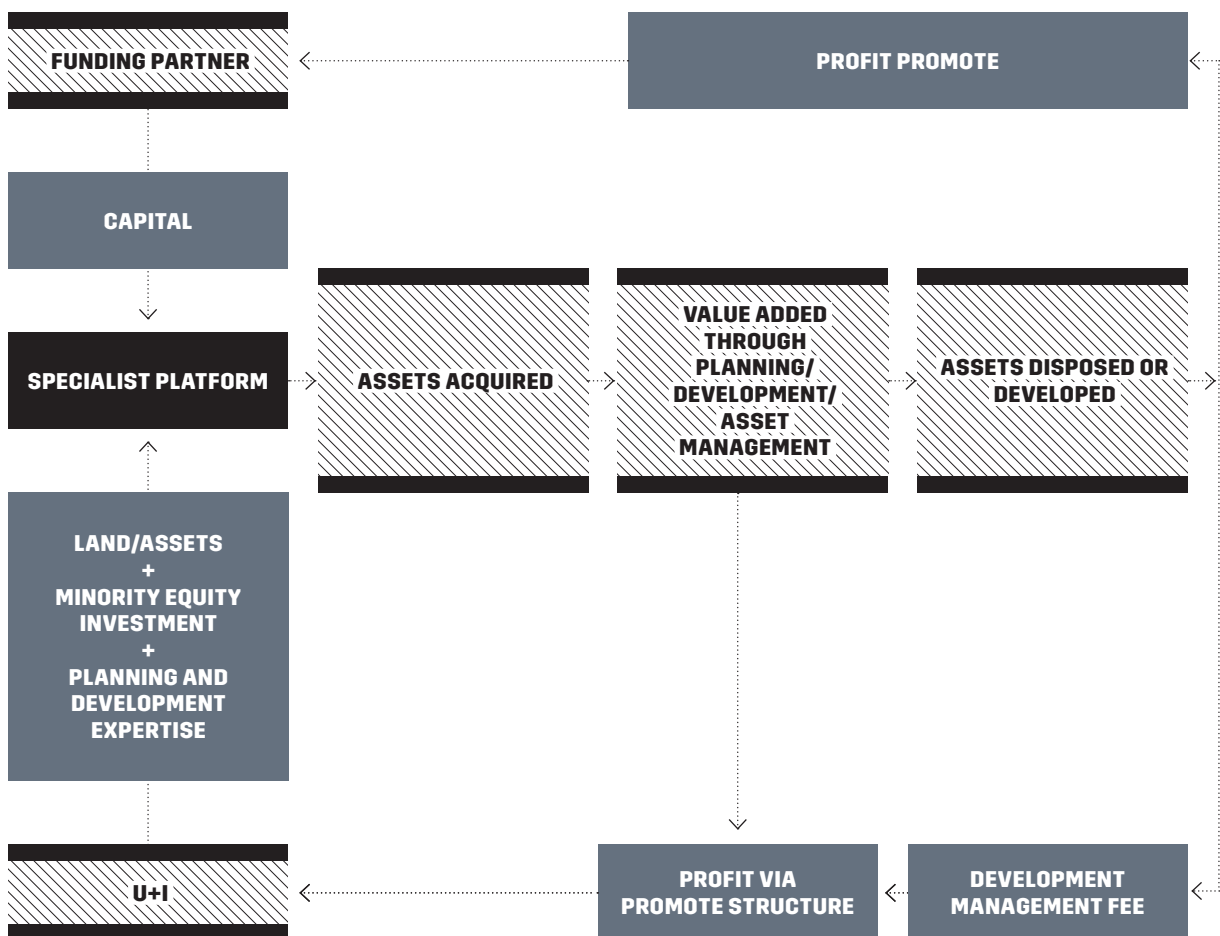
### Specialist platforms

As set out in our strategic objectives, specialist platforms are a way for us to deliver a greater number of projects in a capital-efficient manner.

By creating off balance sheet funding with large-scale capital partners, we focus on building a portfolio of opportunities within a specific asset class where we have

a competitive advantage. We invest a minority equity stake in the joint venture (JV) and take responsibility for development, planning, letting and asset management in order to complete the business plan for each asset within the JV. In return, we receive a promoted position and annual management fees. The management fees help to offset central overhead costs, effectively allowing us to leverage our existing overhead more productively.

### Specialist platforms model



This year, we established two specialist platforms with substantial capital partners:

- A JV with Colony NorthStar focused on office repositioning in London, Manchester and Dublin

- A JV with Proprium Capital Partners focused on income-producing assets in the London City Region with long-term development potential (our share of JV held within our investment portfolio)



## OUR BUSINESS IN ACTION:

### SPECIALIST PLATFORM OFFICE REPOSITIONING

In JV with Colony NorthStar, we are targeting opportunities to reposition and refurbish functionally obsolete office blocks in London, Manchester and Dublin. With build costs continuing to rise and office rents expected to fall, notably in London, medium-term commercial real estate development is expected to slow. Against this backdrop, we see an opportunity to deliver short to medium-term office refurbishments that renovate standing but out of date office stock. This would deliver high quality office space to the market that suits the needs of the modern occupier.

We have seeded the partnership with two of our assets – The Record Store at The Old Vinyl Factory, and Donnybrook House in Dublin – and have acquired a second office building in Dublin (Ballymoss House). We are proactively looking for further opportunities with the capacity to grow this JV to €300 million in the next 2-3 years.





A portrait of Marcus Shepherd, a middle-aged man with short brown hair, wearing a dark suit jacket over a light-colored shirt. He is standing in a modern interior space with large windows in the background that are illuminated with red light. The text 'FOCUSED ON DELIVERING OUR STRATEGIC OBJECTIVES' is overlaid in large white capital letters.

# FOCUSED ON DELIVERING OUR STRATEGIC OBJECTIVES

Marcus Shepherd photographed at 8 Albert Embankment, London

## Results for the year

During the year, the Group focused on delivering on its strategic initiatives of fewer, larger projects, improving the performance of the investment portfolio and launching specialist platforms. At the same time, it continued to deliver gains from its development and trading portfolio albeit within the context of greater economic and political uncertainty resulting from the EU referendum.

Below is a summary of the Group's results for the year ended 28 February 2017:

	2017	2016
Development and trading gains	<b>£35.0m</b>	£51.1m
Basic net asset value (NAV)	<b>£347.6m</b>	£363.3m
Basic NAV per share	<b>278p</b>	291p
Total declared dividends per share	<b>8.7p</b>	13.9p
(Loss)/profit before tax	<b>£(1.7)m*</b>	£25.8m
Total return	<b>0.2%</b>	7.2%
Balance sheet gearing	<b>34.8%</b>	44.4%

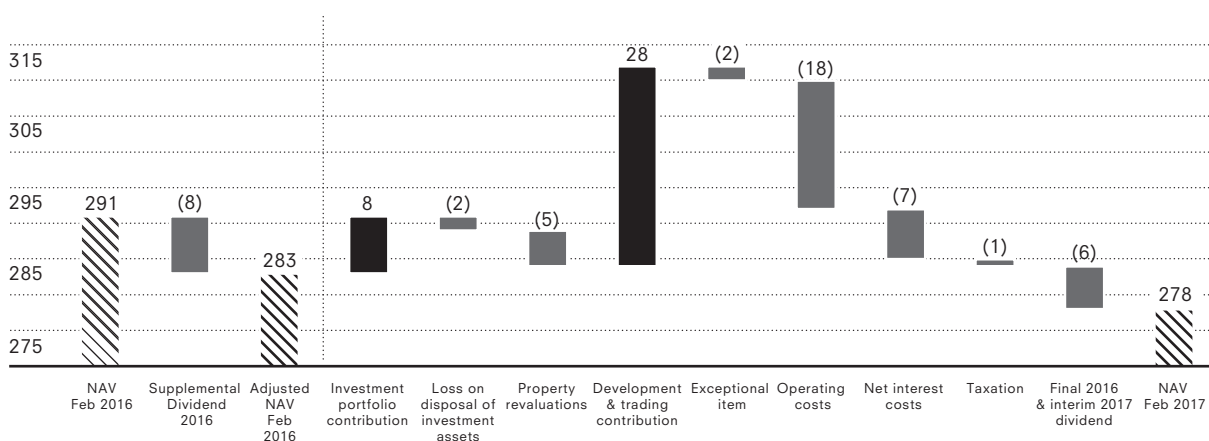
\* After exceptional item of £2.1m

The loss before tax for the year to 28 February 2017 is £1.7 million (2016: £25.8 million profit), a reduction of £27.5 million from the previous year, after an exceptional charge of £2.1 million in respect of the Group's serviced office business (refer note 2b).

The total development and trading gains for the year were £35.0 million (2016: £51.1 million), at the lower end of our guidance, but once again demonstrating the benefit of a diversified portfolio of projects in a challenging market.

As reported in the first half of the year, we suffered a valuation decline of £8.6 million in our investment portfolio. Capital values have stabilised over the second half of the year to deliver a full-year valuation decline of £9.5 million (2016: £0.2 million gain). The challenge now for our investment portfolio is to reinvest proceeds from the strategic disposals during the year into assets more closely aligned with our regeneration model. During the year, delays in the ability to reinvest approximately £24.4 million of restricted cash reserves has meant that rental income has been approximately £1.5 million less than in 2016. This should be addressed during the first half of our 2018 financial year.

The movement in net assets for the year are shown in the bridge below:





## Financial review

continued

### Development and trading gains

During the year, we have realised a total of £35.0 million of trading and development gains. The key components of these gains are:

- £8.4 million – Birmingham International Park: disposal of a land holding post receipt of planning permission for £9.6 million.
- £5.3 million – Elizabeth House, Woking: surrender premium from the existing tenant and subsequent disposal of the office building with residential consent.
- £4.3 million – The Vertium Building, Dublin: pre-letting of the building in course of construction.
- £3.8 million – Ashford Powergen site: disposal of land post receipt of residential planning consent.
- £2.3 million – Maidstone: disposal of land post receipt of residential planning consent.
- £3.0 million – Percy Place, Dublin: disposal of mixed-use scheme post construction and letting.

These results were achieved against a backdrop of both political and economic uncertainty following the EU referendum vote in June 2016. This led to a slowdown in investment markets as sources of capital waited to consider the impact of the referendum. Businesses were also reluctant to commit new funds to investment in either real estate or their businesses.

Development and trading gains can be analysed as follows:

	2017 £m	2016 £m
<b>Included in segmental analysis:</b>		
Development and trading segment result	<b>28.5</b>	39.0
Share of results of joint ventures	<b>3.0</b>	(0.3)
Sale of investment	<b>0.6</b>	2.2
Other income	<b>0.7</b>	0.2
<b>Included in net finance costs:</b>		
Interest from financial asset	<b>1.1</b>	1.7
Other asset realisations	<b>1.1</b>	8.3
	<b>35.0</b>	51.1

### Overheads

We have announced that, during 2018 we intend to produce savings of £2.0 million in our net recurring overheads from a combination of cost efficiencies and the generation of management fees from specialist platforms.

During the year, the launch of specialist platforms with Colony NorthStar and Proprium Capital Partners has set us well on the way to delivering the fee target and we continue to look at ways to drive efficiencies across the business, focusing particularly on simplifying our corporate structure, reducing the number of corporate entities and leveraging our intellectual capital.

The overheads during 2017 comprised:

	2017 £m
Core recurring overheads	<b>20.3</b>
Non-recurring staff costs	<b>0.5</b>
LTIP charge (net)	<b>0.9</b>
Closedown of historical tax structuring	<b>0.4</b>
	<b>22.1</b>

### Net finance costs

Net finance costs for the year of £10.8 million (2016: £12.9 million) include foreign exchange deficit of £3.4 million (2016: £3.2 million deficit) in respect of the retranslation of Euro-denominated loans and deposits.

For entities where the reporting currency is in Euros, retranslation differences are charged to reserves. The movement for 2017 was a gain of £3.0 million (2016: £2.4 million gain). The net impact of these movements on NAV during the year was £0.4 million loss (2016: £0.8 million loss).

### Debt

We use debt finance to leverage the use of our equity in property transactions. We continue to borrow from a wide range of financial institutions, including UK clearing banks, insurance company-backed lenders, debt funds and financial institutions. The availability of debt finance has not impacted our ability to transact new property deals. We are currently seeking to negotiate greater flexibility into our investment property facility with Aviva so as to facilitate the restructure of our investment portfolio in line with Group strategy.

During the year, the following facilities were re-negotiated or drawn down:

#### On balance sheet

- Refinance of the £28.0 million Lloyds facility, secured on investment assets in Ringwood and Thatcham. This is a two-year investment facility with substitution rights and a cost of 2.5%.
- New development funding from Quadrant for the build-out of Valentine House, Ilford: a facility of £30.7 million at a fixed rate of 7.5%. This facility is for the build-out of the pre-sold residential units.

#### In joint venture

- In our Office Repositioning Platform with Colony NorthStar, we have signed a €42.2 million facility with Quadrant to fund the acquisition and refurbishment of the first three properties.
- In our Income Producing Development Assets Platform with Proprium Capital Partners, we have signed a £11.3 million loan facility with RBS.

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

#### Group's bank facilities

								Principal financial highlights
Facility type	Notes	Total facility	Utilised as at 28 Feb 2017 £'000	Interest rate	Maturity	Loan to value ratio	Interest <sup>1</sup> cover ratio	Minimum <sup>1</sup> net worth £'000
<b>Loans financing longer-term assets</b>								
Revolving credit		£28,000	28,000	Variable	16-Dec-18	65%	200%	–
Term loan		£12,000	11,839	Cap	05-Jan-19	50%	200%	–
Term loan	4	£10,580	10,580	Variable	10-Jan-20	73%	160%	–
Term loan		£2,795	2,312	Variable	22-May-20	–	–	–
Loan notes	2	£47,000	40,133 ~	Cap	24-Apr-21	–	–	–
Term loan		£57,565	49,135	Fixed	12-Mar-25	80%	110%	–
Term loan		£22,470	19,284	Fixed	12-Mar-25	80%	110%	–
<b>Loans financing development and trading assets</b>								
Revolving credit	3	£20,000	2,562 ~	Variable	20-Apr-17	–	–	–
Term loan	4	£26,000	26,000	Cap	30-Sep-17	60%	125%	100,000
Term loan	4	£4,900	4,900	Fixed	17-Nov-17	–	–	–
Term loan	5	£9,500	12,276	Variable	31-Mar-18	–	–	–
Term loan		£4,539	1,310	Variable	14-Jun-18	–	–	–
Term loan		£2,751	153	Variable	19-Jul-18	–	–	–
Term loan		£24,307	3,075 ~	Variable	01-Aug-18	73%	110%	–
Term loan		£30,750	4,053	Fixed	25-Nov-18	70%	–	–
Term loan		£24,500	–	Fixed	31-Jan-19	–	–	–
Term loan	4	£44,100	37,419	Fixed	24-Feb-19	–	–	–
Term loan	4	£22,045	6,593 ~	Fixed	18-Nov-19	–	–	–
Term loan	4	£20,125	10,153 ~	Fixed	06-Jan-20	–	–	–
Term loan	4	£11,300	11,300	Variable	28-Oct-20	55%	150%	–
Term loan	4	£5,610	5,553	Cap	31-Mar-21	60%	175%	–
Term loan	4	£12,725	12,725	SWAP	01-Sep-21	50%	120%	–

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 (28 February or 31 August)

2 These unsecured, variable rate loan notes are denominated in Euros, with a nominal value of €47 million. An interest rate cap is in place to limit the Group's exposure to movements in the EURIBOR rate however, the Group's option to acquire €25,000,000 expired in April 2017

3 This facility has been extended to 20 August 2017 since the year end

4 Loans relating to joint ventures represent the total loan facility and not the Group's share

5 This facility has the provision to allow interest to be rolled into the loan

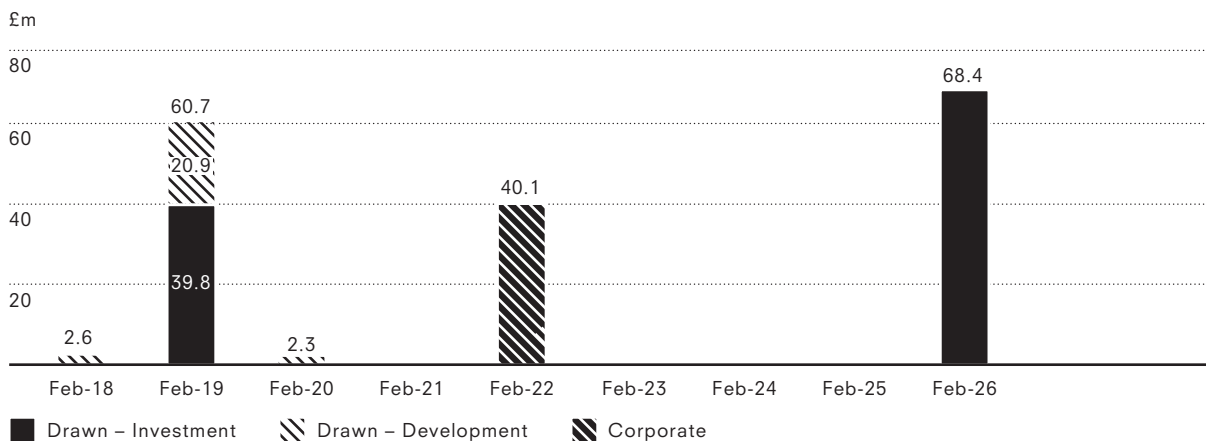
~ Represents the amount of the Group's liability in Sterling as at the balance sheet date

## Financial review

continued

### Debt maturity profile

The graph below shows the maturity profile of the Group's debt and the analysis between investment, development and corporate facilities:



Our debt policy can be summarised as follows:

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

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

	Target	28 Feb 2017	26 Apr 2017	29 Feb 2016
Gearing (excl. share of JVs)	40-50%	<b>34.8%</b>	37.6%	44.4%
Gearing (incl. share of JVs)	50-60%	<b>47.4%</b>	50.2%	56.4%

The greatest fluctuation in gearing occurs where we utilise debt to fund the build-out of pre-sold residential developments on our own Balance Sheet. This peaked at 59.2% during FY2017.

Our overall gearing targets therefore act as a limit on the amount of development that we can undertake on our own Balance Sheet.



The Group maintains a mix of variable and fixed rate facilities to provide a degree of certainty whilst also benefiting from historically low interest rates. Longer-term facilities tend to be structured with fixed rates. A summary of the Group's interest rate exposure is shown below:

		2017	2016
<b>Group net debt and gearing:</b>			
Gross debt	£m	<b>(172.1)</b>	(213.3)
Cash and cash equivalents	£m	<b>51.3</b>	51.8
<b>Net debt</b>	£m	<b>(120.8)</b>	(161.5)
Net assets	£m	<b>347.6</b>	363.3
Gearing	%	<b>34.8</b>	44.4
Weighted average debt maturity	years	<b>4.8</b>	4.5
Weighted average interest rate	%	<b>4.6</b>	4.9
<b>Including joint ventures:</b>			
Share of net debt in joint ventures	£m	<b>(44.0)</b>	(43.6)
Gearing	%	<b>47.4</b>	56.4
Weighted average debt maturity	years	<b>4.2</b>	4.2
Weighted average interest rate	%	<b>4.9</b>	5.0

### Joint venture arrangements

The Group has a policy of working in joint venture arrangements as a way of:

- Leveraging our equity so we can participate in projects that would otherwise would be of too large for our Balance Sheet;
- Accessing deals with specialist partners who have secured positions on projects but require further equity and the planning and structuring skills, which are a key part of our business.

During the year, the Group entered into two new large-scale joint ventures (specialist platforms):

- A joint venture with Colony NorthStar, targeting €300 million of office refurbishment and repositioning opportunities in London, Manchester and Dublin. The Group has a 50.0% holding in the joint venture, Luxembourg Investment Company 112 Sarl, and gearing was 18.5% as at 28 February 2017. Gearing is below the target range as both joint venture partners have deposited large cash balances in the entity to cover future development spend.
- A joint venture with Proprium Capital Partners targeting up to £200 million of income-producing assets with development potential in the London City Region. The Group has a 20.0% holding in the joint venture, UAIP (Drum) BV, and gearing was 85.6% as at 28 February 2017, in accordance with the capital structure agreed with our joint venture partner.

The Group's joint ventures and associates are analysed in more detail in note 13 on pages 151 to 157 to the Consolidated financial statements.

## Taxation

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

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

The Group has operations in certain jurisdictions that have been dictated to us by our majority capital partners. Under most circumstances the Group does not enjoy any fiscal advantage by being in those jurisdictions. The Group undertakes an annual 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 both the fiscal needs of the Group and the constant evolution of tax legislation.

## Dividends

Our dividend policy consists of two elements as follows:

- An Ordinary dividend, comprising interim and final at 2.4 pence and 3.5 pence per share respectively; and
- A supplemental dividend related to the net free level of cash flow generated during the financial year.

A final dividend of 3.5 pence per share will be recommended to shareholders at the Annual General Meeting (AGM) on 11 July 2017, to be paid on 17 August 2017 to shareholders on the register on 21 July 2017 (2016: 3.5 pence per share).

On 25 April 2017, the Board approved the payment of a supplemental dividend of 3.5 pence per share, to be paid on 16 June 2017 to shareholders on the register on 12 May 2017.

## Foreign currency movements

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

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

At 28 February 2017, the Group had net Euro-denominated liabilities of €16.6 million (2016: €9.7 million).

The details of the Group's sensitivity to exchange rate movements are set out in note 17(d) of the Group financial statements.

During the year, the value of Sterling against the Euro fell significantly, following the EU referendum in June 2016. The impact on our NAV during the period was a reduction of £0.4 million, which is the net result of a loss of £3.4 million recorded in finance costs in the profit and loss account and a gain through reserves of £3.0 million.

## EPRA

This year we have committed to provide more detailed disclosure in respect of our EPRA NAV, by adjusting to fair value both our trading properties and the property interests where we have obtained planning consent - planning being the main driver of value in the portfolio.

Unlike a real estate investment business, a significant part of our regeneration business model seeks to optimise the use of our Balance Sheet by entering into either conditional purchase agreements, land option agreements or development management agreements where we incur the design costs and fees associated with obtaining a planning consent, without purchasing the land up front. These types of structures mean that for a significant part (70%) of our development portfolio, we are not able to produce a reliable fair value in accordance with EPRA guidelines until such time as planning consent is obtained and land becomes unconditionally owned.

The table below provides a summary of the assets valued in our directly owned and joint venture development and trading portfolio.

	% of assets valued	Change in valuation after tax £'m
Directly owned portfolio	42.9	14.8
Assets held in joint venture	20.0	(2.4)
Total development and trading portfolio	30.1	12.4

We understand that EPRA NAV is the accepted valuation metric for real estate investment companies. However, U+I's business model and our preference for developing assets using third-party capital rather than our own, mean that EPRA NAV does not deliver a complete picture of the potential value within both our portfolio of assets and various contractual arrangements. We will continue to give guidance as to expected development and trading gains over the next three years as a more complete picture of the potential value within the Group's projects.

### Five-year summary

		2017	2016	2015	2014	2013
Revenue	£m	<b>123.9</b>	242.3	203.7	79.3	99.7
(Loss)/profit before taxation	£m	<b>(1.7)</b>	25.8	34.8	19.5	0.8
Net assets	£m	<b>347.6</b>	363.3	346.4	320.3	306.7
(Loss)/earnings per share	Pence	<b>(2.4)</b>	17.5	26.8	14.9	2.0
Net assets per share	Pence	<b>278</b>	291	276	262	251



**Marcus Shepherd**  
Chief Financial Officer  
26 April 2017



# Our approach to sustainability

The illuminated words 'Everything is Connected' hang above the entrance to our headquarters in London. They say as much about our approach to sustainability as they do about the way we do business. They capture the way we view the world, how we operate and the culture that we want to create. They reflect our love of the daring and the imaginative, and our desire to stimulate new thinking, encouraging people to pause and reflect on their individual contribution to something bigger in our work, our relationships and society – aspects that we see as a fundamental requirement for successful regeneration projects.

In short, 'connection' lies at the heart of everything we do. We connect people, places and communities to create developments that deliver sustainable socio-economic growth for the communities in which we build, and long term value for our shareholders. We do this by transforming unloved town centres and brownfield sites into vibrant neighbourhoods, delivering a positive legacy for local residents, or investing in our people.

Our approach to sustainability is built around the most material impacts arising from mixed-use regeneration. It covers:

- The places we create
- The buildings we own and operate
- The people who work for us

Maintaining a first-rate approach to community engagement and delivering the greatest possible social and environmental value across all of our places remains our priority.

Managing and reducing the most significant environmental impacts of our buildings is also a focus area across our development and investment portfolios, targeting reductions in energy, water and waste.

The success of the projects we deliver relies in turn on our ability to harness the creativity, innovation and flair of our people.

The connection between the social, environmental and financial aspects of our performance means our approach to sustainability is integrated into our governance structures and management procedures. As such, social and environmental aspects are considered as part of the broader conversation around specific projects at Board level, and are incorporated into the overarching brief used for all regeneration projects and asset management strategies.

## Our sustainability focus areas

### 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 measure and monitor our sustainability impact 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 an engaging, collegiate culture.

## Our places

### Community

Connecting people, businesses and places to create dynamic, sustainable communities is a fundamental component of our approach. When regeneration is done well, it adds long-term value to neighbourhoods and cities by breathing life into underutilised and neglected sites.

We believe that the best regeneration projects can only be delivered if the broadest range of influences and trends that impact people's daily lives, aspirations and wellbeing are taken into account from the earliest stages of a project. We work with communities to keep them informed, listening to what they say to make the scheme the best it can be for the people that will live, work and play there, while also being respectful of the history and provenance of the location that together contribute to a positive sense of place.

At the same time, we seek to generate positive socio-economic returns for local communities by integrating novel commercial solutions, with a view to their long-term sustainability. We add value during the development process by identifying opportunities to support and encourage local businesses through the innovative use of low-cost space via our meanwhile use activities.

**FIELD** at Preston Barracks in Brighton illustrates our focus on generating value from the outset by providing work space for local entrepreneurs. During the design phase of the regeneration of the former military barracks, we believed that it was imperative that the site-in-waiting be opened to the residents of Brighton and that it serve as a home for a community of ecologically aware and technologically evolving fledgling businesses. The building houses flexible work space for up to twelve start-ups in a dynamic and collaborative environment. It forms the first stage of a much larger 50,000 sq. ft. campus which is set to create over 7,000 product design and technology jobs over the next ten years, alongside a sustainable community of 369 new homes.



### FIELD Brighton

Based at the Preston Barracks regeneration site in Brighton, FIELD is a hub for start ups that design and make physical products

Providing this kind of temporary commercial space allows us to transform disused areas into creative zones and trial features that can be reflected in the final scheme. This in turn helps us to prove the feasibility of our approach and strengthen our track record of creating sustainable growth and commercially successful projects.

**FIELD** is by no means unique, and it builds on the success of other developments such as the Old Vinyl Factory development in Hayes, west London. Here, we revived the site's industrial heritage by creating the first **Central Research Laboratory (CRL)**. The CRL is a 10,000 sq. ft. fully equipped incubator space for hardware start-ups and a hub for creative commercial innovation. Since opening in 2015, CRL has supported approximately 30 early stage start-ups, split between more intensive 'accelerator' support, covering product development, business development, access to finance and acquiring first customers, and less intensive 'incubator' support that provides workshop facilities and light-touch advisory services. Since its inception, resident ventures have won investment, grants and prizes worth more than £350,000.

This respect for the local heritage embedded in a site was central to our winning proposal for the redevelopment of **Mayfield** in Manchester. Conserving and exploiting the site's industrial and natural heritage was a core part of our vision for this £850 million regeneration project. Our proposal incorporates historical buildings into a vibrant mixed-use development that plays on the themes of river, railway and architecture which are so synonymous with this part of Manchester. In our capacity as development partner, we are working in a Public Private Partnership alongside London Continental Railways, Manchester City Council and Transport for Greater Manchester as the Mayfield Partnership.

### Environment

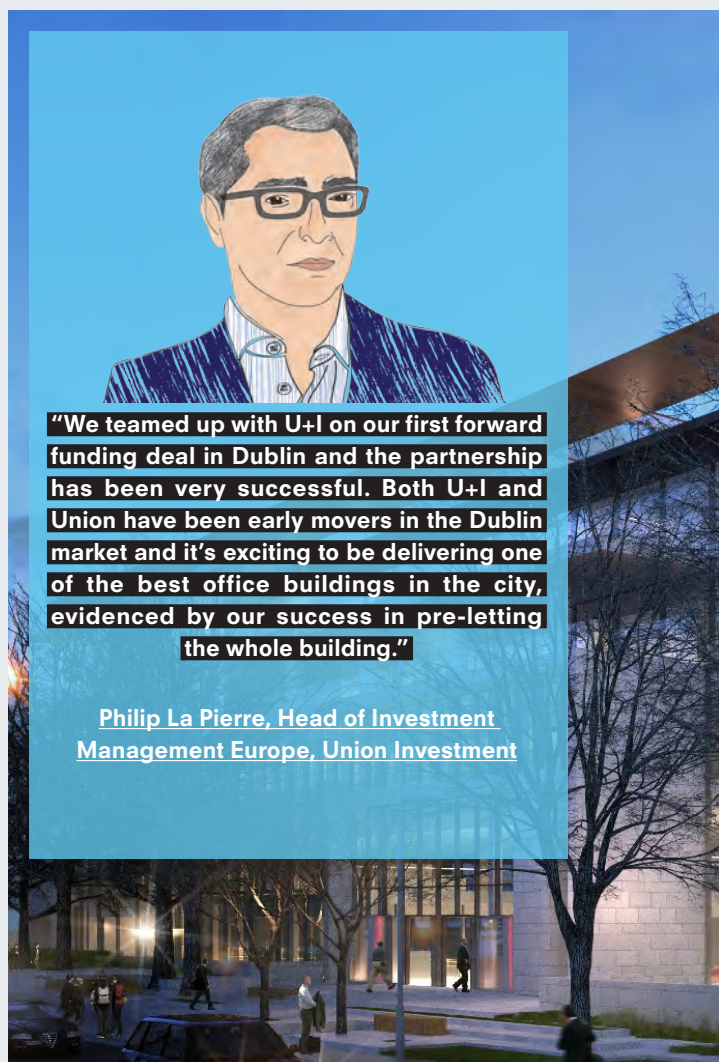
Our commitment to delivering sustainable communities extends to managing and improving the environmental impact of the places we create. Measures to improve the environmental sustainability of our projects are integrated into our template brief for development and construction. We take a practical approach, guided by the National Planning Policy Framework, which ensures a consistent focus on improving our impact in relation to energy, carbon, water and waste across our development portfolio.

The greatest opportunity for us to improve the environmental impact of our portfolio is during the design phase, for example by finding opportunities to incorporate sustainable features including green rooftop spaces, cycling facilities, photo-voltaic panels, LED lighting, water efficient fittings and integrating developments within existing public transport networks where feasible. We have not set project-specific environmental performance targets, but we have begun to measure the energy, carbon, water and waste performance of our schemes' construction works and we seek solutions that minimise environmental impacts and maximise resource efficiencies. As our approach develops, we are investigating opportunities to integrate sustainable product selection and responsible sourcing into our procurement activities. This includes goals to procure 100 per cent FSC certified timber and for 70 per cent of building materials to achieve a Green Guide rating of at least A.

Beyond ensuring that we comply with statutory and industry standards as a minimum, we target BREEAM and LEED certifications on a project-by-project basis. Additional environmental features are determined by our stakeholders, market expectations and the specific circumstances of each project. For example, the wider

action plan for our **Preston Barracks** redevelopment includes ten environmental and socio-economic sustainability principles that align with the city of Brighton's wider sustainability goals. The principles dictate how sustainability will be embedded into the design, construction and operational phases of the development's life, and cover objectives to enhance the health and wellbeing of its residents, boost economic development and reduce its environmental footprint, including a goal to be zero carbon and zero waste. Once complete, we estimate that the ecological footprint of the site's residents will be 38 per cent lower than the benchmark for Brighton.

As part of a long-standing focus on our greenhouse gas (GHG) emissions, we calculate the embodied carbon of all our developments up to practical completion. Collecting this data and comparing the performance of each project



**"We teamed up with U+I on our first forward funding deal in Dublin and the partnership has been very successful. Both U+I and Union have been early movers in the Dublin market and it's exciting to be delivering one of the best office buildings in the city, evidenced by our success in pre-letting the whole building."**

**Philip La Pierre, Head of Investment Management Europe, Union Investment**





with previous projects, as well as with industry benchmarks, increases awareness of the environmental impacts of the development process and helps to inform decisions around material selection and procurement. Our aim is to improve on previous performance, which 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.

**+** Read more on p.112

#### Vertium

Our Vertium development in Dublin features approximately 172,000 sq. ft of bright and airy work space for more than 2,000 people and is pursuing LEED Gold standard certification. An intelligent energy management system that monitors and optimises building services, coupled with automated LED lighting and energy efficient ventilation and cooling technology mean that the building has an estimated energy consumption of 257 kWh/m<sup>2</sup> per year.

## Our buildings



The options for reducing the environmental impact of our investment portfolio are more limited because they are not buildings we have designed or built ourselves. Nonetheless, we focus on improvements to energy efficiency, waste and water consumption as part of our broader objective to sustain asset values and reduce operating costs.

To mitigate risk in the context of environmental legislation, we aim to have only EPC 'C' rated assets within our portfolio, and to ensure that, before 2018, we have no remaining properties rated 'F' or below in terms of energy performance. We have ongoing programmes for energy reduction in place across six assets, which are yielding positive results. We are also striving to divert 100% of waste from landfill, and we have appointed a single waste removal contractor, covering approximately 80% of our assets to help deliver this target.

In addition to reporting energy, water and waste performance data, we have established a number of long term key performance indicators that we will implement over the coming years to support our goals. These include investigating the feasibility of rolling out smart meters to facilitate the collection of more accurate energy consumption data.

Our tenants account for the majority of the energy use and waste generated at our investment portfolio. A challenge across the property sector is the split incentive between landlord and tenants to invest in environmental improvements. To increase the energy performance of our portfolio, we need to introduce energy-efficient equipment and management practices in tenant demised areas, but tenants are often unwilling to share the investment cost, even when they will reap returns within reasonable payback periods. We are tackling this through a range of measures including the introduction of green leases, such as BREEAM Green Lease Agreements and 'green' fit-out design guidance for tenants at 399 Edgware Road.

### **EPRA sustainability reporting**

We report the environmental performance of our owned portfolio in line with EPRA's Sustainability Best Practice Recommendations. Tables detailing our performance in 2016 can be found on our website: [www.uandiplc.com/sustainability/overview](http://www.uandiplc.com/sustainability/overview)



## Our people



Our goal is to build a culture where people are proud to work for us and share our values of intelligence, imagination and audacity. This can only be achieved by fostering a real sense of belonging among our employees, connected by strong internal communications and high levels of engagement. We are proud of what we have achieved in this respect following our merger, and this goal continued to influence our activities in 2016/17.

People thrive when they are engaged, inspired and continually learning, so we challenge people to think creatively and encourage our employees to further their professional and personal development.



U+I Think is one example of how we promote an intellectually stimulating environment, where new ideas are explored and everyday thinking questioned. Held in the spirit of challenging the status quo within the real estate sector, U+I Think provides a forum to connect employees with experts from backgrounds in public policy, government, design, architecture and finance. Sessions take place over breakfast or early evening drinks in our auditorium, and speakers are tasked with showcasing original research from their area of expertise to inspire new and original thinking in our people and the industry.

In 2016 we formalised our commitment to investing in the future of our talent by publishing our study policy. We encourage employees to develop their relevant skills and knowledge. We provide financial support for employees, including fees and other costs relating to their programme of study, along with paid study leave.

This approach is supported by our learning and development strategy and performance management framework. These combine to provide a clear framework for our team that identifies their individual roles and responsibilities as well as providing clarity on what is expected of them in accordance with the business strategy.



During the year, we supported four employees studying further education qualifications including RICS, CIPD, MA in Construction Management and ICSA (Institute of Chartered Secretaries and Administrators). Seventy four employees (equivalent to 64% of our workforce) attended at least one of the 20 different training events we organised on themes ranging from technical training (i.e. InDesign, Excel) to Having Productive Conversations. Beginning in 2016 we offered three work experience placements to extend these learning opportunities to young people outside of the workplace, and we will offer a further four placements in 2017. We also plan to establish a formal internship programme for young people in 2018.

Our Sabbatical Policy enables employees with more than seven years' continuous employment to take up to three months extended leave. We recognise the value sabbaticals add as a flexible and cost-effective development tool with the potential to improve recruitment, retention and increase levels of team motivation and performance. As such, employees are encouraged to use the time to undertake activities that promote their individual development, as this will ultimately benefit U+I.

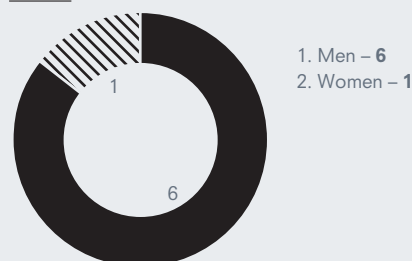
To get the best out of our team, we also encourage them to stay fit, healthy and well. We offer a wide range of benefits designed to promote better health and wellbeing including daily fruit supplies and free yoga classes; we subsidise gym membership; participate in the cycle2work scheme; and provide 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. This includes access to counselling.

#### Employee profile as 28 February 2017:

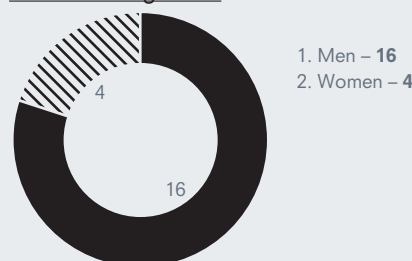
	Results
Total number of U+I employees	119
Total number of new hires in 2016/17	25
Total number of training events	20
Total number of people who attended training	74

#### **Employee, senior management and Director numbers by gender at year end**

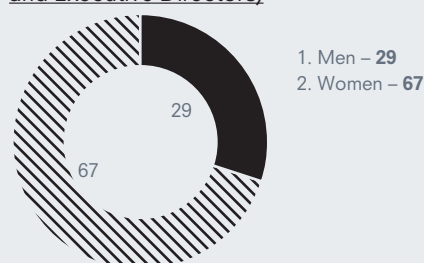
##### Board



##### Senior Management



##### Full team (excl. Senior Management and Executive Directors)



Our 2017 Strategic report, from IFC to page 54 has been reviewed and approved by the Board of Directors on 26 April 2017.

**Marcus Shepherd**  
Chief Financial Officer  
26 April 2017

# **STRONG CORPORATE GOVERNANCE UNDERPINS EVERYTHING WE DO**

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- 113 Statement of Directors' responsibilities

### Dear Shareholder,

On behalf of the Board, I am pleased to introduce my first report on the governance and stewardship of the Company for the year ended 28 February 2017. As your new Chairman I have spent my time getting to know the U+I business, visiting our projects and meeting with our stakeholders. During this time, I have been continually impressed with the quality, experience, dedication and enthusiasm of our people, from Director level to employees throughout the Company.



Peter Williams photographed at U+I offices

### Sustainable governance

As a Board, we are committed to building and leading the responsible, transparent, transformational and sustainable business discussed in the previous pages of this Annual Report. We believe that by maintaining high standards of corporate governance, aligned with the strategic aims of the business both at Board level and throughout the Group, we will deliver value for our stakeholders over the short and longer term. Good governance is an essential tool to enhance and sustain business performance, while raising our reputation both in the sector in which we operate and among our wider stakeholders. The principles of leadership, accountability and effectiveness, along with remuneration and the relationships we have with our shareholders, as defined under the UK Corporate Governance Code (the Code), are integrated throughout our business. The implementation of these principles is set out in this report.

### Board succession

Succession at Board level was a key focus during the year. I took over from David Jenkins as Chairman of the Board, following the AGM in July 2016. Lynn Krige was appointed as a new independent Non-executive Director in March 2016, taking over from Sarah Bates as Chairman of the Audit and Risk Committee, following the 2016 AGM. This smooth transition highlights the effectiveness of our succession policy at Board level. As Chairman of the Nomination Committee, it is my responsibility to ensure the Board

continues to hold the necessary skills and experience to oversee the effective running of the business. Further information on this can be found in the Nomination Committee report on pages 70 to 71.

### Strategy

Alongside succession, the Board continued its focus on strategy, with newly established bi-annual Board strategy days. Dedicated entirely to strategy, these days give Directors an excellent opportunity to focus their time and energy, along with that of the

Executive Committee, to obtain a deeper understanding of what success looks like for our business, and the associated risks and challenges.

### Risk management

As set out in my letter on page 5, the impact of the UK's decision to leave the EU has created significant uncertainty in the property market. The changing nature of the economic environment, and with that the markets in which we operate, is one of our key risks. This, and other key risks, are set out on pages 19 and 20, and are considered as part of U+I's risk management and internal control framework, which is focused on by our Risk Management Committee and our Audit and Risk Committee. The framework has been reviewed during the year to ensure those risks remain appropriate and proportionate, and that our risk management systems remain robust, with identified risks being mitigated to the fullest extent possible. Further information on this can be found in the Audit and Risk Committee Report on pages 73 to 77.

### Board evaluation

The Board evaluation process, led by myself, with the assistance of the Company Secretary, confirmed that the Board and its Committees continue to operate effectively and there were no significant issues to address. However, I understand that there are always ways in which we can improve as a Board, and I will look at the implementation



of recommendations from the evaluation process, set out on page 69, during the year. I am satisfied that our Directors, all of whom will be standing for re-election at the 2017 AGM, continue to be effective and show the required commitment to their roles, and I will be recommending their re-appointment to shareholders.

### Remuneration

At this year's AGM, we will be proposing a resolution to shareholders to approve our Remuneration Policy. This approval is required every three years and, whilst no significant changes are being proposed, we consulted with shareholders accounting for 60% of our register as part of this process. The Remuneration Committee has listened

to shareholders and taken on board the feedback received, and we have amended the proposed Policy where we believed this was appropriate. Further information on this can be found in the Remuneration Report on pages 80 to 104. An explanation of all resolutions being proposed to shareholders at the AGM can be found on pages 107 to 110.

I trust that you will find this governance report helpful and informative, and I look forward to meeting those of you attending our AGM.

**Peter Williams**

Chairman

26 April 2017

### Applying the Principles of the UK Corporate Governance Code

U+I				
LEADERSHIP	EFFECTIVENESS	ACCOUNTABILITY	RELATIONS WITH SHAREHOLDERS	REMUNERATION
<p>A clear tone of good governance has been established throughout the Company by:</p> <ul style="list-style-type: none"> <li>Clearly defining roles and responsibilities of Board members;</li> <li>A comprehensive corporate governance framework; and</li> <li>Independent Directors fostering open and honest dialogue at the Board led by the Chairman.</li> </ul>	<p>Effective leadership of the Company by the Board through:</p> <ul style="list-style-type: none"> <li>Continued focus on Group strategy, risk, finance, governance and people;</li> <li>Successful execution of succession planning at Board level; and</li> <li>Annual review of the effectiveness of the Board, its Committees and Directors.</li> </ul>	<p>Transparent lines of accountability leading back to the Board with:</p> <ul style="list-style-type: none"> <li>Clear reporting lines of Committees and senior management back to the Board;</li> <li>Delegation of duties to Committees set out in published terms of reference; and</li> <li>Continuous review and improvement to risk management and internal controls.</li> </ul>	<p>Ongoing engagement with shareholders through:</p> <ul style="list-style-type: none"> <li>Executive Directors and Chairman meeting with key shareholders throughout the year;</li> <li>Site visit to 8 Albert Embankment for shareholders and analysts; and</li> <li>Engaging with smaller shareholders through the AGM process.</li> </ul>	<p>A transparent remuneration framework aligned with shareholder value by:</p> <ul style="list-style-type: none"> <li>Consultation process undertaken on Remuneration Policy during the year;</li> <li>Incentive structure focused on longer term performance; and</li> <li>Monitoring of market trends and changes in legislation by the Remuneration Committee.</li> </ul>
<p><b>+</b> Read more on p.61-67</p>	<p><b>+</b> Read more on p.68-71</p>	<p><b>+</b> Read more on p.72-77</p>	<p><b>+</b> Read more on p.78-79</p>	<p><b>+</b> Read more on p.80-104</p>

Board of Directors



## Chairman

### 1. Peter Williams – Chairman

Appointed: 4 January 2016

Period of service on the Board: 1 year, 4 months

**Experience:** Peter became Chairman of the Company following the AGM on 14 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 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:** Chairman of the Nomination Committee, member of the Audit and Risk Committee and Remuneration Committee.

## Executive Directors

### 2. Matthew Weiner – Chief Executive

Appointed: 18 March 2004

Period of service on the Board: 13 years, 1 month

**Experience:** Matthew was appointed as Chief Executive of the Company following the AGM 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, and a board member of the charity Jewish Care. He joined Development Securities Plc in November 2000 as Director of Investments.

### 3. Richard Upton – Deputy Chief Executive

Appointed: 19 May 2014

Period of service on the Board: 2 years, 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 – Chief Financial Officer

Appointed: 18 February 2013

Period of service on the Board: 4 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.

## Non-Executive Directors

### 5. Nick Thomlinson – Senior Independent Director

Appointed: 3 January 2012

Period of service on the Board: 5 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 and Nomination Committee.

### 6. Barry Bennett – Non-executive Director

Appointed: 19 May 2014

Period of service on the Board: 2 years, 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.

### 7. Lynn Krige – Independent Non-executive Director

Appointed: 10 March 2016

Period of Service on the Board: 1 year, 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:** Chairman of the Audit and Risk Committee, member of the Remuneration Committee and Nomination Committee.



## BOARD STATEMENTS

Under the Code, the Board is required to make a number of statements. These statements are set out in the table below:

REQUIREMENT	BOARD STATEMENT	MORE INFORMATION
<b>Compliance with the Code</b> As a Company listed on the London Stock Exchange, U and I Group PLC is subject to requirements of the UK Corporate Governance Code. The Board is required to comply with the provisions of the Code and where it does not, explain the reasons for non-compliance.	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 during the financial year under review.	Details on how the Company complies with the Code can be found throughout the Governance section of the Annual Report.
<b>Going Concern</b> The Board is required to confirm that the Group has adequate resources to continue in operation for the foreseeable future.	The Directors are satisfied that the Group has adequate resources to continue to be operational as a going concern for the foreseeable future and therefore have adopted the going concern basis in preparing the Group's 2017 financial statements.	More details on the Going Concern statement can be found on page 77.
<b>Viability Statement</b> The Board is required to assess the viability of the Company taking into account the current position and the potential impact of the principal risks and uncertainties set out on pages 18 to 20.	The Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period to February 2022.	More details on the Viability statement can be found on page 21.
<b>Principal risks facing the Group</b> The Board is required to confirm that a robust assessment of the principal risks facing the Company has been carried out and should describe those risks and explain how they are being managed or mitigated.	A robust assessment of the principal risks facing the Company was undertaken during the year, including those that would threaten its business model, future performance, solvency or liquidity. The significant risks facing the Company, and how these are mitigated, are set out on pages 18 to 20.	Information around key risks and risk management processes can be found on pages 18 to 20, and on page 75 of the Audit and Risk Committee report.
<b>Risk management and internal control</b> The Board is required to monitor the Company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness.	The Board conducted a review of the effectiveness of the systems of risk management and internal control during the year, and considers that there is a sound system of internal control which accords with the 'Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.'	Details on the systems of risk management and internal control can be found on pages 75 to 77.
<b>Fair, balanced and understandable</b> The Board should confirm that it considers 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.	The Directors consider, to the best of each person's knowledge and belief, 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.	See the Audit and Risk Committee report on page 76, and the Statement of Directors responsibilities on page 113.

## LEADERSHIP

### 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 Code. The Code describes corporate governance as the system by which companies are directed and controlled. The Board is responsible for the governance of the Company; how it meets this responsibility is set out in this Governance section of the Annual Report on pages 56 to 113. Shareholders are responsible for holding the Directors of the Company to account should the governance systems and processes in place not meet the requirements set out in the Code. Shareholders can do this through direct contact with the Company, or through voting on resolutions at the Company's AGM.

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 during the financial year under review. The full Code can be found at [www.frc.org.uk](http://www.frc.org.uk).

### The Board

The Board is responsible for ensuring effective leadership of the Company through the 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. In carrying out its responsibilities, the Board takes into account the size and complexity of the Group and internal control measures employed to determine which formal matters are to be reserved to it, and which are to be delegated to its various Committees or the Executive Directors. The Board 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

At least once a year the Board reviews the nature and scale of matters reserved for its decision; these include:

- Company strategy and financial performance;
- Approval of significant funding arrangements, capital expenditure and the issue of any securities;
- Executive performance, retention, remuneration and succession planning for the Board and senior management;
- Authorisation of significant transactions, investment acquisitions and disposals and corporate acquisitions;
- Dividend policy;
- Oversight of corporate reputation and communication; and
- Internal control and risk management systems, and review of the Board's own effectiveness.

To assist the Board in discharging its duties, matters are delegated to the Committees of the Board set out in the diagram below; further details of the roles and responsibilities of these Committees are set out throughout this report.

On 1 March 2016 the Board consisted of three Executive Directors, a Non-executive Chairman and four Non-executive Directors, three of whom were independent. Michael Marx, formerly Chief Executive Officer up to July 2015 after which he held the position of Non-Executive Director, retired from the Board with effect from close of business on 29 February 2016. Michael continues to work with the Company on specific projects on a consultancy basis. On 9 December 2015 the Company announced that Peter Williams would be appointed as an independent Non-executive Director, and Chairman designate, with effect from 4 January 2016. Peter took over the position of Chairman following the AGM on 14 July 2016 when David

On 10 March 2016 the Company announced that Lynn Krige would be appointed as a Non-executive Director with immediate effect. It was further announced that Lynn would be Chairman designate of the Audit and Risk Committee. Lynn took over from Sarah Bates as Chairman of the Audit and Risk Committee following the AGM on 14 July 2016 when Sarah stepped down from the Board. At this time Lynn was also appointed as a member of the Remuneration and Nomination Committees.

Nick Thomlinson assumed the position of Senior Independent Director of the Company following Sarah Bates stepping down from the Board at the 2016 AGM.

Biographical information for the Directors in office at the date of this Report is out on page 59.

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graph TD
    Stakeholders[STAKEHOLDERS] --> Board[THE BOARD]
    Board --> ARCA[Audit and Risk Committee]
    Board --> RC[Risk Management Committee]
    Board --> Rem[Remuneration Committee]
    Board --> Nom[Nomination Committee]
    Board --> Disc[Disclosure Committee]
    Board --> Exec[EXECUTIVE COMMITTEE]
    ARCA --> ARCA_Desc[Responsibility for the Group's financial reporting, internal control and risk management, and effectiveness and independence of external auditors]
    RC --> RC_Desc[Oversees the Group's risk register and risk control processes on behalf of the Audit and Risk Committee]
    Rem --> Rem_Desc[Determines the reward strategy for Executive Directors and Chairman with oversight of senior management to ensure their interests are aligned with shareholders]
    Nom --> Nom_Desc[Ensures the Board has the required skills, knowledge, experience and diversity to oversee the delivery of the Group strategy]
    Disc --> Disc_Desc[Oversees the disclosure of market sensitive information]
    Exec --> Exec_Desc[Day to day operational management of the business and implementation of the business strategy]
    Exec --> BD[BUSINESS DIVISIONS]
  
```

**STAKEHOLDERS**

**THE BOARD**

Responsibility for the performance and long-term success of the Company, including leadership, strategy, values, standards, controls and risk management

**AUDIT AND RISK COMMITTEE**

Responsibility for the Group's financial reporting, internal control and risk management, and effectiveness and independence of external auditors

**RISK MANAGEMENT COMMITTEE**

Oversees the Group's risk register and risk control processes on behalf of the Audit and Risk Committee

**REMUNERATION COMMITTEE**

Determines the reward strategy for Executive Directors and Chairman with oversight of senior management to ensure their interests are aligned with shareholders

**NOMINATION COMMITTEE**

Ensures the Board has the required skills, knowledge, experience and diversity to oversee the delivery of the Group strategy

**DISCLOSURE COMMITTEE**

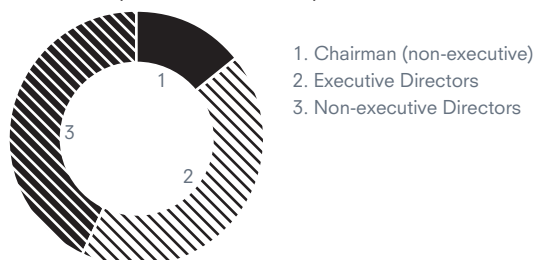
Oversees the disclosure of market sensitive information

**EXECUTIVE COMMITTEE**

Day to day operational management of the business and implementation of the business strategy

**BUSINESS DIVISIONS**



Board composition as at 25 April 2017**Board Committees**

Supported by its principal Committees, the Board sets the strategic direction of the Group. Board Committees operate within defined terms of reference, as determined by the Board. Terms of reference are available upon request from the Company Secretary and are also published on the Company's website at [www.uandiplc.com](http://www.uandiplc.com). The Company Secretary acts as secretary to each of the Committees. The interaction between the Board, its Committees and the management of the Company is detailed in the diagram on page 62. 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 73 to 77. 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 70 and 71. 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 the Company's long-term strategy. The Remuneration Committee report is on pages 80 to 104.

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 66. The Disclosure Committee meets as and when required and has responsibility for the identification and disclosure of inside information, and for ensuring that regulatory announcements comply with applicable legal or regulatory requirements.

## DIVISION OF RESPONSIBILITIES

## ROLE

## RESPONSIBILITIES

**Chairman**

The Chairman is responsible for the leadership of the Board and ensuring its effectiveness.

Peter Williams, who became Chairman following the 2016 AGM, has the following key responsibilities:

- To organise the business of the Board and ensure the smooth flow of information, in conjunction with the Company Secretary, and to promote open and honest dialogue to enable effective decision making.
- To work alongside the Chief Executive Officer in establishing the key strategic objectives of the Company.
- To promote the Company and enhance its standing with stakeholders.

**Chief Executive**

The Chief Executive is responsible for the running of the Company's business and meeting strategic objectives.

Matthew Weiner, who became Chief Executive of the Company following the 2015 AGM, has the following key responsibilities:

- To work alongside the Chairman, Executive Directors and senior management in establishing the key strategic objectives of the Company.
- To oversee the overall performance of the business.
- To implement the Group's business plan.

**Non-executive Directors**

The Non-executive Directors play a key role in shaping strategy and holding the executive management to account.

The Non-executive Directors, as set out on page 59, have the following key responsibilities:

- To bring external perspectives and insight to the deliberations of the Board and its Committees.
- To 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.
- To provide challenge to Executive Directors to produce a considered and independent outcome to Board deliberations.

**Senior Independent Director**

The Senior Independent Director is an additional avenue of recourse to stakeholders where normal channels are not available or appropriate.

Nick Thomlinson, who became Senior Independent Director following the 2016 AGM, has the following key responsibilities:

- To be available to stakeholders should they have concerns which have not been resolved through the normal channels, or if these channels are not deemed appropriate.
- To act as Chairman should the requirement arise.
- To be responsible for leading the Non-executive Directors in the annual performance evaluation of the Chairman.
- To act as a sounding board for the Chairman and serving as an intermediary for other Directors where necessary.

**Company Secretary**

An officer of the Company responsible for advising the Board on governance matters.

Chris Barton, who became Company Secretary in November 2014, has the following key responsibilities:

- Under direction from the Chairman, ensuring the appropriate information flows to the Board and its Committees to facilitate discussions and allow fully informed decisions to be made.
- To ensure the Non-executive Directors have access to the senior management where required.
- To ensure an appropriate induction process and ongoing training are in place for Executive and Non-executive Directors.
- To facilitate the Board evaluation process.
- To advise the Board and its Committees on all governance matters.

### Division of roles

In accordance with the Code, the roles and remit of the Chairman, Chief Executive and Senior Independent Director are set out in writing and agreed by the Board. There were no significant changes to the Chief Executive's or Chairman's other commitments during the year.

### Board meeting attendance

Board and Committee meetings are typically held at the Company's registered office address, 7A Howick Place, London SW1P 1DZ. Board strategy days are held at an offsite location. The following table sets out the attendance of the Directors at the scheduled meetings of the Board during the financial year:

Director	Position	Appointed	Number of meetings attended/meetings possible <sup>1</sup>	% attendance
Peter Williams	Chairman	04.01.2016	9/9	100
Matthew Weiner	Chief Executive	18.04.2004	9/9	100
Richard Upton <sup>2</sup>	Deputy Chief Executive	19.05.2014	8/9	89
Marcus Shepherd	Chief Financial Officer	18.02.2013	9/9	100
Nick Thomlinson	Senior Independent Director	03.01.2012	9/9	100
Lynn Krige <sup>3</sup>	Independent Non-executive Director	10.03.2016	8/9	89
Barry Bennett <sup>4</sup>	Non-executive Director	19.05.2014	8/9	89
David Jenkins <sup>5</sup>	Chairman	01.02.2007	4/4	100
Sarah Bates <sup>5</sup>	Senior Independent Director	15.01.2010	4/4	100

1. For the purposes of detailing formal meetings scheduled to be held during the year ended 28 February 2017, the Board meeting originally scheduled for February 2017 but rescheduled to 1 March 2017 has been included in the above table

2. Richard Upton missed one meeting due to illness

3. Lynn Krige was appointed to the Board on 10 March 2016. Lynn missed one meeting due to a previously arranged engagement

4. Barry Bennett missed one meeting due to a previously arranged engagement

5. David Jenkins and Sarah Bates stepped down from the Board following the 2016 AGM on 14 July 2016

### Board meetings during the year

The Board met formally nine times during the year, including one meeting originally scheduled for February 2017 rescheduled to 1 March 2017. 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 during the year without the Executive Directors or Chairman present.



## Corporate governance

continued

### KEY BOARD ACTIVITIES DURING THE YEAR<sup>1</sup>

#### MARCH 2016

- Operational review
- Consideration of Board evaluation results
- New Director and senior management appointment update

#### JUNE 2016

- Review of potential area of new business growth
- EU regulations update on market abuse
- Review of investor feedback/perceptions audit
- Key project review

#### SEPTEMBER 2016

- Board and Executive Committee strategy day

#### DECEMBER 2016

- Brand culture and engagement review
- IT project review update
- Board Committee updates

#### MARCH 2017<sup>2</sup>

- Year-end review
- Board evaluation results
- All employee learning and development project update

#### APRIL 2016

- Approval of annual report, financial statements and final dividend
- Review of viability and going concern statements

#### JULY 2016

- Consideration of AGM matters
- Review of people and process
- Establishment of Disclosure Committee

#### OCTOBER 2016

- Interim results and interim dividend approval
- Shareholder/IR analysis

#### JANUARY 2017

- Review of progress against forecast
- Reports of Committee Chairmen
- Approval of delegated authorities

1. A Chief Executive's report, which includes relevant matters to highlight since the previous meeting and economic and market analysis, in addition to in-depth project, finance, health and safety, governance and investor relations reports are reviewed at each meeting

2. 1 March meeting rescheduled from 28 February 2017

### Executive Committee

The Executive Committee is made up of the Executive Directors as well as senior divisional directors, who take responsibility for the implementation of the Company's business strategy and assist the Chief Executive in running the Company. The Executive Committee meets weekly 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 and strategy 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.

The following areas represent the primary focus of the Board in discharging its obligations during the year:

## BOARD – ALLOCATION OF TIME

50%	15%	12%	15%	8%
1	2	3	4	5

### 1. STRATEGY, NEW BUSINESS AND EXISTING PORTFOLIO

The Board formulates and oversees the strategic direction of the Company, ensuring the correct strategy given the nature of the markets and economic conditions in which it is operating.

#### Highlights during the year:

- Approval of acquisitions, disposals and new business in line with agreed strategy, for example 8 Albert Embankment and Mayfield.
- Review of the current climate, market and economic conditions at each meeting.
- Executive Committee members present updates on projects at each Board meeting and receive challenge from the Board.
- Offsite days dedicated to Group strategy were held in September 2016 and March 2017.

### 2. FINANCIAL PLANNING AND PERFORMANCE

The Board, led by the Chief Financial Officer, monitors and discusses the financial requirements and performance of the Group at each meeting, and has sole authority to approve transactions over a prescribed threshold.

#### Highlights during the year:

- Detailed consideration of financial matters at each meeting, including annual and interim results, cash flow and trading forecasts.
- Approval of final, interim and supplemental dividends.
- Discussion on Group treasury, tax and cash matters.
- Consideration of Going Concern and Viability Statements.

### 3. LEADERSHIP, CULTURE AND PEOPLE

A rigorous evaluation process is undertaken to ensure the Board continues to have the required mix of skills and experience to successfully lead the Company. It is also necessary to ensure the smooth continuity of Board membership.

#### Highlights during the year:

- Appointment of New Chairman and New Non-executive Director.
- A full Board and Board Committee evaluation, including the assessment of each Director's performance, was conducted during the year.
- An agenda item at each Board meeting discusses people and culture.
- The Board rolled out an all-employee brand, culture and values project during the year.

### 4. GOVERNANCE, RISK AND INTERNAL CONTROLS

A robust governance framework and risk management system are essential in allowing the Board to maximise the opportunities available to it whilst ensuring the risks to the Company are understood and mitigated to the fullest extent possible.

#### Highlights during the year:

- Full review of risks, risk management and internal control systems during the year.
- Reports on Health and Safety received at each meeting.
- Focus on information security with a Company wide briefing on cyber-security and phishing exercise led by external consultants.

### 5. STAKEHOLDERS AND SHAREHOLDERS

The Board takes time to consider shareholder and stakeholder issues. The Board is committed to an ongoing and active dialogue, seeking both shareholder and stakeholder views on relevant matters.

#### Highlights during the year:

- At each meeting an investor relations report is received updating the Board on share performance, shareholder movement, and media coverage.
- Institutional investor feedback given by analysts on Investor presentations and Company performance, and through a 'perceptions audit'.
- Review of 2016 AGM shareholder circular and proxy voting figures.

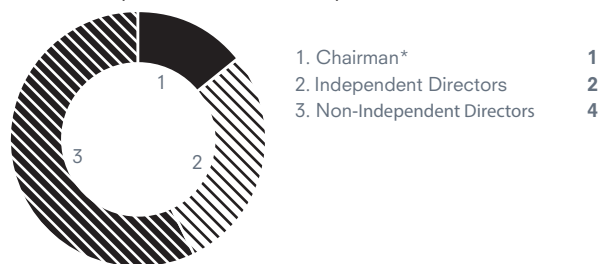
## EFFECTIVENESS

### Director independence

Peter Williams was appointed as Chairman of the Board following the AGM on 14 July 2016. Peter had previously been appointed as a Non-executive Director and Chairman designate with effect from 4 January 2016. On appointment the Board considered that Peter met the independence criteria set out in the Code. The Chairman's biography can be found on page 59. Lynn Krige was appointed an independent Non-executive Director during the year; further details can be found in the Nomination Committee report on pages 70 to 71.

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 Board considered all the Non-executive Directors to be independent during the year with the exception of Barry Bennett, who was the co-founder of Cathedral Group. David Jenkins, who retired as Chairman in July 2016, was considered independent on appointment as Chairman, and, as discussed above, Peter Williams was considered independent on appointment to the Board. The current ratio of Executive and independent Non-executive Directors is permissible for a smaller company under Code provision B.1.2.

#### Board independence as at 25 April 2017



\* Independent on appointment

### Induction, training and professional development

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 Director's obligations as a Director of the Company, the 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, performance, and the Company's projects. Visits to key project sites are arranged. Peter Williams and Lynn Krige received full inductions following their appointment as Non-executive Directors. As part of Peter's induction as Chairman, following his appointment in July 2016, individual meetings were arranged with the majority of U+I's major shareholders.

All Directors are 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. Development activities include regular presentations and updates on the Company's projects and portfolio by Executive Directors and members of the Executive Committee, updates on the market and economic trends, share price and trading performance, and governance matters.

### Professional advice and support

All Directors have access to the advice and services of the Company Secretary, who is responsible for advising the Board, through the Chairman, on corporate governance matters. Directors are also able to seek independent professional advice as necessary, at the Company's expense, in respect of their duties.

### Time commitment

On appointment Directors are advised of, and requested to make, the necessary time commitment required to discharge their responsibilities effectively. This time commitment is also outlined in the letters of appointment issued to the Chairman and Non-executive Directors.

As part of the annual performance evaluation each Director is appraised on their time commitment dedicated to the Company. The Board is satisfied that individual Directors have dedicated the required amount of time to the Company to effectively fulfil their role. The Board as a whole is content that the Chairman's external appointments do not impact on his ability to allocate sufficient time to discharge his responsibilities to U+I.



### Performance evaluation

As in previous years, the Board has undertaken a formal performance evaluation of the Board and its Committees to ensure they continue to be effective. Also reviewed as part of this process is the effectiveness of individual Directors, and their commitment to their respective roles. 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.

The Board evaluation was carried out through a detailed questionnaire, the responses to which were collated by the Company Secretary. The evaluation focused on the Board as a whole, its composition and effectiveness, as well as on the Committees and individual Directors. The responses were considered by the Chairman, or the Senior Independent Director in relation to the Chairman's performance. Following the results of the evaluation being disclosed to the Board, Peter Williams chaired a meeting of the Non-executive Directors without Executive Directors present where the performance of the Executive Directors was reviewed. Nick Thomlinson 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. It was confirmed that the Chairman, having been in place since the departure of David Jenkins following the 2016 AGM, was leading the Board effectively.

A presentation, by the Company Secretary, of the results from the 2017 Board evaluation, together with the progress made on the areas highlighted through the 2016 Board evaluation process, was discussed by the Board. Where considered relevant, suggestions for areas of improvement have, or will, be implemented as detailed opposite.

**2016 Board evaluation results:** The 2016 Board evaluation noted that, whilst the Board was operating efficiently, there had been a 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, and the Board's focus for 2016 should be to ensure these changes were 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.

**Progress made:** The new governance structure continues to embed itself within the business. The changes to the Board during the year were successfully implemented and managed, as seen with the departure of David Jenkins and Sarah Bates, and the introduction of Peter Williams and Lynn Krige as Chairman and Chairman of the Audit and Risk Committee respectively. The Executive Committee continues to evolve as the body that assists the Executive Directors in driving the implementation of strategy on a day to day basis. Members of the Committee attend each Board meeting to update the Board on the progress made against agreed strategic goals and project performance. The search for a new Non-Executive Director is active and ongoing.

**2017 Board evaluation results:** No major issues were identified during the 2017 Board evaluation; however, the Board noted that the governance structure was still evolving with a new Chairman and Non-executive Director and new hires at Executive Committee level. This would be kept under close scrutiny throughout the year. The potential benefit of adding an additional independent Non-executive Director to the Board was again highlighted, and it was confirmed that this process was being actively managed by the Nomination Committee. The Board agreed that the introduction of two Board strategy days per year, involving the Board and the Executive Committee, was a positive step forward to ensure an alignment in the values, vision and strategy of the Board and the Company as a whole.

## NOMINATION COMMITTEE REPORT



**“WE CONTINUE TO KEEP OUR BOARD COMPOSITION UNDER REVIEW TO ENSURE WE HAVE THE CORRECT MIX OF SKILLS, AND EXPERIENCE TO OVERSEE DELIVERY OF THE COMPANY STRATEGY”**

**Peter Williams**

Chairman of the Nomination Committee

### Nomination Committee composition

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

Director	Joined the Committee	Number of meetings attended/meetings possible	% attendance
Peter Williams <sup>1</sup>	04.01.16	2/2	100
Nick Thomlinson	03.01.12	2/2	100
Lynn Krige <sup>2</sup>	14.07.16	2/2	100
David Jenkins <sup>3</sup>	01.02.07	0/0	–
Sarah Bates <sup>4</sup>	15.01.10	0/0	–

1. Peter Williams was appointed as Chairman of the Committee with effect from 14 July 2016

2. Lynn Krige was appointed as a member of the Committee with effect from 14 July 2016

3. David Jenkins resigned as Chairman of the Committee on leaving the Board on 14 July 2016

4. Sarah Bates resigned as a member of the Committee on leaving the Board on 14 July 2016

For full biographies see page 59.

David Jenkins and Sarah Bates both stood down from the Committee on their retirement from the Board at the AGM on 14 July 2016. Peter Williams, who became a member of the Committee on appointment to the Board in January 2016, took over as Chairman, and Lynn Krige was appointed as a member of the Committee at this time.

Following a review of the Committee’s composition during 2015/16 it was agreed that, in accordance with provision

B2.1 of the UK Corporate Governance Code, the Chief Executive, Matthew Weiner, should stand down as a member of the Committee with effect from 29 February 2016, although Matthew would continue to attend meetings when requested to do so by the Chairman. During the year ended 28 February 2017 the Committee was made up entirely of independent Non-executive Directors and the Chairman, who was considered independent on appointment.

### 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. The Board appointment process is fulfilled through an effective search, interview and evaluation process led by an external consultant based upon objective criteria set out by the Committee. The Committee’s role as set out in its terms of reference includes:

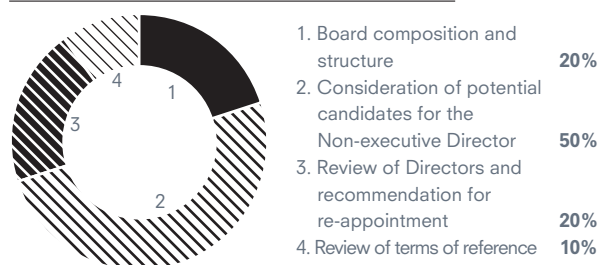
- Reviewing the structure, size and composition of the Board as a whole;
- Succession planning for Executive Directors, Non-executive Directors, and the roles of the Chairman and Chief Executive;
- Consideration of the balance of skills, knowledge, experience, time commitment and diversity of the Board;
- 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 Committee meets as and when necessary. Following on from a busy 2016, during which the Committee appointed a new Chairman designate and a new Audit and Risk Committee Chairman designate, the Committee met twice during the year ended 28 February 2017 to discuss Board structure, size, composition and the potential appointment of a new Non-executive Director as discussed in the Board evaluation results on page 69.

The specifications of the role have been discussed, and the services of the consultant search firm Norman Broadbent are being used to consider a wide range of potential external candidates for the position. Norman Broadbent has no other connection with the Company. A list of candidates has been presented to the Committee. Recommendations on any new appointment would be made by the Committee to the Board, which would approve the appointment.

#### Nomination Committee – allocation of time



### New Director inductions

As discussed on page 68, the Chairman, assisted by the Company Secretary, is responsible for the formal induction of all new Directors. Lynn Krige, who joined the Board during the year, received a full induction, which included a comprehensive induction pack prepared by the Company Secretary, induction meetings with Executive Directors, Non-executive Directors and other relevant individuals, and also visits to project sites. As part of Peter Williams' induction as Chairman, following his appointment in July 2016, individual meetings were arranged with the majority of U+I's major shareholders.

### Directors standing for election or re-election

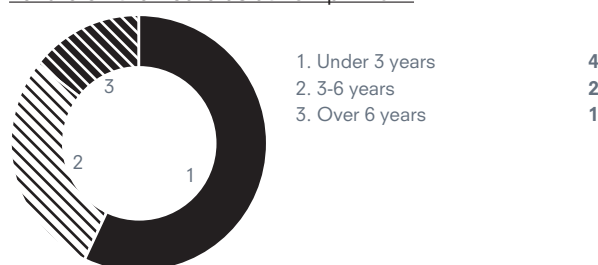
The Committee met once following the end of the financial year under review to discuss the re-election of all Directors and recommended to the Board that each Director, being eligible, should be put forward for annual re-election by shareholders. Following the annual performance reviews of individual 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.

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 90.

On the advice of the Committee, the Board recommends the re-election of each Director to shareholders at the 2017 AGM in line with provision B.7.1 of the Code. The Company believes that sufficient biographical details, and other relevant information, for the Directors seeking annual re-election is provided on page 59 in order for shareholders to make an informed decision on each Director's re-election.

#### Tenure on the Board as at 25 April 2017



### Composition of the Board

The Committee has reviewed the size, structure and composition of the Board and concluded that, whilst it is an appropriate and effective Board, the addition of an independent Non-executive Director in due course would be beneficial.

### Diversity

As part of its role the Committee will review the diversity on the Board. The Committee recognises the benefits of diversity in its broadest sense and the value this brings to the Board and the Company as a whole in terms of skills, knowledge and experience. Details of the gender diversity of the Board and across the Company are set out in the Sustainability Report on page 54.

### Peter Williams

Chairman of the Nomination Committee  
26 April 2017



## ACCOUNTABILITY

### Risk management and internal control

The Board has overall responsibility for the Group's risk management and internal control systems and monitors these on an ongoing basis. The risk management and internal control systems put in place are designed to identify, evaluate and mitigate risks while at the same enabling business objectives to be achieved. Further information on the Company's internal control framework is set out in the Audit and Risk Committee Report on pages 76 and 77.

### 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 significant risks facing the Company have been identified and are set out on pages 19 and 20.

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 risks to the fullest extent. Those risks with less impact or likelihood of occurring are reviewed on a 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. 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.

## AUDIT AND RISK COMMITTEE REPORT



**“AS A COMMITTEE WE CONTINUE TO FOCUS ON THE MANAGEMENT OF RISK, WHILST ENSURING THE INTEGRITY OF THE COMPANY’S FINANCIAL REPORTING AND INTERNAL CONTROL PROCEDURES”**

**Lynn Krige**

Chairman of the Audit and Risk Committee

### Highlights of Committee activities during the year

- Review and approval of half year and full year financial statements.
- Assessment of internal audit requirements and recommendations to the Board.
- Review of external audit process.
- Review of key risks, the effectiveness of internal controls and risk management.
- Review of finance policies and procedures.
- Review of cyber security threats and mitigation processes, and roll out of Group-wide training.

### Audit and Risk Committee composition

Lynn Krige was appointed Chairman of the Audit and Risk Committee (the Committee) following Sarah Bates stepping down from the Board at the 2016 AGM. David Jenkins also left the Committee at this time. The table opposite sets out the Committee’s composition during the year and the attendance of members at the scheduled Committee meetings during the financial year under review.

Director	Joined the Committee	Number of meetings attended/meetings possible	% attendance
Lynn Krige <sup>1</sup>	10.03.16	4/4	100
Nick Thomlinson	03.01.12	4/4	100
Peter Williams	04.01.16	4/4	100
Sarah Bates <sup>2</sup>	15.01.10	1/1	100
David Jenkins <sup>3</sup>	01.02.07	1/1	100

1. Lynn Krige joined the Committee on 10 March 2016 and was appointed as Chairman with effect from 14 July 2016

2. Sarah Bates resigned as Chairman of the Committee on leaving the Board on 14 July 2016

3. David Jenkins resigned as a member of the Committee on leaving the Board on 14 July 2016

### Role of the Audit and Risk Committee

The 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 the 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 two independent Non-executive Directors, and the Company’s Chairman Peter Williams, who was considered independent on appointment. The Board has determined that Lynn Krige and Peter Williams 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, Chief Financial Officer and Financial Controller attend the

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 auditors attend appropriate parts of the meetings.

The Committee's principal responsibilities fall under the following categories:

#### Financial reporting

- Review of significant financial reporting judgements and accounting policies, and compliance with accounting standards.
- Ensuring the integrity of the financial statements and their compliance to statutory requirements.
- Ensuring the Annual Report is fair, balanced and understandable, consideration of the Going Concern and Viability Statements, and recommending their approval to the Board.

#### Risk management

- On behalf of the Board, and in conjunction with the Risk Management Committee, establishing the risk appetite of the Company, along with a review of the risk register and risk mitigation procedures.

#### Internal controls

- Monitoring the effectiveness of the Company's internal controls and compliance process.
- Review of delegated authorities and sign-off procedures.
- Review of key internal control policies.

#### Fraud and whistleblowing

- Review of procedures in place to prevent fraudulent behaviour and enable whistleblowing.
- If required, receive reports on fraudulent incidents and ensure the required investigation is undertaken.

#### Internal audit

- Monitoring the requirement for an internal audit function and making subsequent recommendations to the Board.
- Agreeing internal audit plans where necessary.

#### External audit

- Monitoring and reviewing the independence and performance of the external auditors and evaluating their effectiveness.
- Making recommendations for the appointment and re-appointment of the external auditors and approval of audit fees.

#### 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 process. The Committee also reviews the performance of the external auditors.

The Committee reviewed the following items during the year and, where required, made recommendations to the Board:

**April:** Year end financial results and Annual Report, Viability and Going Concern Statements, external auditors' report, external property valuations, significant project risks, internal audit requirements, risk appetite and review of key risks, non-audit fees, and the re-appointment of the external auditors.

**October:** External auditors' interim report, interim results and financial statements, internal and external portfolio valuations, tax-related matters, risk management, internal audit requirements and external audit tender.

**December:** Delegated authority review, external audit planning, risk management appetite and review of key risks, Viability Statement requirements, internal audit review and terms of reference review.

**January:** Internal controls and control processes, risk assessment review, whistleblowing policy review, update on internal audit, and audit fees.

#### Cyber security

Cyber security continued to be a high priority issue for the Committee during the year. An external consultant was engaged to provide Company-wide training on cyber threats to both the Company and individual employees. This educational training included phishing emails being sent to employees to highlight the dangers posed. The Company also reviewed and introduced new hardware and software systems during the year to minimise the risks associated around cyber threats; these systems perform continuous penetration testing checking for weaknesses and potential attacks.



## Risk management

The Committee has responsibility for overseeing the risk management process for the Company. This entails reviewing the risk appetite, the principal risks and risk mitigation on behalf of the Board. The Committee delegates the day to day management of risk throughout the business to the Risk Management Committee (see page 72), which reports into the Committee. The Committee reviews the key risks of the Company, the risk register, and the mitigation processes in place.

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 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 19 and 20.

The Committee dedicated its meeting in January to a review of internal control processes and procedures within the Group. This included analysing the internal control structure, delegated authorities throughout the Group, and the major business processes covering areas such as operations, borrowings, cash management, accounting and reporting, statutory compliance and employment. Other areas of review overseen by the Committee included IT, cyber security, corporate structure, gifts and entertainment, and organisational design.

The Committee considered the Company's internal audit requirements at each meeting during the year. After a thorough review of the Company's requirements, a peer group review and consultation with the external auditors, the Committee concluded that a permanent internal audit function, or an outsourced function, was not required by the Company. Further details of this can be found on page 77.

The Committee also met without Executive Directors present during the year, and Lynn Krige, as Chairman of the Committee, met separately with the external auditors, PricewaterhouseCoopers LLP.

## Audit and Risk Committee – Allocation of time



## 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:** The Committee considered 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.

- **Serviced office business:** The Committee considered a management review of the Group's investment in the serviced office business in line with investment strategy. Significant judgements with regard to recoverability and impairment were made in relation to the business. Concluding this review an impairment was made, see note 2b on page 140.
- **Other reporting matters:** The Committee considered the 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 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 113.

### **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 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 Chief Financial Officer, or Chief Executive in his absence.
- **In excess of £25,000 and up to £100,000:** Approval required by the Chief Financial Officer and Chairman of the Committee.
- **In excess of £100,000:** Approval required from the full 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, with additional requirements from March 2016.

An analysis of the non-audit fees can be found in note 3 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 all other services amounted to £56,000.

### **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 four years. The 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 AGM.

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 ten years in accordance with the Code, and this will be a focus of the Committee during the year ending 28 February 2018.

### **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 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 U+I's 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 acted as the Company's internal auditors for the year ending 29 February 2016. From April 2016 the Committee stood H W Fisher down as internal auditors. A full review of the Company's requirements for an internal audit function was undertaken by the Chief Financial Officer in conjunction with the Committee Chairman, and discussions took place on this issue at each Committee meeting during the year. The Committee took into account the size and complexity of the business; it also sought the advice of the external auditors and conducted a review of internal audit functions within its peer group. The Committee agreed that it did not consider a permanent internal audit function, either in-house or outsourced, was required at this time. The Committee confirmed that a process was in place to regularly review this evaluation, and also a mechanism was in place to

adequately cover areas that may need additional review and focus as circumstances and the nature of risks change. Any such review would be carried out by using experienced staff or external advisors. The Committee will annually review the requirement for an internal audit function.

The Board has conducted a review of the effectiveness of the systems of internal control for the year ended 28 February 2017, 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.

### Going concern

The Directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future trading performance. The key areas of sensitivity are:

- Receipt, amount and timings of development profits;
- Timing and value of property sales;
- Availability of loan finance and related cash flows;
- Committed future expenditure;
- Future property valuations and their impacts on covenants and potential loan repayments;
- Committed future expenditure; and
- Future rental income.

The forecast cash flows have been sensitised to reflect those cash flows which are less certain and to take account of a potential deterioration of property valuations. In addition, the forecasts have been subject to sensitivity analysis in which the impact of significant reductions to the property portfolio fair value and associated rental income on the Group's loan covenants was assessed. From their review, the Directors believe that the Group has adequate resources to continue to be operational as a going concern for the foreseeable future and therefore have adopted the going concern basis in preparing the Group's 2017 financial statements.

The Company's Viability Statement can be found on page 21.

### Lynn Krige

Chairman of the Audit and Risk Committee  
26 April 2017



## RELATIONS WITH SHAREHOLDERS

The Board prioritised engagement throughout the year with existing and potential shareholders, led by the Executive Directors and supported by the Non-executive Directors. Peter Williams assumed the role of Chairman at the 2016 AGM and has met with key shareholders; Nick Thomlinson assumed the role of Senior Independent Director, replacing Sarah Bates.

Regular calls and meetings were facilitated with institutional shareholders who, in aggregate, held over 90% of the issued share capital of the Group. These discussions covered the Company's strategy, management, remuneration and governance. A number of shareholders visited key development sites, and the executive management team hosted a site visit at 8 Albert Embankment in November 2016, which was well attended by analysts and shareholders. The Board also received feedback from shareholders via a 'perceptions audit' undertaken during the year.

Presentations were made by the Executive Directors to analysts, shareholders and the media following the release of the preliminary and interim results. Copies of these presentations, together with the Annual Report and trading updates, are published on the Company's website at [www.uandiplc.com](http://www.uandiplc.com). Regular announcements of the Group's significant transactions are made to enhance shareholders' understanding of the Company's execution of its business strategy.

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

During the year a shareholder consultation process was undertaken by the Remuneration Committee with shareholders owning an aggregate total of 60% of the share register. The results of this consultation were taken into account when revising the Remuneration Policy (see pages 80 to 91), to be put to shareholder vote at the 2017 AGM.

The Company's website contains up-to-date information for shareholders and other interested parties, including annual reports, share price information, news releases, the financial calendar, presentations to the investment community and information on shareholder services.

### KEY SHAREHOLDER EVENTS FOR 2016/17



Programme of meetings between the Chairman and Executive Directors (CEO, Deputy CEO & CFO) with the Group's largest institutional shareholders, analysts and potential shareholders

#### APRIL 2016

– Presentation of the preliminary results

#### JULY 2016

– Annual General Meeting

#### OCTOBER 2016

– Interim results

#### NOVEMBER 2016

– Site visits for shareholders, including a presentation to analysts and shareholders event at 8 Albert Embankment

#### JANUARY 2017

– Shareholder consultation regarding renewal of the Remuneration Policy

## Annual General Meeting

The Company's 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 2017 AGM, including the resolutions being put to the meeting, can be found on pages 107 to 110. The Company's website ([www.uandiplc.com](http://www.uandiplc.com)) 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.

The results of the voting at the 2016 AGM were as follows:

Resolution	For % of votes cast <sup>1,2</sup>	Against % of votes cast <sup>2</sup>
1 Receive Annual Report and Accounts	99.99	0.01
2 Remuneration Report	82.74	17.26
3-9 Appointment of Directors	93.65 – 99.98	0.02 – 6.35
10 Declare final dividend	99.99	0.01
11 Appointment of Auditor	99.96	0.04
12 Auditor's remuneration	99.98	0.02
13 Authority to purchase own shares	99.99	0.01
14 Authority to allot shares	98.01	1.99
15 Disapplication of pre-emption rights	99.97	0.03
16 Meetings on 14 days' notice	98.92	1.08
17 Political donations	99.18	0.82

1. Includes those votes for which discretion was given to the Chairman

2. Does not include votes withheld

## REMUNERATION COMMITTEE



**“WE HAVE CONSULTED OUR SHAREHOLDERS DURING THE YEAR TO ENSURE THAT THE CHANGES WE ARE PROPOSING TO OUR POLICY AND THE EXPECTATIONS OF OUR SHAREHOLDERS ARE ALIGNED WITH EXECUTIVES IN THE CREATION OF VALUE OVER THE LONGER TERM”**

**Nick Thomlinson**

Chairman of the Remuneration Committee

### Highlights

- Increased shareholding guidelines.
- Extension of LTIP holding period to five years.
- New disclosure of annual bonus financial targets and increased disclosure of strategic/individual performance.
- No salary increases for 2017/18.

I am pleased to present our Directors’ Remuneration Report for the year ended 28 February 2017. This report has been prepared in accordance with the remuneration reporting regulations and includes the following:

- The Remuneration Policy (the Policy) sets out details of our new Directors’ Remuneration Policy which will be subject to a binding vote at our 2017 AGM.
- The Annual Remuneration Report provides details on how our Directors were paid in respect of the year ended 28 February 2017, and how we intend to apply our Remuneration Policy for Directors in the financial year ended 28 February 2018.

### Remuneration Policy renewal

Prior to our existing Policy being tabled for approval in 2014, the Remuneration Committee (the Committee) undertook a comprehensive review of our executive remuneration framework. This resulted in a significant shift in our incentive structure, and our Long-Term Incentive Plan (LTIP) replaced a number of legacy cash-based plans. As part of this transition, the Committee determined that the existing Policy would be effective from 1 March 2015.

As a result, notwithstanding that the Policy was approved at the 2014 AGM, it has only been in effect for the last two financial years. Following a review of our current approach in 2016/17, it was agreed that it was too early in the lifetime of the Policy to propose significant changes. During the review we engaged with our major shareholders and took into account their views when agreeing the final proposed Policy which is being tabled for approval at the 2017 AGM. We are proposing some amendments to the Policy to ensure it is aligned with evolving investor expectations. These are explained in more detail below.

### Holding periods

We have extended the holding period that applies to our LTIP awards so that the combined performance and holding period for the entire award is five years. This applies to awards granted from 1 March 2017.

### Annual bonus performance measures

As disclosed last year, for the financial year ended 28 February 2017 we changed our approach to the annual bonus. This has now been formalised in our Policy and we have introduced a minimum weighting for financial measures of 50% of the total bonus. In line with our approach last year, for 2017/18, 60% of the annual bonus will be based on financial measures, with the remaining 40% based on strategic/personal measures.

### Shareholding guidelines

Under our existing policy, Executive Directors are required to build up a shareholding of 50% of salary within two years of appointment and 100% of salary within four years of



## Remuneration policy

appointment. We are strengthening our guidelines such that, over time, Executive Directors will be required to build shareholdings of 200% of salary for the Chief Executive, and 150% of salary for the Deputy Chief Executive and Chief Financial Officer.

### Remuneration out-turns

2016/17 was the first year of operation of our new annual bonus structure with financial and strategic/personal targets set at the beginning of the year. The threshold targets set in relation to NAV growth and development and trading gains were not achieved and consequently no annual bonus payments were made in respect of these elements. Good performance was achieved against the personal and strategic objectives. As a result the Executive Directors received annual bonus payments ranging from 19.5% to 20.1% of salary. Further disclosure is set out on pages 96 and 97.

An assessment of the performance conditions for the award made under the Performance Share Plan (PSP) on 22 May 2014 resulted in nil vesting.

## REMUNERATION POLICY

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.
- 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

During the year the CEO received payouts under the legacy Development Profit Plan. These relate to awards granted in previous years and reflects the successful realisation of profits, above a notional cost of equity threshold, from five projects.

### Implementation of Policy in 2017/18

We are not making any changes to the operation of our Policy for 2017/18, save for those outlined above. No increases are being made to the Executive Directors' salaries for the financial year beginning 1 March 2017. This represents the second consecutive year for which we have not increased salaries.

As a Committee, we are committed to ongoing dialogue with our shareholders, and I hope to receive your support for our Policy Report and Annual Remuneration Report at our forthcoming Annual General Meeting.

### Nick Thomlinson

Chairman of the Remuneration Committee  
26 April 2017

performance related, thereby correlating with the strategic aims of the business and the performance of the Company.

The Policy will apply from the 2017 AGM subject to shareholder approval.

### Changes to the Policy

The key changes between this Policy and the policy which was approved by shareholders at our 2014 AGM are as follows:

- Extending the holding period that applies to our LTIP awards such that the combined performance and holding period will be five years in total for the entire award for awards from 1 March 2017.
- From 2016/17 we changed our approach to the annual bonus, moving to a structure with financial and strategic/personal targets set at the beginning of each year. To reflect this change in operation, we have introduced a minimum weighting for financial measures of 50% for the annual bonus.
- We have introduced an additional shareholding guideline requiring Executive Directors to retain 50% of net vested shares from the LTIP until they build up shareholdings of 200% of salary for the CEO and 150% of salary for the Deputy CEO and CFO.

## Remuneration policy

continued

### POLICY TABLE FOR EXECUTIVE DIRECTORS

PURPOSE OF COMPONENT AND LINK TO STRATEGY	OPERATION	MAXIMUM	PERFORMANCE MEASURES
<p><b>Salary</b></p> <p>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.</p>	<p>Contractual fixed cash amount.</p> <p>Typically, salary levels are reviewed on an annual basis. The Committee takes into account a number of factors when setting base salary, including:</p> <ul style="list-style-type: none"> <li>– Size and scope of the role;</li> <li>– Skills and experience of the individual;</li> <li>– Performance of the Company and individual;</li> <li>– Appropriate market data; and</li> <li>– Pay and conditions elsewhere in the Company.</li> </ul>	<p>Salary increases may be applied taking into account the factors outlined in this table.</p> <p>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.</p> <p>There is no maximum salary opportunity.</p>	<p>None.</p>
<p><b>Benefits</b></p> <p>To provide Executive Directors with market competitive benefits consistent with the role.</p>	<p>Executive Directors currently receive the following benefits:</p> <ul style="list-style-type: none"> <li>– Cash in lieu of motor vehicle;</li> <li>– Private medical insurance;</li> <li>– Income protection insurance; and</li> <li>– Life assurance.</li> </ul> <p>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.</p> <p>Relocation and expatriate benefits may also be provided, if an existing or new Executive Director is required to relocate.</p> <p>The Executive Directors may participate in any all employee share plans adopted by the Company on the same basis as other employees.</p>	<p>The cost of benefits may vary from year to year depending on an individual's circumstances and the varying cost of benefits premiums.</p> <p>There is no maximum benefits value.</p>	<p>None.</p>

**POLICY TABLE FOR EXECUTIVE DIRECTORS** continued

<b>PURPOSE OF COMPONENT AND LINK TO STRATEGY</b>	<b>OPERATION</b>	<b>MAXIMUM</b>	<b>PERFORMANCE MEASURES</b>
<p><b>Annual bonus</b> Incentivises and rewards Executive Directors for the successful delivery of financial and strategic objectives on an annual basis.</p>	<p>Payments are based on performance in the relevant financial year.</p> <p>Payments up to 50% of the maximum opportunity ('Target' performance) are made in cash.</p> <p>Any bonus above 50% of the maximum opportunity will be paid in shares which the Director is expected to hold for at least two years.</p> <p>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.</p> <p>Malus provisions may also be applied in the event of serious reputational damage to the Company or a material failure of risk management.</p>	<p>150% of salary per annum.</p> <p>Executive Directors, excluding the Chief Executive, will have a lower maximum opportunity than the percentage stated above.</p> <p>For the financial year ending 28 February 2018, Executive Directors, including the CEO, will have a maximum of 75% of salary.</p>	<p>The annual bonus is based on a range of financial, strategic and individual measures set by the Committee at the beginning of each year. The weightings will also be determined annually to ensure alignment with the Company's strategic priorities. At least 50% of the bonus will be based on financial measures.</p> <p>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.</p> <p>50% of the maximum bonus opportunity will be payable for 'Target' performance.</p>



## Remuneration policy

continued

### POLICY TABLE FOR EXECUTIVE DIRECTORS continued

PURPOSE OF COMPONENT AND LINK TO STRATEGY	OPERATION	MAXIMUM	PERFORMANCE MEASURES
<p><b>Long-Term Incentive Plan (LTIP)</b></p> <p>Incentivises and rewards Executive Directors for delivery of the Company's strategic plan of building shareholder value.</p>	<p>Awards of nil-cost options or conditional shares.</p> <p>The awards vest subject to the achievement of performance targets set by the Committee. 50% of the award is based on performance measured over three years, with the remaining 50% based on performance measured over four years.</p> <p>Following vesting, the awards will normally be subject to an additional holding period of up to two years such that the combined performance and holding period will not be less than five years in total.</p> <p>Dividend equivalents may be paid on vested awards.</p> <p>Clawback and/or malus provisions may be applied at the discretion of the Committee if an exceptional event occurs, such as material misstatement of results, serious misconduct or an error/material misstatement resulting in overpayment.</p> <p>Malus provisions may also be applied in the event of serious reputational damage to the Company or a material failure of risk management.</p>	<p>300% of salary per annum.</p>	<p>The primary performance measure will be net asset value per share growth (including dividends). No less than 50% of an award will be based on this measure. The Committee retains the flexibility to introduce additional measures.</p> <p>For threshold levels of performance, no more than 25% of the award vests with 100% of the award vesting for maximum performance.</p>
<p><b>Retirement benefits</b></p> <p>To provide Executive Directors with retirement benefits consistent with the role.</p>	<p>Defined contribution pension arrangements are provided.</p> <p>Pension benefits are provided through a Group Personal Pension Plan, non-pensionable cash supplement or contribution to a Personal Pension arrangement.</p>	<p>17.5% of salary per annum.</p>	<p>None.</p>

**POLICY TABLE FOR EXECUTIVE DIRECTORS** continued

<b>PURPOSE OF COMPONENT AND LINK TO STRATEGY</b>	<b>OPERATION</b>	<b>MAXIMUM</b>	<b>PERFORMANCE MEASURES</b>
<b>Shareholding guidelines</b> To align Executive Directors with the shareholder experience.	The Company operates shareholding guidelines for Executive Directors.  They are required to build a shareholding of 50% of salary within two years of appointment and 100% of salary within four years of appointment. Thereafter, they will be required to retain 50% of net vested shares from the LTIP until they build shareholdings of 200% of salary for the CEO and 150% of salary for the Deputy CEO and CFO.	Not applicable.	Not applicable.

**LEGACY ARRANGEMENTS AND TRANSITION**

Prior to the Policy being approved in 2014, the Committee undertook a review of incentive arrangements and the LTIP replaced a number of plans. While no new awards will be made under these plans, detail has been included on the Development Profit Plan as there are awards outstanding. Any subsisting awards for legacy plans will continue in accordance with the relevant plan rules.

<b>PURPOSE OF COMPONENT AND LINK TO STRATEGY</b>	<b>OPERATION</b>	<b>MAXIMUM</b>	<b>PERFORMANCE MEASURES</b>
<b>Development Profit Plan (DPP)</b> Incentivises and rewards Executive Directors for the performance of their portfolio of projects.	No awards have been made to Executive Directors for projects which commence following 1 March 2015.  Awards may pay out once a project makes a realised profit. No payments will be made in respect of profits realised after 1 March 2018.  50% of the payment is made in cash or shares at the time profit is realised.  The remaining 50% 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% 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.

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.

## 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 1 March 2015 (the date our first shareholder-approved policy came into effect); (ii) before the Policy set out in this report comes into effect, provided that the terms of the payment were consistent with the shareholder-approved policy in force at the time they were agreed; or (iii) 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 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 including on a reinvested basis.
- While LTIP awards will normally be delivered in shares, the Committee may settle an award in cash.
- 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 Chief Executive is the only Director with outstanding Development Profit Plan awards.

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

### Takeover or other corporate event

For outstanding LTIP 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 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 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 (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

As discussed in last year's report, from 2016/17 we changed our approach to the annual bonus, moving to a structure with financial and strategic/personal targets set at the beginning of each year, with measures and targets aligned with the Company's annual objectives.

#### Long-Term Incentive Plan (LTIP)

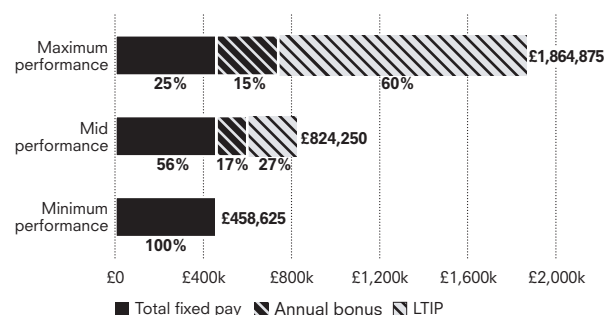
The Company's overarching objective is to build shareholder value over the long term. The LTIP measures the Company's NAV per share growth over three and four years. This will ensure that Directors are closely aligned with the shareholder experience as our NAV per share growth performance is a key indicator 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.

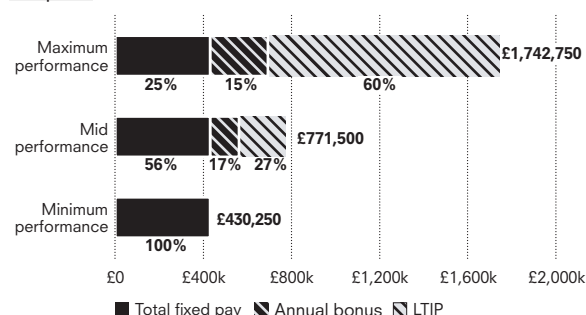
### Illustrations of Policy

Illustrations of the Policy applying from 11 July 2017 are provided below. These reflect the intended operation of the renewed policy for the 2017/18 financial year.

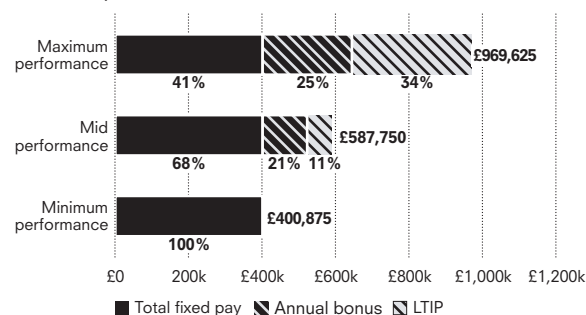
#### M S Weiner



#### R Upton



#### M O Shepherd



## continued

LTIP awards have been shown at face value with no dividend, share price growth or discount rate assumptions. Payments relating to legacy DPP 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.

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 was discontinued for Executive Directors with effect from 1 March 2015, it continues to operate below the Board to ensure that individuals at this level are rewarded for profit realisation from development projects.

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

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 table.
- 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. However, at recruitment, the Committee may flex the balance between annual and long-term incentives and the measures used to assess performance.
- 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; being 150% of salary for annual bonus and 300% 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 forfeiture 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	23 July 2015
R Upton	19 May 2014
M O Shepherd	23 July 2015

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.

## continued

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

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.

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:

- J and I Group PLC Annual Report and Accounts 2017



**ONGOING PLANS****PLAN**

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**Long-Term Incentive Plan**

**HMRC approved all  
employee share plans**

**LEGACY PLAN****PLAN**

////////////////////////////////////

**Development Profit Plan****TREATMENT ON CESSATION OF EMPLOYMENT**

////////////////////////////////////

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 disapplies the holding period. In the event of an individual's dismissal for misconduct during the holding period, all awards will lapse.

In line with the HMRC approved plan rules.

**TREATMENT ON CESSATION OF EMPLOYMENT**

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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.

**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**

We consulted with our major shareholders in advance of the renewal of our Policy at the 2017 AGM and the proposed Policy has been shaped by the recent dialogue with our shareholders.

## ANNUAL REMUNERATION REPORT

The remainder of this report provides details of remuneration for the financial year ended 28 February 2017, and how our Policy will be implemented for the financial year commencing 1 March 2017.

### Implementation of Remuneration Policy in the financial year commencing 1 March 2017

The table below provides an overview of the components of the remuneration framework for all Executive Directors:

Fixed pay	+	Annual bonus	+	LTIP
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As discussed in previous years, transitional arrangements are in place for legacy plans. No further awards will be made to Executive Directors under the Development Profit Plan. No payments will be made in respect of profits realised after 1 March 2018.

### Salary

The salaries which will apply for the financial year beginning 1 March 2017 are set out below:

	1 March 2017 £'000	1 March 2016 £'000	% increase
M S Weiner	375	375	0.0%
R Upton	350	350	0.0%
M O Shepherd	325	325	0.0%

This represents the second consecutive year for which we have not increased salaries.

### Retirement benefits

The existing money purchase pension scheme is now closed to future contributions and new joiners and pension is provided via a Group Personal Pension Plan. The contribution structure for Executive Directors is 17.5% of salary for the financial year commencing 1 March 2017.

### Annual bonus

Last year the Committee moved to an annual bonus structure with financial and strategic/personal targets set at the beginning of each year. The targets set for 2016/17 are disclosed in the incentive out-turns section on pages 95 to 97. For 2017/18 we will continue with this structure. The performance measures and weightings for the 2017/18 annual bonus are set out below.

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

In the interests of transparency, we intend to disclose the financial targets for the 2017/18 financial year (including threshold and maximum) and our performance against them in next year's report.

Annual bonus opportunities for the financial year beginning 1 March 2017 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 M S Weiner and R Upton. M O Shepherd will receive an award of 100% of salary.

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

	Targets at years three and four	Three-year cumulative targets	Four-year cumulative targets
Threshold vesting (20% of maximum)	5% p.a.	15.8%	21.6%
Maximum vesting (100% of maximum)	12% p.a.	40.5%	57.4%

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

For awards following 1 March 2017, the holding period will be extended such that the entire award will have a combined performance and holding period of 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 following 1 March 2016 are 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 1 March 2015 involved a significant departure from our historical approach which has been focused on cash-based profit plans.

As previously reported, to balance fairness to participants and shareholders as well as reflect legacy contractual entitlements, transitional arrangements will apply as outlined below.

#### Development Profit Plan

While no new awards will be made under this plan, or have been made since 1 March 2015, payments in respect of profits realised up to 1 March 2018 may be made.

Awards become payable once profits have been realised on a development project. The maximum bonus pool available for distribution to Executive Directors and the wider team is 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.

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

Historic 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.

No further awards will be made under the PSP. The performance period for the final award made under the PSP ended on 28 February 2017.

#### Savings-related option scheme

Executive Directors will continue to participate in our Save As You Earn Option Plan on the same basis as other employees.

## Annual remuneration report

continued

### Non-executive Directors' fees

Fees for the financial year commencing 1 March 2017 are set out in the table below:

	1 March 2017 £'000	1 March 2016 £'000
Chairman	120	105
Basic fee	42	40
Chairman of Audit or Remuneration Committee	7.5	7.5
Membership of Audit or Remuneration Committee	5	5
Senior Independent Director	5	5

### 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 28 February 2017 with a comparison to the previous financial year:

		Fees and salary £'000	Benefits <sup>1</sup> £'000	Pension <sup>2</sup> £'000	Annual bonus £'000	DPP <sup>3</sup> £'000	PSP £'000	Total £'000
Executive Directors								
M S Weiner	2017	375	18	58	75	1,197	0	1,723
	2016	364	18	62	160	994	35	1,633
R Upton	2017	350	19	56	69	0	–	494
	2016	348	18	61	160	0	–	587
M O Shepherd	2017	325	19	50	63	0	0	457
	2016	325	18	55	150	0	33	581
Non-executive Directors								
P W Williams <sup>4</sup>	2017	94	–	–	–	–	–	94
	2016	8	–	–	–	–	–	8
N H Thomlinson <sup>5</sup>	2017	57	–	–	–	–	–	57
	2016	53	–	–	–	–	–	53
B Bennett	2017	41	–	–	–	–	–	41
	2016	40	–	–	–	–	–	40
L G Krige <sup>6</sup>	2017	50	–	–	–	–	–	50
	2016	–	–	–	–	–	–	–
D S Jenkins <sup>7</sup>	2017	40	–	–	–	–	–	40
	2016	105	–	–	–	–	–	105
S C Bates <sup>7</sup>	2017	21	–	–	–	–	–	21
	2016	58	–	–	–	–	–	58

1. Benefits received during the year include motor vehicles, cash in lieu of motor vehicle, fuel and medical insurance

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

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

4. P W Williams became a Non-executive Director of the Company on 4 January 2016; he became Chairman of the Company following the 2016 AGM at which point his fees increased from £50,000 (basic Non-executive Director fee and fee for membership of the Audit and Risk Committee and the Remuneration Committee) to £120,000 as set out in last year's Annual Report

5. N H Thomlinson took over the position of Senior Independent Director following the 2016 AGM on 14 July 2016

6. L G Krige became a Non-executive Director of the Company on 10 March 2016, and also became a member of the Audit and Risk Committee on this date; she became Chairman of the Audit and Risk Committee and a member of the Remuneration Committee following the 2016 AGM

7. D S Jenkins resigned as Chairman, and S C Bates resigned as a Non-executive Director, following the 2016 AGM on 14 July 2016



## Incentive out-turns

### Annual bonus

As disclosed last year, from 1 March 2016 we moved to an annual bonus structure with financial and strategic/personal targets set at the beginning of each year.

The tables below provide details of financial targets and our performance against them:

### Financial targets – 60% of total bonus award

The financial measures and targets were as follows:

#### NAV growth (30%)

	Threshold performance (20% payout)	Maximum performance (100% payout)	NAV per share growth achieved For year ended 28 Feb 2017	% of actual payout for NAV growth (maximum 30%)*
NAV per share growth (including dividends)*	5%	12%	0.2%	0

\* Payouts are calculated on a straight-line basis between threshold and maximum performance. For 'target' performance (50% of maximum), this is growth of 7.6% per annum

#### Development and trading gains (30%)

	Targets				Actual performance and payout	
	0% payout	50% payout	75% payout	100% payout	Development and trading gains for the year ended 28 Feb 2017	% of actual payout for Development and trading gains (maximum 30%)*
Development and trading gains*	£37.8m	£40.7m	£42m	£46.2m	£35m	0

\* Payouts are calculated on a straight-line basis between performance points

## Annual remuneration report

continued

### Non-financial targets – 40% of total bonus award

Personal objectives were set at the beginning of the year which focused on both the delivery of strategic priorities for 2016/17 and the longer term.

#### M S Weiner

##### Development of joint venture property strategies and development of key relationships

- Two new specialist platforms established with existing capital partners giving U+I increased capital deployment capacity of c.£400m.
- Successful implementation of shareholder engagement and communication plan with continued stake building by new shareholders.

##### Asset optimisation strategy

- Contribution towards strategy in respect of asset management optimisation.

##### Operational strategy testing

- Implementation and regular testing of strategy within operational parameters, including introduction of Board strategy days.
- Revised guidance at Interims post Brexit shock, and a complete business plan review.

##### Strategic leadership for vision and values

- Enhanced employee engagement, and success in internal communications, including positive reaction to Discovery Workshop.
- Continued low levels of staff turnover.
- Full staff engagement programme and new performance management system implemented allowing for greater scrutiny of individual performance against objectives.

##### New organisational structure

- Implementation of new organisational structure, including revised team roles, reporting lines and senior hires at Executive Committee to improve the resilience and operational efficiency of the business.

<b>Annual bonus (% of salary)</b>	<b>20.1</b>
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#### R Upton

##### Lead stakeholder engagement programme

- Principal spokesperson on all public affairs matters, including several high profile speaking engagements.
- Public profile instrumental in building the Company's reputation in the PPP space, with Mayfield project win being of particular significance, and a consequence of the increased profile.

##### Identification and securing of new PPP projects

- During the year the Company won four new major projects with GDV in excess of £1.5bn and profit potential in excess of £90m.

##### Short and long-term development programme

- Partial achievement against long-term development planning objectives. Two major planning consents secured.

##### Establishment of a PRS specialist platform vehicle

- Abortive negotiations with a Registered Provider.
- Leadership of a revised marketing campaign to select a long-term capital partner.

<b>Annual bonus (% of salary)</b>	<b>19.8</b>
-----------------------------------	-------------

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. No bonus payments payable for the year ended 28 February 2017 exceeded the 50% of maximum opportunity, therefore all bonus payments will be paid in cash. 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.

## M O Shepherd

### Financing

- Successful refinancing and progress with short-term financing objectives, and negotiation of revised long-term facility.
- Achievement against debt maturity, interest rate and funding diversification objectives.

### Cost saving and business simplification programme

- Identification and implementation of overhead reduction strategy.
- Simplification of Company's off shore holding structure leading to both financial and efficiency savings.
- Successful implementation of corporate rationalisation project with 34 companies liquidated during the year.

### Investor relations

- Improved IR process and communications materials.
- Building relationships with new investors.

### Strengthening the control environment and audit process

- Achievement against objectives in relation to improved control environment and audit process efficiencies.

### Business plan monitoring

- Progress against business plan monitoring objectives, taking overall responsibility for managing output against objectives.

<b>Annual bonus (% of salary)</b>	<b>19.5</b>
-----------------------------------	-------------

In light of both corporate and individual performance, the Committee determined the following bonus awards be made for the year ended 28 February 2017:

	Total award % of maximum	Total award % of salary	Total bonus award (£'000)
Executive Director			
M S Weiner	26.8	20.1	75
R Upton	26.4	19.8	69
M O Shepherd	26	19.5	63

## Annual remuneration report

continued

### Development Profit Plan

The table below provides further information on M S 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%.

Project		Threshold target (£'000)	Actual profit/ DPP award (£'000)
////////////////////////////////////			
Barnstaple Phase 1 – Residual	Profit	247	625
	DPP	–	9
Abbey Wood	Profit	1,245	8,374
	DPP	–	321
Wick Lane	Profit	781	10,240
	DPP	–	525
Woking	Profit	1,182	7,243
	DPP	–	201
Percy Place	Profit	1,024	3,386
	DPP	–	142

### Performance Share Plan

Awards were made under the PSP in 2014 subject to the Company's relative total shareholder return (TSR) performance and growth in NAV per share over the period 1 March 2014 to 28 February 2017. U+I's TSR performance was below the median of the comparator group, the Company's NAV per share growth was below the required threshold, therefore the 2014 PSP award lapsed in full. This was the final award made under this plan.



**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 1 March 2015.

**Long-Term Incentive Plan (LTIP) (audited)**

On 9 June 2016, awards were made under the LTIP as follows:

Executive Director	Type	Number of shares	Face value (% of salary) <sup>1</sup>	Performance conditions <sup>2</sup>	End of performance periods	% vesting at threshold
M S Weiner	Conditional	588,697	300	%	28 Feb 2019/ 29 Feb 2020	20.0%
R Upton	share	549,450	300	NAVps		
M O Shepherd	award	170,068	100	growth		

1. The face value has been calculated based on the share price of 191.10 pence taken on 9 June 2016 as an average of the closing mid-market price from the preceding five days

2. Awards are subject to U+I's NAV per share growth (including dividends), 50% measured over a three-year period and 50% measured over a four year period; see page 84 for further information

**Executive Directors' shareholdings (audited)**

Executive Directors are subject to a shareholding requirement of one half basic salary within two years of appointment, rising to an amount equivalent to one times basic salary after four years.

Executive Directors will be subject to an additional shareholding requirement of two times basic salary for the CEO and one and a half times basic salary for the Deputy CEO and CFO. 50% of net vested shares will be retained until these guidelines are achieved.

Executive Directors participating in the Company's focused profit plans are also subject to an additional shareholding requirement. 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 Executive Director's shareholding is less than two times salary. The amount paid in shares will be subject to a two-year retention period.

## Annual remuneration report

continued

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:

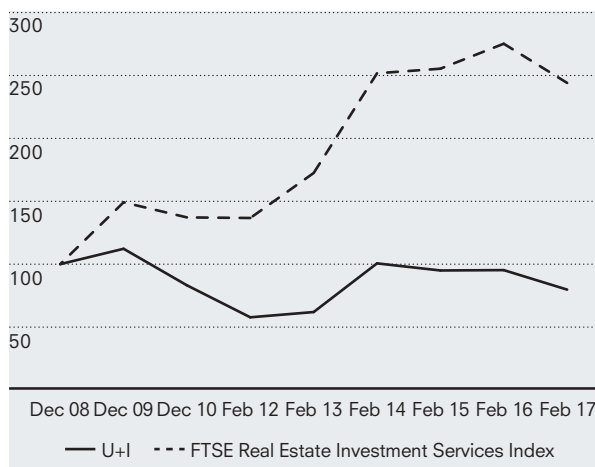
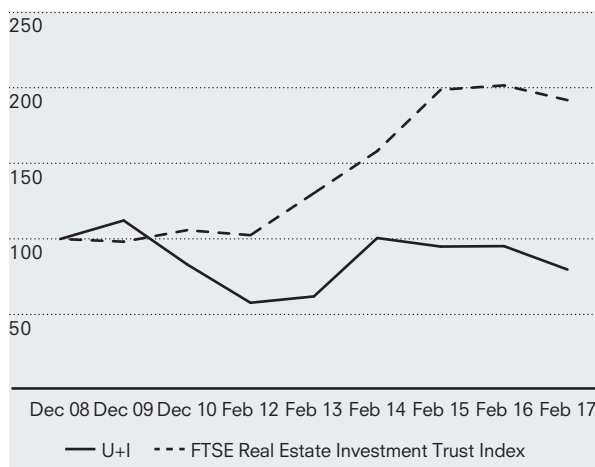
Executive Director	Shares owned outright as at 28 February 2017 <sup>1</sup>	% of shareholding guideline achieved <sup>2</sup>	Interest in shares/ options subject to performance	Interest in shares/ options subject to continued employment only
M S Weiner	298,736	143	961,776	10,044
R Upton	3,006,034	1,537	922,529	0
M O Shepherd	158,301	87	259,223	10,044
Non-executive Director				
P W Williams	50,000	–	0	0
N H Thomlinson	20,000	–	0	0
B Bennett	35,000	–	0	0
L Krige	0	–	0	0

1. Including shares held by connected persons

2. Calculation derived from the market value of 179 pence per share and Directors' salary as at 28 February 2017

### Historical total shareholder return performance (TSR)

The graphs below demonstrate the Company's TSR performance over eight 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 as within the Company's peer group.



### Chief Executive's remuneration for previous eight years

The table below shows the total remuneration figure for the Chief Executive for the same eight-year period as the TSR chart on page 100. The annual bonus and LTIP percentages show the payout for each year as a percentage of the maximum opportunity.

	2009	2010	2012 <sup>1</sup>	2013	2014	2015		2016	2017
							M H Marx <sup>2</sup>	M S Weiner <sup>3</sup>	
Single total figure of remuneration (£'000)	767	865	714	487	882	1,002	257	1,633	<b>1,723</b>
Annual bonus (% of maximum)	80	63	21	0	67	86.7	–	59	<b>26.8</b>
LTIP (PSP) vesting (% of maximum)	–	–	–	–	–	–	18	18	–

1. 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 29 February 2012, whereas all the other amounts are in respect of a twelve-month financial period
2. M H Marx's figure relates to both the time he was Chief Executive of the Company from 1 March 2015 to 14 July 2015, and from 15 July 2015 to 29 February 2016 when he received a basic fee as a Non-executive Director
3. M S Weiner's figure relates to both the time he was a Executive Director of the Company from 1 March 2015 to 14 July 2015, and from 15 July 2015 to 29 February 2016 when he was Chief Executive of the Company

### Percentage change in Chief Executive's 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 % change	Wider workforce % change
Salary	0	5.9
Taxable benefits	4.5	(11)
Annual bonus	(52.9)	(33.4)

### Relative importance of spend on pay

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

	2017	2016	% change
Dividends <sup>1</sup>	<b>7,381</b>	7,372	0.1
Supplemental dividend <sup>1,2</sup>	<b>9,997</b>	–	–
Overall expenditure on pay <sup>3</sup>	<b>13,525</b>	13,503	0.1

1. These figures have been extracted from Note 7 to the Consolidated financial statements on page 144
2. A supplemental dividend of 8.00 pence per share, amounting to £9,997,000 for 2016, was declared post 2016 year end, and therefore not deducted from net assets in 2016. A supplemental dividend of 2.80 pence per share, amounting to £3,506,000 for 2017, was declared post 2017 year end, and therefore not deducted from the net assets in 2017
3. These figures have been extracted from Note 4 to the Consolidated financial statements on page 141

## Annual remuneration report

continued

### Role and constitution of the Committee

The Committee's full terms of reference are set out on the Company's website [www.uandi plc.com](http://www.uandi plc.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 consultant Deloitte LLP (which is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting).

The Committee is satisfied that the advice it receives is objective and independent. Deloitte's fees for providing advice to the Committee amounted to £48,450. Representatives of Deloitte LLP attended four meetings of the Committee by invitation. During the year Deloitte LLP also provided services to the Company in relation to planning and development real estate advice.

M S Weiner, Chief Executive, provided recommendations 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	Joined the Committee on	Considered independent Non-executive Director	Number of meetings attended/ number of meetings possible	% attendance
N H Thomlinson (Chairman)	03.01.12	Yes	5/5	100
P W Williams <sup>1</sup>	04.01.16	–	5/5	100
L Krige <sup>2</sup>	14.07.16	Yes	3/3	100
D S Jenkins <sup>1,3</sup>	01.02.07	–	2/2	100
S C Bates <sup>3</sup>	15.01.10	Yes	2/2	100

1. Chairman, independent on appointment

2. L Krige was appointed as a member of the Committee following the AGM on 14 July 2016

3. D S Jenkins and S C Bates left the Committee following the AGM on 14 July 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 ongoing 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 AGM on 14 July 2016 as well as the binding vote to approve the Remuneration Policy at the Company's AGM on 16 July 2014.

	Votes for	% of vote	Votes against	% of vote	Votes withheld
Approve Remuneration Report (2016 AGM)	84,526,106	82.74	17,628,011	17.26	6,095
Approve Remuneration Policy (2014 AGM)	96,066,754	85.47	16,327,899	14.53	76,616

One of our largest shareholders operates a general policy of voting against remuneration reports and policies where, for long-term incentives, the performance period plus holding period is less than five years. At the time of the above votes our performance plus holding period for the LTIP was five years for two thirds of the award. As a result of its voting policy guidelines it was unable to support our Remuneration Policy at the 2014 AGM, or the implementation of our Policy at the 2016 AGM. This had a significant impact on the overall voting out-turn at both AGMs. Our revised Policy updates the holding period so that the combined performance and holding period for the entire LTIP award is five years.

### 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

	Date of grant	Market price at date of grant Pence per share	29 February 2016 Number of shares	Granted	Lapsed	Exercised	28 February 2017 Number of shares	Final vesting date
M S Weiner	05.06.15	273.40	373,079	–	–	–	<b>373,079</b>	05.06.18/19
	09.06.16	191.10	–	588,697	–	–	<b>588,697</b>	09.06.19/20
M O Shepherd	22.05.14	244.00	66,598	–	–	–	<b>66,598</b>	28.02.17
	05.06.15	273.40	89,155	–	–	–	<b>89,155</b>	05.06.18/19
	09.06.16	191.10	–	170,068	–	–	<b>170,068</b>	09.06.19/20
R Upton	05.06.15	273.40	373,079	–	–	–	<b>373,079</b>	05.06.18/19
	09.06.16	191.10	–	549,450	–	–	<b>549,450</b>	09.06.19/20

The new LTIP introduced for the year beginning 1 March 2015 replaced the previous Performance Share Plan.

## Annual remuneration report

continued

### Save as You Earn (SAYE) (audited)

	29 February 2016				28 February 2017	Exercise price pence per share	Market price at exercise pence per share	Gain on exercise £'000	Date from which exercisable	Expiry date
	Number of shares	Granted	Lapsed	Exercised	Number of shares					
M S Weiner	10,044	–	–	–	10,044	179.20	–	–	01.02.18	31.07.18
M O Shepherd	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 80.0% 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
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%
Vertium, Dublin	6.50%
Cathedral Projects	5.00%
Chill Factor <sup>e</sup> , Manchester	5.00%
Deeley Freed	6.00%
Donnybrook House, Dublin	6.50%
Friarsgate Shopping Centre, Lichfield	1.00%
Kensington Church Street, London	6.00%
Luneside, Lancaster	10.00%
Morden Wharf, Greenwich	6.00%
Robswall, Dublin	5.50%
Shepherd's 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%
Wind Farms	5.00%

Approved by the Board and signed on its behalf by:

**Nick Thomlinson**

Chairman of the Remuneration Committee

26 April 2017

## Directors' report

### The Directors present their report and the audited Consolidated financial statements for the financial year ended 28 February 2017.

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 54.

#### Results and dividends

The loss for the financial year attributable to shareholders amounted to £3,003,000 (2016: £21,828,000 profit). An interim Ordinary dividend of £3,003,000 representing 2.40 pence per Ordinary share was paid on 25 November 2016 (27 November 2015: £2,999,000 representing 2.40 pence per Ordinary share). The Board recommends a final Ordinary dividend of 3.50 pence per Ordinary share amounting to £4,379,000 payable on 17 August 2017 to shareholders on the register at 21 July 2017 (19 August 2016: £4,378,000

representing 3.50 pence per Ordinary share). A further supplemental dividend of 2.80 pence per Ordinary share was announced to market on 26 April 2017 amounting to £3,506,000 payable on 16 June 2017 to shareholders on the register at 12 May 2017. Subject to shareholder approval, this makes a total dividend declared of 8.70 pence per Ordinary share for the financial year (2016: 13.90 pence per Ordinary share). Further information on the Company's dividend policy can be found on page 46.

#### Group structure

Details of the Group's subsidiary undertakings are disclosed in note 41 to the Company financial statements on pages 190 to 194.

#### 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 28 February 2017 consisted of 125,107,948 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 152,460 shares to members of staff in connection with the exercise of options under the Performance Share Plan. These shares were allotted from the block listing maintained in respect of these options. At the date of this report, 125,226,740 Ordinary shares of 50 pence each have been issued (including 118,792 shares held in treasury) 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 19 to the Consolidated financial statements on pages 170 and 171.

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.

## Directors' report

continued

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 the 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 14 July 2016, members authorised the Company to make market purchases of up to 12,507,428 of its own Ordinary shares of 50 pence each. That authority expires at the forthcoming Annual General Meeting of the Company on 11 July 2017 when a resolution will be put to shareholders 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 14 July 2016 (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.

### Takeover directive

Details of the required disclosure under the Takeover Directive can be found in this Directors' Report and also in the Remuneration Report on pages 80 to 104 and are incorporated herein by cross-reference.

### Corporate governance

The Company's statement on corporate governance can be found in the Corporate Governance Report on page 61 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 22 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 19 to the Consolidated financial statements.

### Directors

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

////////////////////	
P W Williams	Chairman from 14 July 2016. Independent Non-executive Director (4 January 2016 – 14 July 2016)
M S Weiner	Chief Executive Officer
R Upton	Deputy Chief Executive Officer
M O Shepherd	Chief Financial Officer
N H Thomlinson	Independent Non-executive Director
B Bennett	Non-executive Director
L G Krige	Independent Non-executive Director (appointed 10 March 2016)
D Jenkins	Resigned as Chairman on 14 July 2016
S Bates	Resigned as Non-executive Director on 14 July 2016

Biographical details of the Directors as at 28 February 2017 are shown on page 59.

All Directors will retire at the 2017 Annual General Meeting and, being eligible, will offer themselves for re-election, see page 71. 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 28 February 2017 are disclosed in the Remuneration Policy and Remuneration Report on pages 89 and 100.

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 25 on page 175.

### 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 11 July 2017 at 12 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 28 February 2017.

#### Ordinary Resolutions 2 and 3 – To approve the Directors' Remuneration Report and Policy

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 2017 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).

Resolution 2 seeks shareholder approval for the Annual Remuneration Report. This is set out on pages 92 to 104 of the Annual Report and sets out details on how our Directors were paid in the financial year ended 28 February 2017, and how their pay will be structured in the financial year ending 28 February 2018. The Annual Remuneration

## Directors' report

continued

Report will be prepared on an annual basis and is subject to an advisory shareholder vote.

Resolution 3 seeks shareholder approval for the Policy as set out on pages 81 to 91, this is a binding vote. The Policy was previously approved by shareholders at the 2014 AGM and was effective from 1 March 2015. The Policy, if approved, will take effect from 11 July 2017, following the 2017 AGM, and will apply until replaced by a new or amended Policy. The Policy is subject to a shareholder vote at least once every three years. Once the Policy is effective, the Company will not be 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.

### Ordinary Resolutions 4 to 10 – Re-election of Directors

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 elected or re-elected at the 2016 Annual General Meeting will voluntarily retire and those wishing to serve again shall submit themselves for re-election by the shareholders at the 2017 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 section on pages 56 to 104. Biographical details of all the Directors appear on page 59 of the Annual Report.

### Ordinary Resolution 11 – 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 21 July 2017.

### Ordinary Resolutions 12 and 13 – Re-appointment and remuneration of auditors

Resolutions 12 and 13 propose the re-appointment of PricewaterhouseCoopers LLP as auditors of the Company and authorise the Directors to set their remuneration.

### Special Resolution 14 – 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 25 April 2017 (being the latest practicable date prior to publication of the Notice of Annual General Meeting), the Company has an unexpired authority to repurchase 12,507,428 Ordinary shares of which 12,507,428 Ordinary shares remain outstanding.

As at 25 April 2017 (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 228,172 (approximately 0.18% of the Company's issued share capital and approximately 0.20% of the Company's issued share capital if the full authority proposed by Resolution 14 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 14, 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 1 September 2018 (being the latest date by which the Company must hold an Annual General Meeting in 2018). The Company currently holds 118,792 shares in treasury.

#### **Ordinary Resolution 15 – 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 2016 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 1 September 2018 (being the latest date by which the Company must hold an Annual General Meeting in 2018).

If passed, paragraph (a) of Resolution 15 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 £20,851,325 representing approximately one third (33.33%) of the Company's issued Ordinary share capital (excluding shares held in treasury) and calculated as at 25 April 2017 (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 15, 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 £20,851,325 representing approximately one third (33.33%) of the Company's issued Ordinary share capital (excluding shares held in treasury) and calculated as at 25 April 2017 (being the last practicable date prior to publication of the Notice of the Annual General Meeting). As at 25 April 2017 (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 16 – 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 16 is to authorise the Directors to allot any shares pursuant to the authority given by paragraph (a) of Resolution 15 for cash either (a) in connection with a pre-emptive offer or rights issue or (b) otherwise up to an aggregate nominal value of £3,130,669 (being equivalent to 5.0% of the total issued Ordinary share capital of the Company as at 25 April 2017 (being the latest practicable date prior to publication of the Notice of the Annual General Meeting)) and which includes the sale on a non-preemptive 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 16 is to authorise the Directors to allot any shares pursuant to the authority given by paragraph (b) of Resolution 15 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-preemptive 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 17 – 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 14 July 2016, shareholders authorised the calling of general meetings, other than an Annual General Meeting, on not less than 14 clear working days' notice. Resolution 17 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 18 – 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 17d to the Consolidated financial statements on pages 165 to 168.

### Financial instruments

Details of the financial instruments used by the Group and the Company are set out in note 17c to the Consolidated financial statements on pages 164 to 165.

### Charitable and political donations

Charitable donations during the year were £56,244 (2016: £34,350). 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 25 April 2017 (being the last practicable date prior to publication of the Annual Report), the following information had been received in accordance with DTR5 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 financial year under review. It should be noted that these holdings, and percentage of share capital held, 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	% holding*
FIL Limited	14,883,732	12.17
J O Hambro Capital Management	12,533,474	10.03
Aberdeen Asset Management plc	12,498,588	9.99
Aberforth Partners LLP	6,479,557	5.18
BMO Global Asset Management (UK)	5,875,946	4.71
Threadneedle Asset Management	5,722,553	4.68
Ennismore Fund Management Ltd	5,149,730	4.12

\* % holding at the time of notification, see [uandiplc.com/investors](http://uandiplc.com/investors) for further information

## 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 28 February 2017, 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, gender reassignment, 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 28 February 2017 can be found in the Sustainability Report on page 54.

## 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 are 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.

## Directors' report

continued

### Post balance sheet events

Details of events which have occurred since 28 February 2017 and up to the date of this report are disclosed in note 27 to the Consolidated financial statements on page 177.

### 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 1 March 2016 to 28 February 2017, 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 2016 for the financial year ended 28 February 2017 to calculate its GHG emissions.

Greenhouse Gas (GHG) Emissions Scope (tCO <sub>2</sub> e)	Reporting year ended 28 February 2017	Reporting year ended 29 February 2016
Scope 1 <sup>a,b,d</sup>	348	422
Scope 2 <sup>c,d</sup>	1,340	2,624
Total	1,688	3,046

- Scope 1 covers emissions from direct combustion of fuel from operation of properties and company-owned vehicles
- 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
- 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
- Where gas/electricity consumption data was not available to cover all months of the reporting period, an estimation of the emissions have 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 <sub>2</sub> e/sq.ft)	Reporting year ended 28 February 2017	Reporting year ended 29 February 2016
GHG emissions per square foot of property occupied	0.005	0.005
GHG emissions per square foot of investment property managed	0.002	0.003

### Disclosure of information to auditors

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

- So far as he/she is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- 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  
26 April 2017

## 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 financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the 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 59 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.uandi plc.com](http://www.uandi plc.com). Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

**Matthew Weiner**

Chief Executive

26 April 2017

**Marcus Shepherd**

Chief Financial Officer

## 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 28 February 2017 and of its loss 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;
- 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 and Accounts (the "Annual Report"), comprise:

- the Consolidated Balance Sheet as at 28 February 2017;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended;
- the Consolidated 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 IFRSs as adopted by the European Union, and applicable law.

### Our audit approach

#### Overview





### 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
<p><b>Valuation of investment properties</b></p> <p>The Group's investment properties were valued at £179.2 million as at 28 February 2017 and a revaluation loss of £9.5 million was accounted for under 'Loss 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.</p> <p>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 (£15.1 million) is valued internally by the Directors.</p> <p>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.</p> <p>The most significant judgements and estimates affecting all the valuations include yields and estimated rental value ("ERV") growth (as described in note 9 of the Consolidated Financial Statements).</p> <p>The investment property portfolio is heavily dominated by retail assets, with a number of shopping centres, retail parades and a factory outlet.</p> <p>Yields and ERVs have generally remained stable or improved in prime high street retail locations. However, secondary or tertiary locations and shopping centres have performed poorly in the year. A majority of the revaluation loss of £9.5 million is attributable to shopping centres.</p>	<p>The valuers used by the Group are CBRE Limited. They are a well-known and established firm. 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 CBRE Limited remains independent and competent and that the scope of their work was appropriate.</p> <p>We tested the data in the investment property valuation for a sample of properties, including rental income, acquisitions and capital expenditure data, by agreeing this 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.</p> <p>We met with the external valuers independently of management and obtained the valuation reports for all material 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 focused in particular on properties where the growth in capital values was higher or lower than our expectations based on market indices.</p>

## Independent auditors' report to the members of U and I Group PLC

continued

### Area of focus

#### **Valuation of investment properties continued**

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 9 to the financial statements, pages 146 to 149 in the Report of the Audit and Risk Committee, and pages 73 to 77.

### How our audit addressed the area of focus

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 assets under offer or tenants entering into administration. 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 appropriate supporting evidence.

#### **Valuation of development and trading properties**

The Group's development and trading properties were valued at £208.3 million as at 28 February 2017. 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, assets acquired in 2016 and still held, since which period the market has declined, and assets valued by the external valuers below their carrying value.

The UK property market has seen falling capital values and ERVs during the year across many sectors and geographic locations, increasing the risk of impairment across the portfolio due to market conditions. 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 14 to the financial statements, page 158 in the Report of the Audit and Risk Committee and pages 73 to 77.

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 also visited a sample of assets with management.

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 are satisfied with the evidence that development and trading properties are held at the lower of cost and net realisable value.

## Area of focus

**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 £38.4 million at 28 February 2017, split between £19.9 million in non-current and £18.5 million within current assets. We focused on this area as the recoverability of the financial assets 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 recoverability of the working capital and project-specific loans to Northpoint Developments Limited, which rely on a number of property developments being completed over the next five year period.

Refer also to note 17 to the financial statements and pages 73 to 77 in the Report of the Audit and Risk Committee.

## How our audit addressed the area of focus

We obtained management's assessment of the recoverability of the loans, which includes cash flow projections over the next five years for each 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 publically 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 and post year end through to bank statements.

In relation to the loans to Northpoint Developments Limited, we held discussions with management, obtained the appraisals supporting the profitability of the underlying scheme and corroborated this to publicly available market data and costs incurred to date.

Based on this work, we are satisfied that the financial assets are 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 over 200 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.

## Independent auditors' report to the members of U and I Group PLC

continued

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

Overall Group materiality	£4.4 million (2016: £4.8 million).
How we determined it	Consistent with prior year, 0.75% of total assets.
Specific materiality	£0.8 million (2016: £1.8 million).
How we determined it	Consistent with prior year, 5% of profit before tax before net finance costs and investment property valuation movements.
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 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 Committee that we would report to them misstatements identified during our audit above £0.2 million (2016: £0.3 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 77, 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 and compliance with applicable requirements

##### Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Group, the Company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic report and the Directors' report. We have nothing to report in this respect.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Corporate Governance Statement set out on page 60 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- the information given in the Corporate Governance Statement set out on page 60 with respect to the Company's corporate governance code and practices and about its administrative, management and supervisory bodies complies with rules 7.2.2, 7.2.3 and 7.2.7 of the Disclosure Guidance and Transparency Rules sourcebook of the Financial Conduct Authority.



In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the information referred to above in the Corporate Governance Statement. We have nothing to report in this respect.

#### 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:	We have no exceptions to report.
– 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.	
– the statement given by the Directors on page 60, in accordance with provision C.1.1 of the UK Corporate Governance Code (the “Code”), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group’s and Company’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 73 and 74, as required by provision C.3.8 of the Code, describing the work of the Audit 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 75 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 77 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 inquiries 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 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. 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 the Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

### Corporate governance statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a Corporate Governance Statement has not been prepared by the Company. We have no exceptions to report arising from this responsibility.

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 Directors' Responsibilities Statement set out on page 113, 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. With respect to the Strategic report and Directors' report, and Corporate Governance Statement, we consider whether those reports include the disclosures required by applicable legal requirements.

#### Other matter

We have reported separately on the Company financial statements of U and I Group PLC for the year ended 28 February 2017 and on the information in the Director's remuneration report that is described as have been audited.

#### Julian Jenkins (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
26 April 2017

Strategic report + Corporate governance + Financial statements

**Consolidated Statement of Comprehensive Income**

For the year ended 28 February 2017

	Notes	2017 Total £'000	2016 Total £'000
<b>Revenue</b>	2	<b>123,931</b>	242,282
Direct costs	2	<b>(86,863)</b>	(192,430)
<b>Gross profit</b>	2	<b>37,068</b>	49,852
Operating costs	2	<b>(22,061)</b>	(21,752)
(Loss)/gain on disposal of investment properties	2	<b>(2,273)</b>	440
(Loss)/gain on revaluation of property portfolio	9	<b>(9,506)</b>	229
<b>Operating profit before exceptional item</b>	3	<b>3,228</b>	28,769
Exceptional impairment of operating segment	2(b)	<b>(2,150)</b>	–
<b>Operating profit after exceptional item</b>	3	<b>1,078</b>	28,769
Other income		<b>1,320</b>	673
Share of post-tax profits of joint ventures and associates	13(b)	<b>6,134</b>	7,127
Profit from sale of investment		<b>567</b>	2,174
Loss on sale of other plant and equipment		<b>(25)</b>	(87)
<b>Profit before interest and income tax</b>		<b>9,074</b>	38,656
Finance income	5(a)	<b>711</b>	2,483
Finance costs	5(b)	<b>(11,495)</b>	(15,351)
<b>(Loss)/profit before income tax</b>		<b>(1,710)</b>	25,788
Income tax	6	<b>(1,293)</b>	(2,453)
<b>(Loss)/profit for the year</b>		<b>(3,003)</b>	23,335
<b>(Loss)/profit attributable to:</b>			
Owners of the Parent		<b>(3,003)</b>	21,828
Non-controlling interest		<b>–</b>	1,507
		<b>(3,003)</b>	23,335
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>(Loss)/profit for the year</b>		<b>(3,003)</b>	23,335
<b>Items that may be subsequently reclassified to profit or loss:</b>			
Currency translation differences		<b>2,958</b>	2,438
Revaluation of operating property		<b>–</b>	129
Fair value adjustment of available-for-sale asset realised		<b>–</b>	(142)
Deferred income tax credit	6/18	<b>127</b>	28
<b>Total comprehensive income for the year</b>		<b>82</b>	25,788
<b>Attributable to:</b>			
Owners of the Parent		<b>82</b>	24,281
Non-controlling interest		<b>–</b>	1,507
		<b>82</b>	25,788
Basic (loss)/earnings per share attributable to the Parent*	8	<b>(2.4)p</b>	17.5p
Diluted (loss)/earnings per share attributable to the Parent*	8	<b>(2.4)p</b>	17.5p

\* Adjusted earnings per share from continuing activities is given in note 8

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

The notes on pages 125 to 177 are an integral part of these Consolidated financial statements.

## Consolidated Balance Sheet

As at 28 February 2017

	Notes	£'000	2017 £'000	2016 £'000
<b>NON-CURRENT ASSETS</b>				
<b>Direct real estate interests</b>				
Investment properties	9	179,199		203,318
Operating property	10	800		860
Trade and other receivables	15(a)	2,858		3,403
			182,857	207,581
<b>Indirect real estate interests</b>				
Investments in associates	13(a)	8,372		4,309
Investments in joint ventures	13(b)	46,089		46,782
Intangible assets – goodwill	11	2,328		2,328
Loans to joint operations and other real estate businesses	17(a)	19,859		37,357
			76,648	90,776
<b>Other non-current assets</b>				
Other plant and equipment	12	5,770		7,017
Derivative financial instruments	17(c)	257		315
Deferred income tax assets	18	1,359		1,230
			7,386	8,562
<b>Total non-current assets</b>			266,891	306,919
<b>CURRENT ASSETS</b>				
Inventory – development and trading properties	14	208,342		199,779
Other financial assets	17(a)	18,524		1,700
Trade and other receivables	15(b)	48,720		86,420
Current income tax asset		16		–
Monies held in restricted accounts and deposits		27,486		8,096
Cash and cash equivalents		23,785		43,752
			326,873	339,747
<b>Total assets</b>			593,764	646,666
<b>CURRENT LIABILITIES</b>				
Trade and other payables	16(b)	(53,369)		(55,110)
Current income tax liabilities		–		(2,508)
Borrowings	17(b)	(4,508)		(65,471)
Provisions	16(c)	(1,394)		(14)
			(59,271)	(123,103)
<b>NON-CURRENT LIABILITIES</b>				
Trade and other payables	16(a)	(14,395)		(7,134)
Borrowings	17(b)	(167,617)		(147,818)
Deferred income tax liabilities	18	(3,568)		(3,555)
Provisions	16(c)	(1,288)		(1,731)
			(186,868)	(160,238)
<b>Total liabilities</b>			(246,139)	(283,341)
<b>Net assets</b>			347,625	363,325
<b>EQUITY</b>				
Share capital	19	62,613		62,537
Share premium	20	104,325		104,113
Other reserves	20	54,551		51,861
Retained earnings	20	126,136		144,814
<b>Total equity</b>			347,625	363,325
Basic/diluted net assets per share attributable to the owners of the Parent	8		278p/277p	291p/290p

The notes on pages 125 to 177 are an integral part of these Consolidated financial statements.

Approved and authorised for issue by the Board of Directors on 26 April 2017 and signed on its behalf by:

**M S Weiner**  
Director



**Consolidated Statement of Changes in Equity**

For the year ended 28 February 2017

	Notes	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
<b>At 1 March 2015</b>		62,529	104,094	48,677	130,358	345,658	722	346,380
<b>Profit for the year ended 29 February 2016</b>		–	–	–	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	6/18	–	–	28	–	28	–	28
<b>Total comprehensive income for the year ended 29 February 2016</b>		–	–	2,453	21,828	24,281	1,507	25,788
Issue of Ordinary shares	20	8	19	–	–	27	–	27
Share-based payments	20	–	–	731	–	731	–	731
Final dividend 2015	7	–	–	–	(4,373)	(4,373)	–	(4,373)
Interim dividend 2016	7	–	–	–	(2,999)	(2,999)	–	(2,999)
<b>Total contributions by and distributions to owners of the Company</b>		8	19	731	(7,372)	(6,614)	–	(6,614)
Transactions with non-controlling interest		–	–	–	–	–	(2,229)	(2,229)
<b>Balance at 29 February 2016</b>		62,537	104,113	51,861	144,814	363,325	–	363,325
<b>Loss for the year ended 28 February 2017</b>		–	–	–	(3,003)	(3,003)	–	(3,003)
Other comprehensive income:								
– Revaluation of operating property realised on sale		–	–	(1,073)	1,073	–	–	–
– Fair value adjustment realised		–	–	(630)	630	–	–	–
– Currency translation differences		–	–	2,958	–	2,958	–	2,958
– Deferred income tax credited directly to equity	6/18	–	–	127	–	127	–	127
<b>Total comprehensive income for the year ended 28 February 2017</b>		–	–	1,382	(1,300)	82	–	82
Issue of Ordinary shares	20	76	212	–	–	288	–	288
Share-based payments	20	–	–	1,308	–	1,308	–	1,308
Final dividend 2016	7	–	–	–	(4,378)	(4,378)	–	(4,378)
Supplemental dividend 2016	7	–	–	–	(9,997)	(9,997)	–	(9,997)
Interim dividend 2017	7	–	–	–	(3,003)	(3,003)	–	(3,003)
<b>Total contributions by and distributions to owners of the Company</b>		76	212	1,308	(17,378)	(15,782)	–	(15,782)
<b>Balance at 28 February 2017</b>		62,613	104,325	54,551	126,136	347,625	–	347,625

The notes on pages 125 to 177 are an integral part of these Consolidated financial statements.

## Consolidated Cash Flow Statement

For the year ended 28 February 2017

	Notes	2017 £'000	2016 £'000
<b>CASH GENERATED FROM OPERATIONS</b>			
<b>Cash flows generated from operating activities</b>	21	<b>56,859</b>	7,995
Interest paid		<b>(7,774)</b>	(11,445)
Income tax paid		<b>(3,806)</b>	(2,791)
<b>Net cash generated from/(used in) operating activities</b>		<b>45,279</b>	(6,241)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		<b>443</b>	2,822
Proceeds on disposal of other plant and equipment		<b>11</b>	38
Proceeds on disposal of investment properties		<b>16,250</b>	11,106
Purchase of other plant and equipment		<b>(601)</b>	(5,459)
Purchase of investment properties		<b>(3,051)</b>	(7,094)
Acquisition of subsidiaries, net of cash and including acquisition costs		<b>–</b>	(4,222)
Cash outflow to joint ventures and associates		<b>(19,197)</b>	(9,001)
Cash inflow from joint ventures and associates		<b>24,245</b>	9,603
Investment in financial assets		<b>(518)</b>	(3,605)
Cash inflow from financial assets		<b>1,816</b>	3,152
Dividends received		<b>–</b>	40
<b>Net cash generated from/(used in) investing activities</b>		<b>19,398</b>	(2,620)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		<b>(17,378)</b>	(17,367)
Issue of new shares		<b>288</b>	27
Repayments of borrowings		<b>(81,677)</b>	(59,788)
New bank loans raised (net of transaction costs)		<b>32,855</b>	60,404
Equity repayment to non-controlling interest		<b>–</b>	(2,229)
(Increase)/decrease in monies held in restricted accounts and deposits		<b>(19,390)</b>	11,284
<b>Net cash used in financing activities</b>		<b>(85,302)</b>	(7,669)
<b>Net decrease in cash and cash equivalents</b>		<b>(20,625)</b>	(16,530)
Cash and cash equivalents at the beginning of the year		<b>43,752</b>	59,949
Exchange gains on cash and cash equivalents		<b>658</b>	333
<b>Cash and cash equivalents at the end of the year</b>		<b>23,785</b>	43,752
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>			
Cash at bank and in hand		<b>23,785</b>	43,752
Bank overdrafts	17(b)	<b>–</b>	–
Cash and cash equivalents at the end of the year		<b>23,785</b>	43,752
<b>NET DEBT COMPRISES:</b>			
Monies held in restricted accounts and deposits		<b>27,486</b>	8,096
Cash and cash equivalents		<b>23,785</b>	43,752
Financial liabilities:			
– Current borrowings	17(b)	<b>(4,508)</b>	(65,471)
– Non-current borrowings	17(b)	<b>(167,617)</b>	(147,818)
<b>Net debt</b>		<b>(120,854)</b>	(161,441)

The notes on pages 125 to 177 are an integral part of these Consolidated financial statements.

**Notes to the Consolidated financial statements**

For the year ended 28 February 2017

**1 Basis of preparation and accounting policies****a)****(i) General information**

The Consolidated financial statements of the Group for the year ended 28 February 2017 comprise the results of U and I Group PLC and its subsidiaries and were authorised by the Board for issue on 25 April 2017.

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.

**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 (IFRIC) 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 28 February 2017 and 29 February 2016.

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 in the following section.

**Judgements other than estimates****1.1 Classification of directly owned property assets**

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

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

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

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

In most cases the property interest is held directly by the Group and is classified either as investment property (refer note 9) or as inventory for development and trading properties (refer note 14).

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.

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

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

These investments are reported under the relevant balance sheet headings, with a summary in note 26.

### 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 28 February 2017 and 29 February 2016 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), 9 and 10.

The same uncertainties affect the determination of fair value of certain available-for-sale financial instruments, described in note 17, 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 14.

### 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 17(a).

Following a review of investment strategy and in view of operating losses at Executive Communication Centres (ECC), the Group's serviced office subsidiary, the Group has conducted a review of its investment in the business. During the year, the Group decided to exit two centres and carried out a full impairment review on this basis. The review required significant judgements and estimates concerning customer demand, competitor behaviour and discount



rates for the sites that will continue to operate. The review determined that a net impairment of £2,150,000 was required against the closure certain centres and future losses across the business. This impairment has been shown as an exceptional item (refer note 2b).

### 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 17(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 and amended accounting standards

The following standards have been adopted by the Group for the first time for the financial year beginning on 1 March 2016. The adoption of these amendments did not have any impact on the financial statements of the Group.

- Accounting for acquisitions of interests in joint operations – Amendment to IFRS 11.
- Clarification of acceptable methods of depreciation and amortization – Amendments to IAS 16 and IAS 38.
- Annual Improvements to IFRSs – 2012-2014 cycle.
- Disclosure Initiative – Amendments to IAS 1.

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 March 2017 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.

- IAS 12, 'Income taxes', was amended to clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. The amendment confirms that:

- (i) A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period;
- (ii) An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit;
- (iii) Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax can only be assessed in combination with other deferred tax assets of the same type; and
- (iv) Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

This amendment is effective for accounting period commencing 1 March 2017. The Group does not expect the amendment to have a material impact on its financial statements since fair value exceeds the cost for almost all of its Investment Properties as at 1 March 2015, 29 February 2016 and 28 February 2017. The Group is monitoring fair value movements below cost to assess the impact of the amendment in future periods.

- 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 standard is effective for the accounting period commencing 1 March 2018. The Group expects IFRS 9 to have an immaterial impact on accounting for financial instruments.

**1 Basis of preparation and accounting policies**  
continued

**d) New and amended accounting standards**  
continued

- 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. Revenue is recognised when a customer gains control of goods or services and has the ability to use and benefit from the goods or services. The standard replaces IAS 18, 'Revenue', and IAS 11, 'Construction Contracts'. The standard is effective for the accounting period commencing 1 March 2018. The Group expects IFRS 15 to have an immaterial impact on accounting for revenue.
- IFRS 16, 'Leases', was issued in January 2016 and will become mandatory for the accounting period commencing 1 March 2019, with early adoption permitted. Under the new standard, an asset, 'right of use asset', and the financial liability to pay rentals are recognised, with the exception of short-term and low value leases. The accounting for lessors will not significantly change. The Group is assessing the full impact of IFRS 16 and expects it to have an immaterial impact on its accounting practices.

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 its 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.

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 value 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 change to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised with either the profit or loss recognised in the income statement.

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 subsequently reversed. 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.

**1 Basis of preparation and accounting policies**  
continued

**h) Revenue recognition** continued

- (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.

**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.



**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 Net unrealised gain/(loss) 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 – Group as lessee**

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.

## 1 Basis of preparation and accounting policies

continued

### m) Current and deferred income tax continued

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.

### 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.

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.

#### (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 28 February 2017.

## 1 Basis of preparation and accounting policies

continued

### 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.

### 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 80 to 104. 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 within 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 re-attributed 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 1 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 a three-year period 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, taking 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. 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 options 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 or reserves as appropriate.

**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.

## 1 Basis of preparation and accounting policies continued

### x) Definitions

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

IPD Index and Total Portfolio Return: total return from the completed investment 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 (IPD), 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, and measured as net debt divided by total shareholders' funds.

Loan to value gearing: expressed as a percentage of net debt as a proportion of total property assets, including shares of properties and net debt in all projects in partnership (refer note 26).

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

## 2 Segmental analysis

a) The segmental information presented consistently follows the information provided to the 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 Executive Committee. The three operating divisions are:

- Investment – management of the Group's investment property portfolio, generating rental income and valuation movements 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 £30,193,000 (2016: £38,871,000) which are located in the Republic of Ireland. All revenue arises from continuing operations.

2017	Investment £'000	Development and trading £'000	Operating £'000	Total £'000
<b>Segment revenue</b>	<b>12,934</b>	<b>106,939</b>	<b>4,058</b>	<b>123,931</b>
Direct costs	(3,449)	(78,467)	(4,947)	(86,863)
<b>Segment result</b>	<b>9,485</b>	<b>28,472</b>	<b>(889)</b>	<b>37,068</b>
Operating costs	(5,031)	(17,030)	–	(22,061)
Loss on disposal of investment properties	(2,273)	–	–	(2,273)
Loss on revaluation of property portfolio	(9,506)	–	–	(9,506)
<b>Operating (loss)/profit before exceptional item</b>	<b>(7,325)</b>	<b>11,442</b>	<b>(889)</b>	<b>3,228</b>
Exceptional impairment of operating segment	–	–	(2,150)	(2,150)
<b>Operating (loss)/profit after exceptional item</b>	<b>(7,325)</b>	<b>11,442</b>	<b>(3,039)</b>	<b>1,078</b>
Other income	666	654	–	1,320
Share of post-tax profits of joint ventures and associates	3,144	2,990	–	6,134
Profit on sale of investment	–	567	–	567
Unallocated loss on sale of other plant and equipment				(25)
<b>Profit before interest and income tax</b>				<b>9,074</b>
Finance income	532	179	–	711
Finance costs	(6,714)	(4,781)	–	(11,495)
<b>Loss before income tax</b>				<b>(1,710)</b>
Income tax				(1,293)
<b>Loss for the year</b>				<b>(3,003)</b>
<b>ASSETS AND LIABILITIES</b>				
Segment assets	226,016	334,609	2,361	562,986
Unallocated assets				30,778
<b>Total assets</b>				<b>593,764</b>
Segment liabilities	(104,059)	(132,358)	(3,796)	(240,213)
Unallocated liabilities				(5,926)
<b>Total liabilities</b>				<b>(246,139)</b>

A summary of unallocated assets and liabilities is shown on page 140.

## Notes to the Consolidated financial statements continued

For the year ended 28 February 2017

### 2 Segmental analysis continued

2017	Investment £'000	Development and trading £'000	Operating £'000	Total £'000
<b>OTHER SEGMENT INFORMATION</b>				
Capital expenditure	3,746	119	83	3,948
Unallocated capital expenditure				380
Exceptional impairment of operating segment assets	–	–	(1,173)	(1,173)
Impairment of assets	–	(155)	–	(155)
Depreciation	(6)	–	(347)	(353)
Unallocated depreciation				(663)
<b>REVENUE</b>				
Rental income	12,736	3,361	–	16,097
Serviced office income	–	–	4,058	4,058
Project management fees	–	1,052	–	1,052
Trading property sales	–	34,917	–	34,917
Other trading property income	–	2,834	–	2,834
Development proceeds	–	64,775	–	64,775
Other	198	–	–	198
	12,934	106,939	4,058	123,931

In the year ended 28 February 2017, two projects with turnover totalling £28,765,000 generated in excess of 10.0% of total revenue and fell within the development and trading segment.



2016	Investment £'000	Development and trading £'000	Operating £'000	Total £'000
<b>Segment revenue</b>	14,397	223,652	4,233	242,282
Direct costs	(2,365)	(184,701)	(5,364)	(192,430)
<b>Segment result</b>	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
<b>Operating profit/(loss)</b>	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)
<b>Profit before interest and income tax</b>				38,656
Finance income	813	1,670	–	2,483
Finance costs	(6,280)	(9,071)	–	(15,351)
<b>Profit before income tax</b>				25,788
Income tax				(2,453)
<b>Profit for the year</b>				23,335
<b>ASSETS AND LIABILITIES</b>				
Segment assets	243,191	356,196	4,394	603,781
Unallocated assets				42,885
<b>Total assets</b>				646,666
Segment liabilities	(105,500)	(160,108)	(3,353)	(268,961)
Unallocated liabilities				(14,380)
<b>Total liabilities</b>				(283,341)

## Notes to the Consolidated financial statements continued

For the year ended 28 February 2017

### 2 Segmental analysis continued

2016	Investment £'000	Development and trading £'000	Operating £'000	Total £'000
<b>OTHER SEGMENT INFORMATION</b>				
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)
<b>REVENUE</b>				
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 29 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.

	2017 £'000	2016 £'000
<b>UNALLOCATED ASSETS CAN BE ANALYSED AS FOLLOWS:</b>		
Other plant and equipment	4,616	4,924
Deferred income tax asset	1,359	1,230
Derivative financial instruments	257	315
Trade and other receivables	5,014	4,169
Cash and cash equivalents	19,532	32,247
	<b>30,778</b>	42,885
<b>UNALLOCATED LIABILITIES CAN BE ANALYSED AS FOLLOWS:</b>		
Current borrowings	(17)	(17)
Trade and other payables	(2,344)	(10,808)
Deferred income tax liability	(3,568)	(3,555)
	<b>(5,929)</b>	(14,380)

#### b) Exceptional item

In view of the operating losses at the Group's serviced office subsidiary, the Group conducted a review of the business. The review concluded that as this business sector was not core to Group strategy, it should be exited by way of either trade sale or phased closure of individual centres. The business operates across six separate centres. A provision of £2,150,000 has been made in this respect.

### 3 Operating profit

	2017 £'000	2016 £'000
<b>OPERATING PROFIT IS STATED AFTER CHARGING:</b>		
Share-based payments charge	1,308	731
Corporate rebranding costs	–	846
Exceptional impairment of operating segment (refer note 2b)	2,150	–
Write down of development and trading properties to net realisable value	155	1,837
Depreciation: – Operating property	60	60
– Other plant and equipment	956	984
Impairment of trade receivables recognised in direct costs	1,318	46
<b>AUDITORS' REMUNERATION</b>		
Fees payable to the Company's auditors and their associates for the audit of Company and Group financial statements	237	217
Fees payable to the Company's auditors and their associates for other services:		
– The audit of the Company's subsidiaries	366	331
– Fees in respect of conversion to FRS 102	41	108
– Half year review	44	43
– Tax services	14	20
– All other services	42	30
	744	749

### 4 Employees

	2017 £'000	2016 £'000
Employee benefit expense		
Wages and salaries	9,741	10,405
Social security costs	1,668	1,306
Cost of employee share option schemes	1,308	731
Other pension costs – defined contribution plans	808	1,061
	13,525	13,503

	2017 Number	2016 Number
Average monthly number of employees, including Directors		
Property development and investment	83	82
Operating property activities	43	41
	126	123

The Directors are considered to be the only key management personnel. Their remuneration is shown in the Remuneration report on pages 80 to 104.

## Notes to the Consolidated financial statements continued

For the year ended 28 February 2017

### 5 Finance income and costs

	2017	2016
	£'000	£'000
<b>a) Finance income</b>		
Interest receivable on loans and deposits	711	2,147
Fair value gains on financial instruments – interest rate swaps, caps and collars	–	336
<b>Total finance income</b>	<b>711</b>	<b>2,483</b>
<b>b) Finance costs</b>		
	2017	2016
	£'000	£'000
Interest on bank loans and other borrowings	(9,091)	(11,923)
Interest on debenture	–	(1,833)
Amortisation of transaction costs	(1,114)	(1,109)
Provision: unwinding of discount	(14)	(243)
Fair value loss on financial instruments – interest rate swaps, caps and collars	(58)	–
Net foreign currency differences arising on retranslation of cash and cash equivalents	(3,398)	(3,180)
	(13,675)	(18,288)
Capitalised interest on development and trading properties	2,180	2,937
<b>Total finance costs</b>	<b>(11,495)</b>	<b>(15,351)</b>
<b>Net finance costs</b>	<b>(10,784)</b>	<b>(12,868)</b>
<b>Net finance costs before foreign currency differences</b>	<b>(7,386)</b>	<b>(9,688)</b>

Interest was capitalised at an average rate of 6.51%. Capitalised interest of £1,195,000 (2016: £2,858,000) was written off in the year. The tax treatment of capitalised interest follows the accounting treatment.



## 6 Taxation

	2017 £'000	2016 £'000
Current tax	1,939	2,760
Adjustment in respect of prior years	(657)	(7)
Total current tax charge	1,282	2,753
Deferred tax charge/(credit)	11	(300)
<b>Income tax charge</b>	<b>1,293</b>	<b>2,453</b>

	2017 £'000	2016 £'000
Tax on items credited to equity:		
Deferred tax credit on other revaluations	(127)	(28)
<b>Total credit in the income statement</b>	<b>(127)</b>	<b>(28)</b>

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:

	2017 £'000	2016 £'000
<b>(Loss)/profit before tax</b>	<b>(1,710)</b>	<b>25,788</b>
Tax on (loss)/profit on ordinary activities at 20.0% (2016: 20.1%)	(342)	5,180
Tax effects of:		
Amounts not deductible for tax purposes	713	56
Differences between accounting and tax profit on disposal	–	794
Non-taxable capital gains	1,688	(2,500)
Adjustment in respect of prior years	(496)	28
Impact on change in UK tax rate	(415)	1
Income tax at lower rates	(178)	45
Recognition of tax losses	(340)	36
Brought forward losses utilised	663	(1,187)
<b>Total tax charge</b>	<b>1,293</b>	<b>2,453</b>

The UK corporation tax rate decreased on 1 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% (2016: 20.0%).

## 7 Dividends

	2017 £'000	2016 £'000
<b>DECLARED AND PAID DURING THE YEAR</b>		
Equity dividends on Ordinary shares:		
Final dividend for 2016: 3.50 pence per share (2015: 3.50 pence per share)	4,378	4,373
Interim dividend for 2017: 2.40 pence per share (2016: 2.40 pence per share)	3,003	2,999
Supplemental dividend for 2016: 8.00 pence per share	9,997	–
	<b>17,378</b>	<b>7,372</b>
<b>DIVIDEND DECLARED BUT NOT PAID SINCE 28 FEBRUARY 2017</b>		
Supplemental dividend for 2017: 2.80 pence per share (2016: 8.00 pence per share)	3,506	10,006
<b>PROPOSED FOR APPROVAL BY SHAREHOLDERS AT THE ANNUAL GENERAL MEETING</b>		
Final dividend for 2017: 3.50 pence per share (2016: 3.50 pence per share)	4,379	4,373

On 25 April 2017, the Board approved the payment of a supplemental dividend of 2.80 pence per share, which will be paid on 16 June 2017 to Ordinary shareholders on the register at the close of business on 12 May 2017 and will be recognised in the year ending 28 February 2018.

Subject to approval by shareholders, the final dividend was approved by the Board on 25 April 2017 and has not been included as a liability or deducted from retained earnings as at 28 February 2017. The final dividend is payable on 17 August 2017 to Ordinary shareholders on the register at the close of business on 21 July 2017 and will be recognised in the year ending 28 February 2018.

## 8 Earnings per share and net assets per share

*Basic earnings per share* amounts are calculated by dividing profit or loss 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 or loss 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 have chosen to disclose the European Public Real Estate (EPRA) adjusted net assets per share and earnings per share from continuing activities in order to provide an indication of the Group's underlying business performance and to assist comparison between European property companies.

*EPRA earnings* is the profit or loss after taxation excluding investment property revaluations (including valuations of joint venture investment properties), impairment of development and trading properties, exceptional items and mark-to-market movements of derivative financial instruments (including those of joint ventures) and intangible asset movements and their related taxation.

*EPRA net assets* (EPRA NAV) are the Balance Sheet net assets adjusted to reflect the fair value of development and trading assets, excluding mark-to-market adjustment on effective cash flow hedges and related debt adjustments and deferred taxation on revaluations and diluting for the effect of those shares potentially issuable under employee share schemes.

*EPRA NAV per share* is EPRA NAV divided by the number of Ordinary shares in issue at the balance sheet date.

*EPRA triple net assets* (EPRA NNNAV) is EPRA NAV adjusted to reflect the fair value of debt and derivatives and to include deferred taxation on revaluations.

*EPRA NNNAV per share* is EPRA NNNAV divided by the number of Ordinary shares in issue at the balance sheet date.

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

	2017 £'000	2016 £'000
<b>PROFIT</b>		
(Loss)/profit for the purpose of basic and diluted earnings per share	<b>(3,003)</b>	21,828
Revaluation deficit/(surplus) (including share of joint venture revaluation surplus)	<b>6,812</b>	(1,697)
Loss/(gain) on disposal of investment properties	<b>2,273</b>	(440)
Impairment of development and trading properties	<b>155</b>	1,837
Exceptional impairment of operating segment	<b>2,150</b>	–
Mark-to-market adjustment on interest rate swaps (including share of joint venture mark-to-market adjustment)	<b>(23)</b>	(216)
<b>EPRA adjusted profit from continuing activities attributable to owners of the Company</b>	<b>8,364</b>	21,312
	2017 '000	2016 '000
<b>NUMBER OF SHARES</b>		
Weighted average number of Ordinary shares for the purpose of earnings per share	<b>125,072</b>	124,953
Effect of dilutive potential Ordinary shares:		
Share options	<b>1</b>	84
<b>Weighted average number of Ordinary shares for the purpose of diluted earnings per share</b>	<b>125,073</b>	125,037
<b>Basic (loss)/earnings per share (pence)</b>	<b>(2.4)p</b>	17.5p
<b>Diluted (loss)/earnings per share (pence)</b>	<b>(2.4)p</b>	17.5p
<b>EPRA adjusted earnings per share (pence)</b>	<b>6.7p</b>	17.1p
<b>EPRA adjusted diluted earnings per share (pence)</b>	<b>6.7p</b>	17.1p

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.

## Notes to the Consolidated financial statements continued

For the year ended 28 February 2017

### 8 Earnings per share and net assets per share continued

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

	Net assets £'000	No. of shares '000	2017 Net assets per share Pence	Net assets £'000	No. of shares '000	2016 Net assets per share Pence
<b>Basic net assets per share attributable to the owners</b>	<b>347,625</b>	<b>125,227</b>	<b>278</b>	363,325	125,074	291
Fair value of development and trading assets	15,486			–		
Fair value of joint venture assets	(2,416)			–		
Cumulative mark-to-market adjustment on interest rate swaps	126			148		
<b>EPRA adjusted net assets per share</b>	<b>360,821</b>	<b>125,227</b>	<b>288</b>	363,473	125,074	291
Cumulative mark-to-market adjustment on interest rate swaps	(126)			(148)		
Fair value of debt	(14,344)			(14,713)		
<b>EPRA adjusted triple net assets per share</b>	<b>346,351</b>	<b>125,227</b>	<b>277</b>	348,612	125,074	279
Effect of dilutive potential Ordinary shares	475	228		563	303	
<b>Diluted net assets per share</b>	<b>348,100</b>	<b>125,455</b>	<b>277</b>	363,888	125,377	290
<b>EPRA diluted net assets per share</b>	<b>361,296</b>	<b>125,455</b>	<b>288</b>	364,036	125,377	290
<b>EPRA diluted triple net assets per share*</b>	<b>346,826</b>	<b>125,455</b>	<b>276</b>	349,175	125,377	279

\* Refer note 14

### 9 Investment properties

	Freehold £'000	Long leasehold £'000	Total £'000
<b>At valuation 1 March 2015</b>	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
<b>At valuation 29 February 2016</b>	159,285	44,033	203,318
Additions:			
– capital expenditure	2,607	803	3,410
Disposals	(18,023)	–	(18,023)
Deficit on revaluation	(6,996)	(2,510)	(9,506)
<b>At valuation 28 February 2017</b>	<b>136,873</b>	<b>42,326</b>	<b>179,199</b>

Direct costs of £3,449,000 (2016: £2,365,000) 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.

	2017 £'000	2016 £'000
Market value as assessed by the independent valuers or Directors	182,359	207,111
Amount included in prepayments and accrued income in respect of lease incentives	(3,160)	(3,793)
<b>Net book amount of investment properties – non-current assets</b>	<b>179,199</b>	<b>203,318</b>

At 28 February and 31 August each year, the Group engages professionally qualified valuers who hold a recognised professional qualification and who have recent experience in the locations and sectors of the investment portfolio. As at 28 February 2017, completed investment properties have been valued by CBRE Ltd at a value of £164,106,000 (2016: £180,888,000). The current value equates to the highest and best use of the asset.

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

Included within Investment properties are freehold land and buildings representing investment properties under development, amounting to £15,093,000 (2016: £18,830,000), which have been valued by the Directors. These properties comprise buildings and landholdings for current or future development as investment properties. This approach has been taken because the value of these properties is dependent on a detailed knowledge of the planning status, the competitive position of these assets and a range of complex project development appraisals.

Investment properties under development include £8,075,000 (2016: £8,065,000) 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.

£167,205,000 (2016: £192,613,000) of total investment properties are charged as security against the Group's borrowings.

### Valuation methodology

Our valuers are engaged as external valuers, as defined in the current edition of the RICS Valuation Professional 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 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.

**9 Investment properties** continued

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 28 February 2017 or 29 February 2016.

**Analysis of Level 3 Investment properties**

Class of property: Level 3	Market value 28 February 2017 £'000	Valuation technique	Key unobservable inputs	Equivalent yield range 28 February 2017	50 basis point yield contraction £'000	50 basis point yield expansion £'000
Shopping centres	<b>127,960</b>	Income capitalisation	Equivalent yields	5.71% – 9.52%	10,140	(8,760)
Retail/commercial space	<b>31,916</b>	Income capitalisation	Equivalent yields	5.25% – 8.20%	1,893	(1,806)
Office	<b>4,230</b>	Income capitalisation	Equivalent yields	7.50%	380	(335)
Land held for development	<b>6,583</b>	Residual development method	Price per acre/ development margin	£0.45m per acre/ 15.0% – 20.0%	–	–
Buildings held for development	<b>8,510</b>	Residual development method	Estimated profit margin	15.0% – 20.0%	–	–
	<b>179,199</b>					

Further information relating to the Group's investment portfolio is set out in the Portfolio review on pages 22 to 39.

The Group engages external, independent and qualified valuers to determine the fair value of Level 3 assets. The valuers liaise with the Investment Team regularly, 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.

## 10 Operating property – serviced office

	Long leasehold £'000
<b>VALUATION</b>	
<b>At 1 March 2015</b>	1,612
Surplus on revaluation	100
<b>At 29 February 2016 and 28 February 2017</b>	<b>1,712</b>
<b>ACCUMULATED DEPRECIATION</b>	
<b>At 1 March 2015</b>	792
Charge for the year	60
<b>At 29 February 2016</b>	852
Charge for the year	60
<b>At 28 February 2017</b>	<b>912</b>
<b>Net book amount 28 February 2017</b>	<b>800</b>
Net book amount 29 February 2016	860
Net book amount 1 March 2015	820
<b>Original cost of operating property at 28 February 2017 and 29 February 2016</b>	<b>1,583</b>

The operating property is charged as security against the Group's borrowings.

Depreciation expense of £60,000 (2016: £60,000) is included within operating costs.

There is no surplus on revaluation of long leasehold property for the year ended 28 February 2017 (2016: £100,000). If the operating property was measured using the cost model, the carrying value would be £671,000 (2016: £731,000).

The Group's operating property has been valued at market value as at 28 February 2017 by independent professional valuers CBRE Ltd, on the basis of Existing Use Value in accordance with the RICS Valuation Professional Standards 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.

**11 Intangible assets**

	£'000
<b>GOODWILL</b>	
<b>At 1 March 2015</b>	2,059
Adjustment to goodwill in respect of business combination	269
<b>At 29 February 2016 and 28 February 2017</b>	<b>2,328</b>

On 19 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.

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.

**12 Other plant and equipment**

	Fixtures, fittings and computer equipment £'000	Motor vehicles £'000	Total £'000
<b>COST</b>			
<b>At 1 March 2015</b>	10,450	200	10,650
Additions	5,713	11	5,724
Disposals	(326)	(30)	(356)
<b>At 29 February 2016</b>	15,837	181	16,018
Additions	915	3	918
Disposals	(219)	(5)	(224)
Impairment of fixed assets	(8,458)	(71)	(8,529)
<b>At 28 February 2017</b>	<b>8,075</b>	<b>108</b>	<b>8,183</b>
<b>ACCUMULATED DEPRECIATION</b>			
At 1 March 2015	8,102	146	8,248
Charge for the year	970	14	984
Disposals	(204)	(27)	(231)
<b>At 29 February 2016</b>	8,868	133	9,001
Charge for the year	935	21	956
Disposals	(187)	(1)	(188)
Impairment of fixed assets	(7,288)	(68)	(7,356)
<b>At 28 February 2017</b>	<b>2,328</b>	<b>85</b>	<b>2,413</b>
<b>Net book amount 28 February 2017</b>	<b>5,747</b>	<b>23</b>	<b>5,770</b>
Net book amount 29 February 2016	6,969	48	7,017
Net book amount 28 February 2015	2,348	54	2,402

Depreciation expense of £663,000 (2016: £242,000) is included within operating costs and £293,000 (2016: £742,000) is included within direct costs.



### 13 Investments

	Investments in associates £'000	Investments in joint ventures £'000
<b>At 1 March 2015</b>	<b>8,253</b>	<b>40,544</b>
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)
<b>At 29 February 2016</b>	<b>4,309</b>	<b>46,782</b>
Additions	114	19,267
Share of profit/(loss)	4,340	(935)
Share of revaluation surplus	–	2,694
Share of mark-to-market adjustment on interest rate swaps	–	35
Share of results	4,340	1,794
Disposal of joint venture	–	(48)
Capital distributions	(391)	(21,706)
<b>At 28 February 2017</b>	<b>8,372</b>	<b>46,089</b>

A summary of the Group's projects in partnership and the balance sheet classification of its interests are set out in note 26.

#### a) Investment in associates

The Group has the following interest in associates:

	% of holding	Country of incorporation	Principal activity	Reporting segment	Acquisition date	Note
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

The Group disposed of its interest in Atlantic Park (Bideford) Limited in January 2017.

# Notes to the Consolidated financial statements continued

For the year ended 28 February 2017

## 13 Investments continued

### a) Investment in associates continued

	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
2017						
<b>SUMMARISED BALANCE SHEETS:</b>						
<b>Non-current assets</b>	<b>185</b>	<b>440</b>	<b>–</b>	<b>579</b>	<b>–</b>	<b>1,204</b>
Current assets	3,564	768	22,045	8,943	334	35,654
Current liabilities	(302)	–	(42)	(1,718)	(11,270)	(13,332)
Non-current liabilities	–	–	–	(24,257)	–	(24,257)
<b>Net assets/(liabilities)</b>	<b>3,447</b>	<b>1,208</b>	<b>22,003</b>	<b>(16,453)</b>	<b>(10,936)</b>	<b>(731)</b>
Share of net assets/(liabilities)	1,378	302	4,372	(6,910)	(5,140)	(5,998)
Net liabilities not recognised	–	–	–	6,910	5,140	12,050
Goodwill	1,122	1,198	–	–	–	2,320
<b>Group's share of net assets</b>	<b>2,500</b>	<b>1,500</b>	<b>4,372</b>	<b>–</b>	<b>–</b>	<b>8,372</b>
<b>SUMMARISED INCOME STATEMENTS:</b>						
Revenue	1,431	301	21,950	1,081	–	24,763
Post-tax profits/(losses) of associates	379	(33)	21,606	(783)	(5)	(21,164)
Share of profits/(losses)	151	(8)	4,340	(329)	(2)	4,152
Share of (profits)/losses not recognised	(151)	8	–	329	2	188
Share of profits recognised	–	–	4,340	–	–	4,340
Dividends received from associates	–	–	–	–	–	–

Any contingent liabilities in relation to our associate investment partners are disclosed in note 23.

	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
2016							
<b>SUMMARISED BALANCE SHEETS:</b>							
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)
<b>Net (liabilities)/assets</b>	<b>(435)</b>	<b>3,160</b>	<b>1,242</b>	<b>270</b>	<b>(15,207)</b>	<b>(10,936)</b>	<b>(21,906)</b>
Share of net (liabilities)/assets	(174)	1,264	311	33	(6,387)	(4,863)	(9,816)
Net liabilities not recognised	–	–	–	–	6,387	4,863	11,250
Goodwill	450	1,236	1,189	–	–	–	2,875
<b>Group's share of net assets</b>	<b>276</b>	<b>2,500</b>	<b>1,500</b>	<b>33</b>	<b>–</b>	<b>–</b>	<b>4,309</b>
<b>SUMMARISED INCOME STATEMENTS:</b>							
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

**b) Investment in joint ventures**

As at 28 February 2017, 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	31 August
Becket House Unit Trust	15	Jersey	Investment property	Investment	March 2014	31 December
Curzon Park Limited	50	United Kingdom	Property development	Development and trading	November 2006	28 February
Development Equity Partners Limited	50	Jersey	Property development	Development and trading	December 2011	28 February
DSP Piano Investments BV	34	Netherlands	Investment property	Investment	July 2015	31 December
DSP Tirol Limited	50	United Kingdom	Investment property	Investment	January 2015	28 February
DS Renewables LLP*	50	United Kingdom	Property development	Development and trading	May 2012	28 February
Harwell Oxford Developments Limited	50	United Kingdom	Property development	Development and trading	December 2013	28 February
Kensington & Edinburgh Estates (South Woodham Ferrers) Limited	50	United Kingdom	Property development	Development and trading	July 2013	28 February
Luxembourg Investment Company 112 Sarl	50	Luxembourg	Property development	Development and trading	November 2016	31 December
Manchester Arena Complex LP	30	United Kingdom	Investment property	Investment	June 2010	28 February
Notting Hill (Guernsey Holdco) Limited	24	Guernsey	Investment property	Development and trading	June 2011	31 December
Opportunities for Sittingbourne Limited	50	United Kingdom	Property development	Development and trading	January 2015	28 February
OSB (Holdco 1) Limited	50	United Kingdom	Property development	Development and trading	February 2014	28 February
UAI(G) Limited	50	United Kingdom	Property development	Development and trading	June 2016	28 February
UAIP(Drum) BV	20	Netherlands	Investment property	Investment	August 2016	28 February
UAIH Yorkshire Limited	50	United Kingdom	Property development	Development and trading	April 2016	28 February
Winnebago Holdings Sarl	35	Luxembourg	Investment property	Investment	April 2012	31 December

\* The company is dormant and therefore no balance sheet or income statement is presented

In April 2016, the Group acquired 50% of the share capital in UAIH Yorkshire Limited with its partner, R Horton, holding the remaining 50%. The Company is registered and incorporated in the United Kingdom.

In June 2016, the Group acquired a 50% share of the share capital in UAI(G) Limited with its partner Galliard Homes Limited. The Company is registered and incorporated in the United Kingdom.

**13 Investments** continued**b) Investment in joint ventures** continued

In August 2016, the Group acquired a 20% share of the share capital in UAIP (Drum) BV with its partner PSSF Drum BV. The Company is registered and incorporated in the Netherlands.

In November 2016, the Group acquired a 50% share of the share capital in Luxembourg Investment Company 112 Sarl with its partner ColVinyl Holdings Sarl. The Company is registered and incorporated in Luxembourg.

In October 2016, the Group disposed of its interest in DSCP Property Holdings Limited.

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:

2017	Curzon Park Limited £'000	DSCP Property Holdings Limited £'000	DSP Piano Investments BV £'000	DSP Tirol Limited £'000	Harwell Oxford Developments Limited £'000
<b>SUMMARISED BALANCE SHEETS:</b>					
Non-current assets	–	–	29,690	16,847	–
Current assets	35,556	–	1,499	4,394	52,603
Current liabilities	(54)	–	(524)	(6,694)	(3,469)
Non-current liabilities	(10,505)	–	(10,882)	(10,580)	(12,538)
<b>Net assets</b>	<b>24,997</b>		<b>19,783</b>	<b>3,967</b>	<b>36,596</b>
Net assets not recognised	(24,997)	–	–	–	–
<b>Share of net assets recognised</b>	<b>–</b>	<b>–</b>	<b>6,772</b>	<b>4,535</b>	<b>12,881</b>
<b>SUMMARISED INCOME STATEMENTS:</b>					
Revenue	304	518	859	8,408	1,903
Direct costs	(290)	(138)	(514)	(7,092)	(1,248)
Interest costs	–	(245)	(400)	(890)	(420)
Gain on revaluation/sale	–	–	2,351	–	7,578
<b>Profit/(loss) before and after tax</b>	<b>14</b>	<b>135</b>	<b>2,296</b>	<b>426</b>	<b>7,813</b>
<b>Share of profit/(loss) before and after tax</b>	<b>7</b>	<b>75</b>	<b>781</b>	<b>(62)</b>	<b>2,479</b>

Within the current net asset balance of Luxembourg Investment Company 112 Sarl there is a cash balance of £5,926,000.

Qualifying development assets, held via joint ventures, were fair valued at 28 February 2017. 19.6% of assets qualified under EPRA guidelines. The Group's share of the valuation, after tax, was a deficit of £2,416,000.



Kensington & Edinburgh Estates (South Woodham Ferrers) Limited £'000	Luxembourg Investment Company 112 Sarl £'000	Notting Hill (Guernsey Holdco) Limited £'000	OSB (Holdco 1) Limited £'000	UAI(G) Limited £'000	UAIP(Drum) BV £'000	UAIH Yorkshire Limited £'000	Winnebago Holdings Sarl £'000	Other joint ventures £'000	Total £'000
-	-	-	-	-	10,867	-	-	-	57,404
1,865	57,204	61,298	34,369	282	406	5,001	369	1,143	255,989
(8)	(17,418)	(4,584)	(465)	-	(79)	(25)	(354)	(134)	(33,808)
-	(16,746)	(25,905)	(36,959)	-	(5,383)	(4,817)	-	-	(134,315)
1,857	23,040	30,809	(3,055)	282	5,811	159	15	1,009	145,270
-	-	-	3,055	-	-	-	-	-	(21,942)
929	11,520	7,486	-	141	1,201	15	43	566	46,089
-	-	1,420	1,299	-	264	172	-	6	15,153
-	(1,044)	(615)	(711)	-	(321)	(41)	(334)	(187)	(12,535)
-	(249)	(1,848)	(3,570)	-	(52)	(473)	-	-	(8,147)
-	-	-	-	-	-	-	-	562	10,491
-	(1,293)	(1,043)	(2,982)	-	(109)	(342)	(334)	381	4,962
-	(488)	(252)	(1,399)	-	(31)	(171)	568	287	1,794

## Notes to the Consolidated financial statements continued

For the year ended 28 February 2017

### 13 Investments continued

#### b) Investment in joint ventures continued

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
<b>SUMMARISED BALANCE SHEETS:</b>						
Non-current assets	–	–	–	–	–	16,265
Current assets	10,486	112,078	35,403	552	10,669	1,765
Current liabilities	(434)	(55,761)	(10)	–	(77)	(374)
Non-current liabilities	(4,846)	–	(10,505)	–	(6,407)	(6,541)
<b>Net assets</b>	<b>5,206</b>	<b>56,317</b>	<b>24,888</b>	<b>552</b>	<b>4,185</b>	<b>11,115</b>
Net assets not recognised	–	–	(24,888)	–	–	–
<b>Share of net assets recognised</b>	<b>2,603</b>	<b>9,093</b>	<b>–</b>	<b>276</b>	<b>2091</b>	<b>3,779</b>
<b>SUMMARISED INCOME STATEMENTS:</b>						
Revenue	10,657	4,985	251	–	760	271
Direct costs	(8,767)	(737)	(219)	–	(348)	(315)
Interest costs	(156)	(3,506)	(26)	–	(364)	(85)
Gain on revaluation	–	18,292	–	–	–	–
<b>Profit/(loss) before and after tax</b>	<b>1,734</b>	<b>19,034</b>	<b>6</b>	<b>–</b>	<b>48</b>	<b>(129)</b>
<b>Share of profit/(loss) before and after tax</b>	<b>837</b>	<b>3,336</b>	<b>3</b>	<b>–</b>	<b>108</b>	<b>(44)</b>

Any contingent liabilities in relation to our joint ventures are disclosed in note 23.

#### c) Principal subsidiaries

The Group's principal subsidiaries at 28 February 2017 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
DS Jersey (No.1) Limited	100	Jersey	Investment holding company

A full list of subsidiaries is disclosed in note 41.

The total non-controlling interest for the year is £nil (2016: £nil).

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
18,325	–	–	13	–	–	–	4,541	39,144
4,620	24,628	1,014	293	60,050	474	35,312	8,786	306,130
(2,030)	(4,597)	(8)	(73)	(4,083)	(118)	(1,052)	(1,860)	(70,477)
(14,514)	(9,820)	–	–	(25,979)	–	(31,462)	–	(110,074)
6,401	10,211	1,006	233	29,988	356	2,798	11,467	164,723
–	–	–	–	–	–	–	–	(24,888)
5,121	7,915	503	175	7,197	178	1,399	6,452	46,782
9,209	1,545	–	–	1,471	–	1,366	900	31,415
(7,911)	(990)	–	–	(525)	–	(998)	(549)	(21,359)
(1,200)	(477)	(23)	–	(1,950)	–	(3,258)	(431)	(11,476)
–	–	–	–	–	–	–	16,324	34,616
98	78	(23)	–	(1,004)	–	(2,890)	16,244	33,196
78	585	12	–	(241)	–	(1,445)	3,898	7,127

## 14 Inventory

	Development properties £'000	Trading properties £'000	Total £'000
<b>DEVELOPMENT AND TRADING PROPERTIES</b>			
<b>At 1 March 2015</b>	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)
<b>At 29 February 2016</b>	147,927	51,852	199,779
Additions:			
– acquisitions	6,448	11,316	17,764
– development expenditure	65,346	1,318	66,664
Disposals	(54,884)	(23,619)	(78,503)
Foreign currency differences	906	1,887	2,793
Net write down of development properties to net realisable value	(155)	–	(155)
<b>At 28 February 2017</b>	<b>165,588</b>	<b>42,754</b>	<b>208,342</b>

Included in the above amounts are projects stated at net realisable value of £5,486,000 (2016: £7,583,000).

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 £2,180,000 (2016: £2,937,000) was capitalised on development and trading properties during the year. Capitalised interest included within the carrying value of such properties on the Balance Sheet is £3,614,000 (2016: £2,629,000).

This year, the Group engaged CBRE Ltd to provide valuations in respect of its development and trading assets. A large proportion of the Group's development and trading portfolio falls outside of the criteria for a reliable fair value exercise. For example, the Group often has conditional land options in place to purchase land at a future date rather than ownership whilst planning is progressed at the Group's expense.

Under the EPRA guidelines only a percentage of assets qualify as shown below:

	% of portfolio valued	Book value £'000	EPRA value £'000	Uplift* £'000
Trading assets	42.3	18,098	20,569	1,977
Development assets	43.0	71,202	87,195	12,794
	<b>42.9</b>	<b>89,300</b>	<b>107,764</b>	<b>14,771</b>

\* Uplift shown net of tax

Further information in respect of EPRA can be found on pages 46 and 47 of the Finance review.



**15 Trade and other receivables**

	2017 £'000	2016 £'000
<b>a) Non-current</b>		
Prepayments and accrued income	<b>2,858</b>	3,403
	2017 £'000	2016 £'000
<b>b) Current</b>		
Trade receivables	<b>7,278</b>	4,784
Other receivables	<b>34,996</b>	76,172
Other tax and social security	<b>1,738</b>	1,748
Prepayments and accrued income	<b>4,708</b>	3,716
	<b>48,720</b>	86,420

The Group has provided £1,318,000 (2016: £46,000) 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 25.

**16 Trade and other payables**

	2017 £'000	2016 £'000
<b>a) Non-current</b>		
Trade payables	<b>14,395</b>	7,134
	2017 £'000	2016 £'000
<b>b) Current</b>		
Trade payables	<b>7,088</b>	4,075
Other payables	<b>10,889</b>	11,539
Other tax and social security	<b>3,604</b>	1,691
Accruals and deferred income	<b>31,788</b>	37,805
	<b>53,369</b>	55,110

	Onerous leases £'000	Other provisions £'000	Total £'000
<b>c) Provisions</b>			
<b>At 1 March 2016</b>	1,731	14	1,745
Credited to the income statement	–	(5)	(5)
Charged to the income statement	–	2,247	2,247
Utilised during the year	(49)	–	(49)
Provisions released	(1,270)	–	(1,270)
Unwind of discount	14	–	14
<b>At 28 February 2017</b>	<b>426</b>	<b>2,256</b>	<b>2,682</b>

	2017 £'000	2016 £'000
Analysis of total provisions		
Non-current	<b>1,288</b>	1,731
Current	<b>1,394</b>	14
	<b>2,682</b>	1,745

**16 Trade and other payables** continued

A total provision of £2,247,000 has been made in respect of the Group's serviced office business. £1,692,000 has been provided for the closure of two centres and a further provision of £555,000 for the obligations at the remaining centres. In 2016, £1,270,000 was provided to cover the onerous liability associated with leases at three of our serviced office centres. This provision has now been released following a review of the business.

Two provisions of £183,000 (2016: £204,000) and £243,000 (2016: £257,000) relate to onerous lease obligations entered into in 2009 and 1974 respectively.

**17 Financial assets and financial liabilities**

The following table is a summary of the financial assets and financial liabilities included in the Consolidated Balance Sheet:

	2017 £'000	2016 £'000
<b>NON-CURRENT ASSETS</b>		
Available-for-sale financial assets	19,859	28,544
Loan notes at amortised cost less impairment	–	8,813
Derivative financial instruments not used for hedging at fair value through profit or loss	257	315
	<b>20,116</b>	<b>37,672</b>
<b>CURRENT ASSETS</b>		
Loan notes at amortised cost less impairment	8,813	–
Loans and receivables	9,711	1,700
Trade and other receivables at amortised cost less impairment	44,850	82,481
Monies held in restricted accounts and deposits	27,486	8,096
Cash and cash equivalents	23,785	43,752
	<b>114,645</b>	<b>136,029</b>
<b>Total financial assets</b>	<b>134,761</b>	<b>173,701</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables at amortised cost	(46,693)	(50,059)
Borrowings at amortised cost	(4,508)	(65,471)
	<b>(51,201)</b>	<b>(115,530)</b>
<b>NON-CURRENT LIABILITIES</b>		
Trade and other payables at amortised cost	(14,395)	(7,134)
Borrowings at amortised cost	(167,617)	(147,818)
	<b>(182,012)</b>	<b>(154,952)</b>
<b>Total financial liabilities</b>	<b>(233,213)</b>	<b>(270,482)</b>
<b>a) Other financial assets</b>		
<b>NON-CURRENT</b>		
Available-for-sale financial assets – development loans	19,859	28,544
Loan notes at amortised cost less impairment	–	8,813
	<b>19,859</b>	<b>37,357</b>

The Group provided a loan of £10,505,000 (2016: £10,505,000) 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 £8,727,000 (2016: £9,214,000), in respect of projects in partnership. The loans attract fixed coupon rates of 6.0% and 8.5%. Funding of £627,000 (2016: £553,000) has been provided to Henry Davidson Developments Limited in respect of two projects. Interest of 12.5% is charged in respect of this funding.

	2017 £'000	2016 £'000
<b>CURRENT</b>		
Loan notes at amortised cost less impairment	<b>8,813</b>	–
Loans and receivables – Northpoint Developments Limited	<b>8,211</b>	200
Loans and receivables – Property Alliance Group	<b>1,500</b>	1,500
	<b>18,524</b>	1,700

The Group holds loan notes with a carrying value of £8,813,000 (2016: £8,813,000), issued by Northpoint Developments Limited, with a fixed term of ten years and a fixed coupon rate of 4.25%. These loan notes are repayable in November 2017 and have therefore been reclassified as current financial assets. The loan notes are currently being restructured. As at 28 February 2017, the Group has made a provision of £973,000 (2016: £582,000) against interest receivable in respect of these loan notes.

Development loans include a number of working capital and project-specific loans of £8,211,000 (2016: £200,000) to Northpoint Developments Limited. The loans attract fixed coupon rates of between 5.0% and 13.0%. Included in the above amount are two interest-free loans of £408,000 (2016: £200,000). Loans totalling £8,011,000 are repayable in November 2017 and have therefore been reclassified as due within one year. As at 28 February 2017, the Group has made a provision of £1,223,000 (2016: £820,000) against interest receivable in respect of these loans.

The Group has provided a short-term, non-interest bearing loan of £1,500,000 to Property Alliance Group as a contribution to a prospective future project; this amount is repayable on demand.

<b>b) Borrowings</b>	2017 £'000	2016 £'000
<b>CURRENT</b>		
Bank overdrafts	–	–
Current instalments due on bank loans	<b>2,630</b>	5,544
Current loans maturing	<b>2,579</b>	60,939
Unamortised transaction costs	<b>(701)</b>	(1,012)
	<b>4,508</b>	65,471
<b>NON-CURRENT</b>		
Bank loans and loan notes	<b>168,940</b>	149,583
Unamortised transaction costs	<b>(1,323)</b>	(1,765)
	<b>167,617</b>	147,818

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

# Notes to the Consolidated financial statements continued

For the year ended 28 February 2017

## 17 Financial assets and financial liabilities continued

### b) Borrowings continued

	2017 £'000	2016 £'000
<b>BORROWINGS</b>		
£38,000,000 variable rate loan 2016	–	28,307
£25,100,000 variable rate loan 2016	–	20,879
€5,430,000 variable rate loan 2016	–	4,134
€20,000,000 variable rate loan 2017	<b>2,562</b>	7,602
£12,276,000 variable rate loan 2018	<b>12,276</b>	11,398
£6,296,000 variable rate loan 2018	–	6,296
£4,539,000 variable rate loan 2018	<b>1,310</b>	–
£2,751,000 variable rate loan 2018	<b>153</b>	–
€24,307,000 variable rate loan 2018	<b>3,075</b>	11,025
£30,750,000 fixed rate loan 2018	<b>4,053</b>	5,149
£28,000,000 variable rate loan 2018	<b>28,000</b>	–
£12,000,000 variable rate loan 2019	<b>11,839</b>	11,389
£2,795,000 variable rate loan 2020	<b>2,312</b>	2,588
€47,000,000 variable rate loan notes 2021	<b>40,133</b>	36,644
£57,565,000 fixed rate loan 2025	<b>49,135</b>	50,711
£22,470,000 fixed rate loan 2025	<b>19,284</b>	19,927
£16,500 variable rate loan notes 1999	<b>17</b>	17
	<b>174,149</b>	216,066
Less: current instalments due on bank loans	<b>(2,631)</b>	(5,544)
Current loans maturing	<b>(2,578)</b>	(60,939)
	<b>168,940</b>	149,583

#### £38,000,000 variable rate loan

This loan was repaid on 16 December 2016.

#### £25,100,000 variable rate loan

The loan was repaid on 16 March 2016.

#### €5,430,000 variable rate loan

The loan was repaid on 11 July 2016.

#### €20,000,000 variable rate loan

This secured loan is repayable was one instalment on 20 April 2017. €6,750,000 was repaid on 18 November 2016. The current balance outstanding on the facility is £2,562,000. This facility has been extended to 20 August 2017 since the year end.

#### £12,276,000 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 31 March 2018. The current balance outstanding on the facility is £12,276,000, including £2,776,000 of rolled up interest.

#### £6,296,000 variable rate loan

The loan was repaid on 17 March 2016.

*£4,539,000 variable rate loan*

This secured loan is repayable on the earlier of individual units being disposed of or 14 June 2018. The current balance outstanding on the facility is £1,310,000.

*£2,751,000 variable rate loan*

This secured loan is repayable on the earlier of individual units being disposed of or 19 July 2018. The current balance outstanding on the facility is £153,000.

*€24,307,000 variable rate loan*

This secured loan is repayable on the earlier of individual units being disposed of or 1 August 2018. The current Sterling balance outstanding on the facility is £3,075,000 at the balance sheet date.

*£30,750,000 fixed rate loan*

This secured loan is repayable in one instalment on 25 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 £4,053,000.

*£28,000,000 variable rate loan*

This secured investment facility is repayable in one instalment on 16 December 2018.

*£12,000,000 variable rate loan*

This secured loan is repayable in one instalment on 5 January 2019. The current balance outstanding on the facility is £11,839,000.

*£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 22 May 2020. The current balance outstanding on the facility is £2,312,000.

*€47,000,000 variable EURIBOR loan notes*

These unsecured, Euro-denominated loan notes are repayable on 24 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 12 March 2025. The current balance outstanding on the facility is £49,135,000.

*£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 12 March 2025. The current balance outstanding on the facility is £19,284,000.

*£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 40 to 47.



**17 Financial assets and financial liabilities** continued**c) Derivative financial instruments**

	2017	2016
	£'000	£'000
<b>Assets</b>		
Derivative financial instruments at fair value through profit or loss:		
Interest rate swaps, caps and collars	36	57
Foreign exchange contracts	221	525
Derivative financial assets	257	582
	2017	2016
	£'000	£'000
<b>Liabilities</b>		
Derivative financial instruments at fair value through profit or loss:		
Interest rate swaps, caps and collars	–	(267)
<b>Derivative financial liabilities</b>	–	(267)
<b>Net derivative financial assets</b>	<b>257</b>	<b>315</b>

At 28 February 2017, 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 £51,972,000 (2016: £64,951,000). The fair value of the derivatives amounting to £36,000 are recorded as financial assets at 28 February 2017 (2016: £57,000 asset and £267,000 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:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2017 Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	2016 Total £'000
<b>ASSETS</b>								
Available-for-sale financial assets	–	–	27,870	27,870	–	–	28,544	28,544
Derivative financial instruments:								
Derivative financial instruments at fair value through profit or loss	–	36	–	36	–	57	–	57
Foreign exchange contracts through profit or loss	–	221	–	221	–	525	–	525
<b>Total assets</b>	<b>–</b>	<b>257</b>	<b>27,870</b>	<b>28,127</b>	<b>–</b>	<b>582</b>	<b>28,544</b>	<b>29,126</b>
<b>LIABILITIES</b>								
Derivative financial instruments:								
Derivative financial instruments at fair value through profit or loss	–	–	–	–	–	(267)	–	(267)
<b>Total liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(267)</b>	<b>–</b>	<b>(267)</b>

#### 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 40 to 47 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:

	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
<b>2017</b>							
Fixed rate borrowings	–	4,053	–	–	–	68,419	72,472
Variable rate borrowings	2,579	44,814	–	2,312	–	–	49,705
Variable rate borrowings with interest rate caps or swaps	–	11,839	–	–	40,133	–	51,972
	<b>2,579</b>	<b>60,706</b>	<b>–</b>	<b>2,312</b>	<b>40,133</b>	<b>68,419</b>	<b>174,149</b>

## Notes to the Consolidated financial statements continued

For the year ended 28 February 2017

### 17 Financial assets and financial liabilities continued

#### d) Financial risk management continued

	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
2016							
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

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. 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 28 February 2017, the Group was exposed to foreign currency risk from €47,000,000 (2016: €47,000,000) loan notes denominated in Euros and two Euro-denominated loan facilities of €24,307,000 and €20,000,000 (2016: three facilities totalling €49,737,000). The Sterling amount drawn against the Euro-denominated loans as at 28 February 2017 was £5,637,000 (2016: £22,761,000).

During the year to 28 February 2017, the movement of Sterling against the Euro was approximately 20.0%. Management consider this movement to be exceptional following the EU referendum. Management have therefore increased the Euro sensitivity, from 8.0% to 10.0%, to be a prudent measure of sensitivity on this basis. Sensitivity for the year ended 29 February 2016 has been restated on the same 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
<b>2017</b>		
Sterling against Euro	<b>+10%</b>	<b>4,160</b>
	<b>-10%</b>	<b>(5,086)</b>
<b>2016</b>		
Sterling against Euro	+10%	5,402
	-10%	(6,603)

## 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 28 February 2017, 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
<b>2017</b>		
Sterling borrowings	<b>+50</b>	<b>(382)</b>
	<b>-50</b>	<b>382</b>
<b>2016</b>		
Sterling borrowings	+50	(404)
	-50	404

## Price risk

The Group is not exposed to commodity or security price risk.

## Liquidity risk

The table below summarises the maturity profile of the Group's financial liabilities at 28 February 2017 and 29 February 2016 on a contractual undiscounted payments basis:

	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
<b>2017</b>						
<b>MATURITY PROFILE OF FINANCIAL LIABILITIES</b>						
Interest-bearing loans and borrowings	17	4,553	5,792	89,891	125,935	226,188
Trade and other payables	–	35,804	10,889	14,395	–	61,088
	17	40,357	16,681	104,286	125,935	287,276

## Notes to the Consolidated financial statements continued

For the year ended 28 February 2017

### 17 Financial assets and financial liabilities continued

#### d) Financial risk management continued

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
<b>MATURITY PROFILE OF FINANCIAL LIABILITIES</b>						
Interest-bearing loans and borrowings	17	10,203	60,042	73,794	125,179	269,235
Trade and other payables	–	38,520	11,539	7,134	–	57,193
	17	48,723	71,581	80,928	125,179	326,428

#### Market risk

A summary of market risk and its effect on the Group is set out in the Risk review on page 19 and further discussed in the market review on pages 10 to 13 and in the Portfolio review on pages 22 to 39.

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 28 February 2017 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 for 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 28 February 2017, 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 28 February 2017 and 29 February 2016 is analysed below:

	Book value 2017 £'000	Fair value 2017 £'000	Book value 2016 £'000	Fair value 2016 £'000
Fixed rate term loan due 2025	49,135	60,055	50,711	62,025
Fixed rate term loan due 2025	19,284	22,709	19,927	23,326
<b>Total fixed rate financial liabilities</b>	<b>68,419</b>	<b>82,764</b>	70,638	85,351

The fair value difference of £14,345,000 at 28 February 2017 (2016: £14,713,000) represents approximately 21.0% of gross, fixed rate borrowings (2016: 20.8%). The effect on net assets per share after tax of this adjustment would be a decrease of 9.2 pence after tax (2016: 9.4 pence decrease).



## 18 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 1 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% (2016: 20.0%).

	2017 £'000	2016 £'000
Charge/(credit) for the year in the income statement (refer note 6)	11	(300)
Credited directly to equity	(127)	(28)
	(116)	(328)

	Decelerated capital allowances £'000	Provisions £'000	Profit on disposal £'000	Tax losses £'000	Net fair value adjustments £'000	Total £'000
<b>DEFERRED INCOME TAX (ASSETS)/ LIABILITIES RECOGNISED:</b>						
<b>At 1 March 2015</b>	(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)
<b>At 29 February 2016</b>	(47)	(500)	–	(683)	3,555	2,325
(Credited)/charged to the income statement	(13)	25	545	(141)	(405)	11
Credited directly to equity	–	–	–	–	(127)	(127)
<b>At 28 February 2017</b>	(60)	(475)	545	(824)	3,023	2,209

	2017 £'000
Deferred income tax assets	1,359
Deferred income tax liabilities	(3,568)
<b>NET DEFERRED INCOME TAX LIABILITIES</b>	<b>(2,209)</b>

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 £4,909,000 (2016: £5,928,000) in respect of losses amounting to £24,549,000 (2016: £29,642,000) 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.

**19 Share capital**

	2017 £'000	2016 £'000
<b>Issued, called up and fully paid</b>		
125,226,740 Ordinary shares of 50 pence (2016: 125,074,280 Ordinary shares of 50 pence)	<b>62,613</b>	62,537
		Number of shares
<b>Shares in issue at the date of this report</b>		<b>125,226,740</b>

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 (SAYE). The number of treasury shares held as at 28 February 2017 is 118,792 shares.

**Share option schemes**

As at 28 February 2017, 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 80 to 104.

SAYE option plan 2005:

Date of grant	28.02.17 Number	26.04.17 Number	Exercise dates	Price
22 December 2014	228,172	228,172	1 February 2018 to 31 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:

	Number	2017 Weighted average exercise price Pence	Number	2016 Weighted average exercise price Pence
<b>At 1 March 2016/2015</b>	<b>303,197</b>	<b>179.2</b>	336,193	174.2
Options granted	–	–	–	–
Options exercised	–	–	(17,277)	156.6
Options lapsed	–	–	(710)	152.0
Options cancelled	(75,025)	179.2	(15,009)	179.2
<b>At 28 February 2017/29 February 2016</b>	<b>228,172</b>	<b>179.2</b>	303,197	179.2

The options outstanding at 28 February 2017 are exercisable at 179.2 pence per share and have a weighted average remaining contractual life of 1.4 years (2016: 2.4 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 1 March 2016 and replaced the PSP. The terms of these plans are set out in the Remuneration report on pages 80 to 104.

The first award made under the LTIP was on 5 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 a three-year period 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.

The final award made under the PSP has now lapsed.

The principal assumptions for calculating the fair value of the Ordinary shares conditionally awarded are:

	LTIP 2017	LTIP 2016
Ordinary shares conditionally awarded (no. of shares)	<b>2,319,839</b>	1,481,203
Date of award	<b>9 June 2016</b>	5 June 2015
Share price (pence)	<b>191.1</b>	273.4
Percentage probability applied for fair value	<b>46.1%</b>	46.1%
Vesting period (months)	<b>33</b>	33

The expense recognised for equity-settled share-based payments in respect of employee services received during the year is £1,308,000 charge (2016: £731,000 charge).

The charge recognised for cash-settled share-based payments during the year is £nil (2016: £nil).

## Notes to the Consolidated financial statements continued

For the year ended 28 February 2017

### 20 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
<b>At 1 March 2015</b>	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	–	–	–	–	–
<b>At 29 February 2016</b>	62,537	104,113	751	731	1,631	44,188	4,725	(165)
Employee share option scheme	76	212	–	–	–	–	–	–
Share-based payments	–	–	–	1,308	–	–	–	–
Revaluation of operating property realised on sale	–	–	(1,073)	–	–	–	–	–
Fair value adjustment realised	–	–	(630)	–	–	–	–	–
Deferred income tax charged directly to equity	–	–	127	–	–	–	–	–
Currency translation differences – Group	–	–	2,958	–	–	–	–	–
<b>At 28 February 2017</b>	<b>62,613</b>	<b>104,325</b>	<b>2,133</b>	<b>2,039</b>	<b>1,631</b>	<b>44,188</b>	<b>4,725</b>	<b>(165)</b>

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
<b>At 1 March 2015</b>	130,358
Profit for the year	21,828
Final dividend 2015	(4,373)
Interim dividend 2016	(2,999)
<b>At 29 February 2016</b>	144,814
Loss for the year	(3,003)
Revaluation of operating property realised on sale	1,073
Fair value adjustment realised	630
Final dividend 2016	(4,378)
Supplemental dividend 2016	(9,997)
Interim dividend 2017	(3,003)
<b>At 28 February 2017</b>	<b>126,136</b>

## 21 Note to the cash flow statement

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

	2017 £'000	2016 £'000
<b>(Loss)/profit before income tax</b>	<b>(1,710)</b>	25,788
Adjustments for:		
Loss/(gain) on disposal of investment properties	<b>2,273</b>	(440)
Loss/(gain) on revaluation of property portfolio	<b>9,506</b>	(229)
Other income	<b>(1,320)</b>	(673)
Share of post-tax profits of joint ventures and associates	<b>(6,134)</b>	(7,127)
Profit from sale of investment	<b>(567)</b>	(2,174)
Loss on sale of other plant and equipment	<b>25</b>	87
Exceptional impairment of operating segment	<b>2,150</b>	–
Finance income	<b>(711)</b>	(2,483)
Finance cost	<b>11,495</b>	15,351
Depreciation of property, plant and equipment	<b>1,016</b>	1,044
<b>Operating cash flows before movements in working capital</b>	<b>16,023</b>	29,144
(Increase)/decrease in development and trading properties	<b>(3,590)</b>	32,096
Decrease/(increase) in receivables	<b>36,991</b>	(41,061)
Increase/(decrease) in payables	<b>7,490</b>	(11,021)
Decrease in provisions	<b>(55)</b>	(1,163)
<b>Cash flows generated from operating activities</b>	<b>56,859</b>	7,995



**22 Financial commitments and operating lease arrangements****Capital commitments**

At 28 February 2017, the Group had no contracted capital expenditure (2016: £955,000). The Group has no commitments for loans to its associates (2016: £nil).

**Operating lease arrangements**

Operating lease arrangements in respect of land and buildings where the Group is lessee:

	2017 £'000	2016 £'000
Minimum lease payments under operating leases recognised for the year	<b>4,466</b>	4,664

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:

	2017 £'000	2016 £'000
Within one year	<b>4,363</b>	4,020
In the second to fifth years inclusive	<b>14,451</b>	14,926
After five years	<b>7,778</b>	12,529
	<b>26,592</b>	31,475

Operating lease payments represent rentals payable by the Group for certain of its leasehold properties. Leases were negotiated for an average term of 12.8 years (2016: 13.5 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:

	2017 £'000	2016 £'000
Within one year	<b>15,140</b>	21,374
In the second to fifth years inclusive	<b>47,846</b>	68,945
After five years	<b>88,446</b>	77,989
	<b>151,432</b>	168,308

Property investment income earned during the year was £12,934,000 (2016: £14,397,000).

## 23 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 28 February 2017, such guarantees amounted to £6,917,000 (2016: £6,917,000).

The Group has provided guarantees for rent liabilities in respect of properties previously occupied by Group companies. In the event that the current tenants ceased to pay rent, the Group would be liable to cover any shortfall until the building could be re-let. The Group has made provision against crystallised liabilities in this regard. In respect of potential liabilities where no provision has been made, the annual rent-roll of the buildings benefiting from such guarantees is £7,000 (2016: £165,000) with an average unexpired lease period of 70 years (2016: 3.7 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.

## 24 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 4.

## 25 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 28 February 2017 and 29 February 2016 with related parties are set out below. Only Directors are considered to be key management personnel.

Richard Upton owed a total of £57,000 to the Group in respect of activities at St Thomas' Church, the office previously occupied by Cathedral Group. This amount will be settled in due course.

There were no further transactions with Directors other than remuneration set out in the Remuneration report on pages 80 to 104.

	Finance income from related parties £'000	Amounts owed by related parties (before provision) £'000
<b>JOINT VENTURES</b>		
<b>2017</b>	<b>1,319</b>	<b>43,202</b>
2016	671	34,620
<b>ASSOCIATES</b>		
<b>2017</b>	<b>–</b>	<b>20,065</b>
2016	40	20,325

## Notes to the Consolidated financial statements continued

For the year ended 28 February 2017

### 26 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	2017 £'000	2016 £'000
Atlantic Park (Bideford) Limited	Strategic land investment	Investment in associates	–	276
Barwood Development Securities Limited	Strategic land investment	Investment in associates	<b>2,500</b>	2,500
Barwood Land and Estates Limited	Strategic land investment	Investment in associates	<b>1,500</b>	1,500
CDSR Burlington House Developments Limited	Property development	Investment in associates	<b>4,372</b>	33
Wessex Property Fund	Property investment	Investment in associates	–	–
Wessex Investors	Property development	Development properties	–	–
Cathedral (Movement, Greenwich) LLP	Property development	Financial assets	<b>127</b>	441
Northpoint Developments Limited	Property development	Financial assets	<b>17,024</b>	17,285
Curzon Park Limited	Property development	Investment in joint ventures	–	–
Curzon Park Limited	Property development	Financial assets	<b>10,505</b>	10,505
Deeley Freed Limited	Property development	Financial assets	<b>8,600</b>	8,773
Henry Davidson Developments Limited	Property development	Financial assets	<b>627</b>	553
Property Alliance Group	Property development	Financial assets	<b>1,500</b>	1,500
Accrue Student Housing GP Limited	Student accommodation	Investment in joint ventures	–	2,603
Becket House Unit Trust	Investment property	Investment in joint ventures	–	9,093
Development Equity Partners Limited	Property development	Investment in joint ventures	<b>269</b>	276
DSCP Property Holdings Limited	Property development	Investment in joint ventures	–	2,091
DSP Piano Investments BV	Investment property	Investment in joint ventures	<b>6,772</b>	3,779
DSP Tirol Limited	Investment property	Investment in joint ventures	<b>4,535</b>	5,121
DS Renewables LLP	Property development	Investment in joint ventures	–	–
Harwell Oxford Developments Limited	Property development	Investment in joint ventures	<b>12,881</b>	7,915
Kensington & Edinburgh Estates (South Woodham Ferrers) Limited	Property development	Investment in joint ventures	<b>929</b>	503
Luxembourg Investment Company 112 Sarl	Property development	Investment in joint ventures	<b>11,520</b>	–
Manchester Arena Complex LP	Investment property	Investment in joint ventures	<b>169</b>	175
Notting Hill (Guernsey Holdco) Limited	Property development	Investment in joint ventures	<b>7,486</b>	7,197
Opportunities for Sittingbourne Limited	Property development	Investment in joint ventures	<b>128</b>	178
Orion Land & Leisure Limited	Property development	Investment in joint ventures	–	1,399
UAI(G) Limited	Property development	Investment in joint ventures	<b>141</b>	–
UAIH Yorkshire	Property development	Investment in joint ventures	<b>15</b>	–
UAIP (Drum) BV	Property development	Investment in joint ventures	<b>1,201</b>	–
Winnebago Holdings Sarl	Investment property	Investment in joint ventures	<b>43</b>	6,452
			<b>92,844</b>	90,148

The aggregate amounts included within each relevant balance sheet account are as follows:

	2017 £'000	2016 £'000
Investment in associates	<b>8,372</b>	4,309
Investment in joint ventures	<b>46,089</b>	46,782
Financial assets – current	<b>18,524</b>	1,700
Financial assets – non-current	<b>19,859</b>	37,357
Development properties	–	–
	<b>92,844</b>	90,148

## **27 Post balance sheet events**

As at 28 February 2017, 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 28 February 2017;
- 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 and Accounts (the "Annual Report"), comprise:

- the Company Balance Sheet as at 28 February 2017;
- 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 and compliance with applicable requirements

#### Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic report and the Directors' report. We have nothing to report in this respect.

### 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 Directors' Responsibilities Statement set out on page 113, 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. With respect to the Strategic report, Directors' report and Corporate Governance statement, we consider whether those reports include the disclosures required by applicable legal requirements.

**Other matter**

We have reported separately on the Group financial statements of U and I Group PLC for the year ended 28 February 2017.

**Julian Jenkins (Senior Statutory Auditor)**

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

26 April 2017

## Company Balance Sheet

As at 28 February 2017

	Notes	£'000	2017 £'000	2016 £'000
<b>FIXED ASSETS</b>				
Tangible assets	31	<b>4,615</b>		4,924
Debtors – loans and receivables	35	<b>9,227</b>		17,598
Derivative financial instruments		<b>257</b>		582
Deferred income tax asset	36	<b>798</b>		–
Investments	32	<b>104,258</b>		123,250
			<b>119,155</b>	146,354
<b>CURRENT ASSETS</b>				
Debtors – loans and receivables	34	<b>18,524</b>		1,700
Debtors	33	<b>399,785</b>		403,880
Cash at bank and in hand		<b>44,285</b>		31,884
		<b>462,594</b>		437,464
<b>CREDITORS</b>				
Amounts falling due within one year	35(a)	<b>(185,639)</b>		(177,134)
<b>Net current assets</b>			<b>276,955</b>	260,330
<b>Total assets less current liabilities</b>			<b>396,110</b>	406,684
<b>CREDITORS</b>				
Amounts falling due after more than one year:				
Bank loans	35(b)	<b>(105,172)</b>		(103,789)
Deferred income tax liabilities	36	<b>(109)</b>		–
Provisions for liabilities	35(c)	<b>(183)</b>		(205)
			<b>(105,464)</b>	(103,994)
<b>Net assets</b>			<b>290,646</b>	302,690
<b>CAPITAL AND RESERVES</b>				
Called up share capital	37	<b>62,613</b>		62,537
Share premium account	38	<b>104,325</b>		104,113
Other reserves	38	<b>8,230</b>		6,922
Profit and loss account	38	<b>115,478</b>		129,118
<b>Total shareholders' funds</b>			<b>290,646</b>	302,690

The profit after tax for the year was £3,738,000 (2016: £316,000 loss).

The notes on pages 182 to 194 are an integral part of these financial statements.

Approved by the Board of Directors on 26 April 2017 and signed on its behalf by:

**M S Weiner**

Director

**Company Statement of Changes in Equity**

For the year ended 28 February 2017

	Notes	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
<b>At 1 March 2015</b>		62,529	104,094	6,191	136,806	309,620
<b>Loss and total comprehensive income for the year ended 29 February 2016</b>		–	–	–	(316)	(316)
Issue of Ordinary shares	38	8	19	–	–	27
Share-based payments	38	–	–	731	–	731
Final dividend 2015		–	–	–	(4,373)	(4,373)
Interim dividend 2016		–	–	–	(2,999)	(2,999)
<b>Total contributions by and distributions to owners of the Company</b>		8	19	731	(7,372)	(6,614)
<b>Balance at 29 February 2016</b>		62,537	104,113	6,922	129,118	302,690
<b>Profit and total comprehensive income for the year ended 28 February 2017</b>		–	–	–	3,738	3,738
Issue of Ordinary shares	38	76	212	–	–	288
Share-based payments	38	–	–	1,308	–	1,308
Final dividend 2016		–	–	–	(4,378)	(4,378)
Supplemental dividend 2016		–	–	–	(9,997)	(9,997)
Interim dividend 2017		–	–	–	(3,003)	(3,003)
<b>Total contributions by and distributions to owners of the Company</b>		76	212	1,308	(17,378)	(15,782)
<b>Balance at 28 February 2017</b>		<b>62,613</b>	<b>104,325</b>	<b>8,230</b>	<b>115,478</b>	<b>290,646</b>

## Notes to the Company financial statements

For the year ended 28 February 2017

### 28 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.

The Company has not presented its own profit and loss account, as permitted by Section 408 of the Companies Act 2006.

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; and
- (v) from disclosing key management personnel compensation as required by FRS 102.

The financial statements were approved by the Directors for issue on 26 April 2017.

#### 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 17(c) to the Group financial statements.

###### 1.2 Group Long-Term Incentive Plan (LPIT)

During the year, the Company 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.

#### 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) 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.

**f) 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.

**g) 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.

**h) 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.

**i) 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.



**28 Accounting policies** continued**j) 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 1 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 a three-year period 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 taking 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. 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.

**29 Operating profit**

Details relating to staff costs can be found in note 4 to the Consolidated financial statements.

Auditors' remuneration in respect of the audit for the Company was £15,000 (2016: £15,000).

**30 Operating lease arrangements**

	2017 £'000	2016 £'000
<b>The Company as lessee:</b>		
Minimum lease payments under operating leases recognised for the year	<b>2,571</b>	2,371

Annual commitments under non-cancellable operating leases are as follows:

	2017 £'000	2016 £'000
<b>Operating leases which expire:</b>		
Within one year	–	–
In the second to fifth years inclusive	–	–
After five years	<b>2,571</b>	2,571
	<b>2,571</b>	2,571

Operating lease payments represent rentals payable by the Company for its office property. The lease payments were negotiated for an average term of 11.4 years (2016: 10.6 years).

### 31 Tangible assets

	Fixtures, fittings and computer equipment £'000	Motor vehicles £'000	Total £'000
<b>COST</b>			
<b>At 1 March 2016</b>	5,984	119	6,103
Additions	380	–	380
Disposals	(209)	–	(209)
<b>At 28 February 2017</b>	<b>6,155</b>	<b>119</b>	<b>6,274</b>
<b>ACCUMULATED DEPRECIATION</b>			
<b>At 1 March 2016</b>	1,094	85	1,179
Charge for the year	653	11	664
Disposals	(184)	–	(184)
<b>At 28 February 2017</b>	<b>1,563</b>	<b>96</b>	<b>1,659</b>
<b>Net book amount 28 February 2017</b>	<b>4,592</b>	<b>23</b>	<b>4,615</b>
Net book amount 29 February 2016	4,890	34	4,924

### 32 Investments

	Shares in subsidiary undertakings £'000	Interest in associated undertakings £'000	Interest in joint ventures £'000	Interest in loan notes £'000	Total £'000
<b>COST</b>					
<b>At 1 March 2016</b>	162,867	997	100	8,813	172,777
Additions	–	–	354	–	354
Reclassification to current assets	–	–	–	(8,813)	(8,813)
<b>At 28 February 2017</b>	<b>162,867</b>	<b>997</b>	<b>454</b>	<b>–</b>	<b>164,318</b>
<b>AMOUNTS PROVIDED</b>					
<b>At 1 March 2016</b>	(48,530)	(997)	–	–	(49,527)
Impairment of investments	(10,533)	–	–	–	(10,533)
<b>At 28 February 2017</b>	<b>(59,063)</b>	<b>(997)</b>	<b>–</b>	<b>–</b>	<b>(60,060)</b>
<b>Net book amount 28 February 2017</b>	<b>103,804</b>	<b>–</b>	<b>454</b>	<b>–</b>	<b>104,258</b>
Net book amount 29 February 2016	114,337	–	100	8,813	123,250

The Company holds loan notes with a carrying value of £8,813,000 (2016: £8,813,000), issued by Northpoint Developments Limited, with a fixed term of ten years and a fixed coupon rate of 4.25%. These loan notes are repayable in November 2017 and have therefore been reclassified as current investments. The loan notes are currently being restructured. As at 28 February 2017, the Company has made a provision of £973,000 (2016: £582,000) against interest receivable in respect of these loan notes.

The full list of subsidiaries of the Company are set out in note 41.

## Notes to the Company financial statements continued

For the year ended 28 February 2017

### 33 Debtors

	2017	2016
	£'000	£'000
<b>Amounts falling due within one year</b>		
Trade debtors	13	26
Amounts owed by subsidiary undertakings	391,861	399,163
Other debtors	4,882	3,520
Current income tax asset	1,680	–
Other taxation recoverable	724	622
Prepayments and accrued income	625	549
	<b>399,785</b>	<b>403,880</b>

Amounts owed by subsidiary undertakings are unsecured, interest free and repayable on demand.

### 34 Debtors – loans and receivables

	2017	2016
	£'000	£'000
<b>Amounts falling due after more than one year</b>		
<b>FIXED ASSETS</b>		
Development loans	9,227	17,598
<b>Amounts falling due within one year</b>		
<b>CURRENT ASSETS</b>		
Loans and receivables	9,711	1,700
Loans notes receivable	8,813	–
	<b>18,524</b>	<b>1,700</b>

The Company has a development loan agreement of £8,600,000 (2016: £8,773,000) in respect of a project in partnership. The loan attracts a fixed coupon rate of 6.0% and had been repaid since the year end. Funding of £627,000 (2016: £553,000) has been provided to Henry Davidson Developments Limited in respect of two projects. Interest of 12.5% is charged in respect of this funding.

Development loans to joint operations include a number of working capital and project-specific loans of £8,211,000 (2016: £8,272,000) to Northpoint Developments Limited. The loans attract fixed coupon rates of between 5.0% and 13.0%. Included in the above amount are two interest-free loans of £408,000 (2016: £208,000). As at 28 February 2017, the Company has made a provision of £1,223,000 (2016: £820,000) against interest receivable in respect of these loans.

Loan notes receivable from Northpoint Developments Limited have been reclassified as current assets as they are repayable in November 2017 (refer note 32).

The Company also provided a short-term, non-interest bearing loan £1,500,000 to Property Alliance Group, repayable on demand, as a contribution to a prospective future project.

**35 Creditors**

	2017	2016
a) Amounts falling due within one year	£'000	£'000
Bank loans and overdrafts	17	17
Bank loans	4,643	9,182
Trade creditors	176	264
Amounts owed to subsidiary undertakings	172,159	152,830
Amounts owed to associated undertakings	1,932	2,450
Other creditors	991	4,027
Accruals and deferred income	5,721	8,364
	<b>185,639</b>	<b>177,134</b>

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	2017	2016
	£'000	£'000
Bank loans	105,172	103,789

c) Amounts falling due after more than one year	2017	2016
	£'000	£'000
Provisions for liabilities	183	205

The provision of £183,000 (2016: £205,000) relates to an onerous lease obligation entered into in 2009.

d) Derivative financial instruments	2017	2016
	£'000	£'000
<b>ASSETS</b>		
Derivative financial instruments at fair value through profit and loss:		
Interest rate swaps	36	57
Foreign exchange contracts	221	525
<b>Derivative financial assets</b>	<b>257</b>	<b>582</b>

## Notes to the Company financial statements continued

For the year ended 28 February 2017

### 36 Deferred income tax

The following are the deferred income tax assets and liabilities recognised by the Company during the current financial year. Deferred income tax is calculated on the temporary differences under the liability method using an income tax rate of 20.0%.

	Accelerated capital allowances £'000	Provisions £'000	Tax losses £'000	Net fair value adjustments £'000	Total £'000
At 28 February charged/(credited) to the income statement	61	(475)	(323)	48	(689)
					<b>2017 £'000</b>
Deferred income tax assets					<b>798</b>
Deferred income tax liabilities					<b>(109)</b>
<b>Net deferred income tax assets</b>					<b>689</b>

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. Movements in deferred income tax assets and liabilities are shown above.

### 37 Called up share capital

	<b>2017 £'000</b>	2016 £'000
<b>Issued, called up and fully paid</b>		
125,226,740 Ordinary shares of 50 pence (2016: 125,074,280 Ordinary shares of 50 pence)		62,613
		Number of shares
<b>Shares in issue at the date of this report</b>		<b>125,226,740</b>

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 (SAYE) scheme. The number of treasury shares held as at 28 February 2017 is 118,792 shares.

### Share option schemes

As at 28 February 2017, 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 80 to 104.

SAYE option plan 2005:

Date of grant	28.02.17 Number	26.04.17 Number	Exercise dates	Price
22 December 2014	228,172	228,172	1 February 2018 to 31 July 2018	179.2

Details relating to share-based payments are disclosed in note 19 to the Consolidated financial statements.



**38 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
<b>At 1 March 2016</b>	62,537	104,113	731	1,631	4,725	(165)
Employee share option scheme	76	212	–	–	–	–
Share-based payments	–	–	1,308	–	–	–
<b>At 28 February 2017</b>	<b>62,613</b>	<b>104,325</b>	<b>2,039</b>	<b>1,631</b>	<b>4,725</b>	<b>(165)</b>

	£'000
<b>PROFIT AND LOSS ACCOUNT</b>	
<b>At 1 March 2015</b>	136,806
Loss for the financial year	(316)
Final dividend 2015	(4,373)
Interim dividend 2016	(2,999)
<b>At 29 February 2016</b>	129,118
Profit for the financial year	3,738
Final dividend 2016	(4,378)
Supplemental dividend 2016	(9,997)
Interim dividend 2017	(3,003)
<b>At 28 February 2017</b>	<b>115,478</b>

The profit after tax of the Company was £3,738,000 (2016: £316,000 loss).

**39 Contingent liabilities**

The contingent liabilities of the Group are set out in note 23. The Company has provided guarantees in respect of loans and overdrafts of its subsidiary entities totalling £63,018,000 (2016: £101,165,000). 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.

**40 Related parties**

Related party transactions are the same for the Company as for the Group. Details can be found in note 25 to the Consolidated financial statements.

**41 Details of related undertakings of U and I Group PLC**

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries, partnerships, associates, joint ventures and joint arrangements, the country of incorporation, the registered address and the effective percentage of equity owned, as at 28 February 2017 is disclosed below. Unless otherwise stated, the Group's shareholding represents ordinary shares held directly or indirectly by U and I Group PLC and the registered office is 7A Howick Place, London SW1P 1DZ.

All interests are in Ordinary share capital and have been consolidated.

**Wholly-owned subsidiaries**

399 Edgware Road Management Company Limited	Development Securities (Brentford) Limited
Airport House Business Centre Limited	Development Securities (Cannock) Limited
Barrack Close Limited	Development Securities (Colston Tower) Limited
Becket House Asset Management Limited	Development Securities (Curzon Park) Limited
Beyond Green Developments (Broadland) Limited	Development Securities (Edgware Road No.1) Ltd
Beyond Green Developments (Thame) Limited	Development Securities (Edgware Road No.2) Ltd
Birmingham International Park (2000) Limited	Development Securities (Furlong) Limited
Birmingham International Park Limited	Development Securities (Glasgow Airport) Limited
Blue Living (Pincents Hill) Limited	Development Securities (Greenwich Beach) Limited
Brownsea View Developments Limited	Development Securities (Greenwich) Limited
Bruform Limited	Development Securities (Hale Barns) Limited
Bryn Blaen Wind Farm Limited	Development Securities (Hammersmith) Limited
Buckshaw Village Commercial Centre Management Company Limited	Development Securities (HDD) Limited
Burghfield Bolt Limited	Development Securities (Ilford) Limited
Calabrese Court Limited	Development Securities (Investment Ventures) Limited
Cambourne Business Park Limited	Development Securities (Investments) PLC
Cambourne Business Park Management Limited	Development Securities (Launceston) Limited
Capital Business Parks Developments Limited	Development Securities (Lichfield) Limited
Cathedral (Brighton) Limited	Development Securities (Littlehampton) Limited
Cathedral (Bromley 2) Limited	Development Securities (Maidstone) Limited
Cathedral (Bromley Esco) Limited	Development Securities (Marsh Mills) Limited
Cathedral (Bromley) Limited	Development Securities (Moreton Woods) Limited
Cathedral (Deptford 2) Limited	Development Securities (Nailsea) Limited
Cathedral (Goswell) Limited	Development Securities (No. 11) Limited
Cathedral (Greenwich Beach) Limited	Development Securities (No. 14) Limited
Cathedral (Moss) Limited	Development Securities (No. 19) Limited
Cathedral (Preston Barracks) Limited	Development Securities (No. 22) Limited
Cathedral (Sittingbourne) Limited	Development Securities (No. 24) Limited
Cathedral Special Projects (H) Limited	Development Securities (No.1) Limited
Central Research Laboratory (Hayes) Ltd	Development Securities (No.25) Limited
Church Aston Developments Limited	Development Securities (No.26) Limited
CM (Winchester) Limited	Development Securities (No.28) Limited
D S Property Developments Limited	Development Securities (No.37) Limited
Development Securities (10 St Bride Street) Limited	Development Securities (No.39) Limited
Development Securities (Abbey Wood) Limited	Development Securities (No.42) Limited
Development Securities (Armagh) Limited	Development Securities (No.43) Limited
Development Securities (Ashford) Limited	Development Securities (No.45) Limited
Development Securities (Bicester) Ltd	Development Securities (No.5) Limited
Development Securities (Blackpool Developments) Limited	Development Securities (No.51) Limited
Development Securities (Bond Street) Limited	Development Securities (No.53) Limited
	Development Securities (No.69) Limited

## Wholly-owned subsidiaries

Development Securities (No.7) Limited	Hammersmith Central (General Partner) Limited
Development Securities (No.75) Limited	Hammersmith Central (No.1) Limited
Development Securities (No.78) Limited	Hammersmith Central (No.2) Limited
Development Securities (No.79) Limited	Hammersmith Central South (Nominees) Limited
Development Securities (No.80) Limited	Hammersmith Central South General Partner Limited
Development Securities (No.81) Limited	Hammersmith Central South Limited Partnership
Development Securities (No.85) Limited	HDD Ashford Limited
Development Securities (No.88) Limited	HDD Bannerbrook Limited
Development Securities (No.9) Limited	HDD Bridgwater Limited
Development Securities (No.90) Limited	HDD Burghfield Common Limited
Development Securities (No.91) Limited	HDD Didcot Limited
Development Securities (No.95) Limited	HDD Dover Limited
Development Securities (No.97) Limited	HDD Lawley Residential Limited
Development Securities (North London) Limited	HDD Lawley Village Limited
Development Securities (Romford) Limited	HDD Lichfield Limited
Development Securities (Sevenoaks) Limited	HDD Llanelli Limited
Development Securities (Slough) Limited	HDD Newcastle Under Lyme Limited
Development Securities (Southampton A) Limited	HDD Newport Limited
Development Securities (Southampton B) Limited	HDD Newton Leys Limited
Development Securities (Southampton C) Limited	HDD Oxley Units Limited
Development Securities (Southwark) Limited	HDD Pemberton Limited
Development Securities (Watford) Limited	HDD RAF Watton Limited
Development Securities (Wells) Limited	HDD Stanground Limited
Development Securities (Woking) Limited	HDD Takeley Limited
Development Securities Estates PLC	HDD Tranmere Limited
Development Securities Limited	Hendy Wind Farm Limited
DS Investment Properties 2 LLP	I AM PRS Limited
DS Investment Properties LLP	Kingsland Shopping Centre Limited
DS Renewables LLP	Landpack Limited
DS Wessex Barnstaple Limited	Luneside East Limited
ECC Investments PLC	Manchester Arena GP Limited
Elvidean Limited	Men Arena GP Limited
Elystan Developments Limited	Mendip Land Limited
EPD Buckshaw Village Limited	Moss Works Limited
Executive Communication Centres (Birmingham) Limited	Njord Wind Developments Limited
Executive Communication Centres (Cardiff) Limited	Parkes Court Limited
Executive Communication Centres (London City) Limited	Public Private Partnership (H) Limited
Executive Communication Centres (London West End) Limited	R.D.B.P. Management Limited
Executive Communication Centres (Milton Keynes) Limited	RHD (Dartmouth) Limited
Executive Communication Centres Limited	Rhoscrowther Wind Farm Limited
Extreme Cool Limited	Rivella Properties Bicester Limited
Furlong Shopping Centre Limited	Romford Management Company Limited
Golden Leisure (North West) LTD	The Deptford Project 2 Limited
Goswell Works Limited	The Deptford Project Limited
Greenwich Limited	The Royals Business Park Limited
Griffe Grange Wind Farm Limited	The Telegraph Works Limited
Group U+I Limited	Triangle Developments Limited
	Triangle London Limited

## Notes to the Company financial statements continued

For the year ended 28 February 2017

### 41 Details of related undertakings of U and I Group PLC continued

Wholly-owned subsidiaries	
U and I (8AE) Limited	United + Industrious Limited
U and I (Projects) Limited	Wallis Court Buckshaw Limited
U and I Finance PLC	Wassand Wind Farm Limited
U and I Investments (UK) Limited	Waterfront Wakefield (Hebble Wharf) Limited
U and I PPP Limited	Westway House Limited
U and I Property Limited	Wimbledon Phoenix Limited
UAIH Yorkshire Limited	

Entities where the Group holds 100% of the equity but the registered office is held elsewhere are detailed below:

Registered office	Company
First Floor, Fitzwilton House, Wilton Place, Dublin 2, Ireland	Development Securities Properties (Dublin) Limited Percy Place DS (Ireland) Limited
Fisher Partners, Acre House, 11-15 William Road, London, NW1 3ER, United Kingdom	Capital Business Parks Globeside Limited
Langham Hall, 5 Old Bailey, London, EC4M 7BA, United Kingdom	Heart of Slough Management Company Limited
2 Maritime House, The Hart, Farnham, Surrey, GU9 7HW, United Kingdom	Brook House (Fleet) Management Limited
Fifth Floor, 37 Esplanade, St Helier, JE1 2TR, Jersey	Cranmore Limited DS Jersey (Manchester 1) Limited DS Jersey Corporate Services Limited DS Jersey (Notting Hill) Limited Drake Bideford Limited DS Jersey (Capital Partners) Ltd DS Jersey (Renewables) Limited DS Jersey (Wick Lane) Limited Nailsea Unit Trust DS Cardiff Unit Trust DS Jersey (No 1) Limited DS Jersey (No 2) Limited DS Jersey (No 3) Limited DS Jersey (No 5) Limited STRD Holding Company DS Jersey Retail Limited
Fisher Partners, Acre House, 11-15 William Road, London, NW1 3ER, United Kingdom	Development Securities (No. 23) Limited Development Securities (No.18) Limited Development Securities (No.3) Limited
Prins Bernhardplein 200, 1097JB, Amsterdam, Netherlands	Development Securities Netherlands B.V.

Other subsidiaries, joint arrangements and other significant holdings, incorporated in the United Kingdom, where the registered office is 7A Howick Place, London, SW1P 1DZ:

	% owned
Cathedral (Movement, Greenwich) LLP	50
CTP (Wakefield) Limited	42
Curzon Park Limited	50

	% owned
Deadhare Limited	94.34
DSP Tirol Limited	50
Harwell Oxford Developments (GP) Limited	50
Harwell Oxford Developments Limited	50
Harwell Oxford Management Limited	50
HSIC GP1 Limited	25
HSIC GP2 Limited	25
Inhoco 1079 Limited	42
Inhoco 3300 Limited	42
Kensington & Edinburgh Estates (South Woodham Ferrers) Limited	50
Kensington (NC) Management Company Limited	42
Manchester Arena Complex LP	30
Mayfield Development (General Partner) Limited	50
Mayfield Development Partnership LP	50
Minevote Public Limited Company	50
Northpoint (No.4) Limited	42
Northpoint Ch Limited	42
Northpoint Developments (No 1) Ltd	42
Northpoint Developments (No 2) Ltd	42
Northpoint Developments (No 50) Ltd	42
Northpoint Developments (No 51) Ltd	42
Northpoint Developments (No 52) Ltd	42
Northpoint Developments (No 53) Ltd	42
Northpoint Developments Ltd	42
Northpoint Investments Ltd	42
Northpoint Kc Limited	42
Northpoint SK Limited	42
Opportunities for Sittingbourne Limited	50
Orion Shepherds Bush (Market) Limited	50
Orion Shepherds Bush (No.2) Limited	50
Orion Shepherds Bush (No.3) Limited	50
Orion Shepherds Bush (Number 42 Goldhawk Road) Limited	50
Orion Shepherds Bush Limited	50
OSB (Holdco 1) Limited	50
OSB (Holdco 2) Limited	50
Purplexed LLP	94.34
Spectre (Hayes) Limited	50
Spirit of Sittingbourne LLP	65
St Paul's Place Management Company Limited	42
Tarmac Clayform Limited	50
The Harwell Quad One Limited	25
The Harwell Science and Innovation Campus General Partner Limited	25
The Harwell Science and Innovation Campus Nominee Limited	25
Tower Wharf Estate Management Limited	42
Triangle London Developments LLP	50
Waterfront Wakefield (Navigation Place) Limited	42
Waterfront Wakefield Management Limited	42
WPG Investment LLP	50



## Notes to the Company financial statements continued

For the year ended 28 February 2017

### 41 Details of related undertakings of U and I Group PLC continued

Other subsidiaries, joint arrangements and other significant holdings, incorporated in the United Kingdom, where the registered office is elsewhere:

Registered office	Company	% owned
Alliance House Westpoint Enterprise Park Clarence Avenue, Trafford Park, Manchester, M17 1QS	Axis Manchester LLP	50
Nelson House, Central Boulevard, Blythe Valley Park, Solihull, West Midlands, B90 8BG, England	The Harwell Science and Innovation Campus Limited Partnership	25
Postbus 990, 1000AZ, Amsterdam, Netherlands	DSP Investments Piano B.V.	34

## Financial calendar and advisors

Annual General Meeting	11 July 2017
Payment of Ordinary dividend	17 August 2017
Announcement of Interim Results to 31 August 2017	October 2017

**Company Secretary**

C Barton ACIS

**Registered office**

7A Howick Place  
 London SW1P 1DZ  
 Telephone: 020 7828 4777  
 Facsimile: 020 7828 4999

**Website address**

www.uandi plc.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

Illustrations by Amelia Cowan

Amelia is our in house events manager. In her spare time she is a talented illustrator and this year provided the illustrations for our Annual Report. We love to uncover potential, not just in the places we create but within our team as well.



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