A different kind of property company

We exist to deliver positive change. We create long-lasting social and economic benefit for the communities in which we work and sustainable value for our shareholders.

u+i

Annual Report and Accounts 2018

We promised £65-70 million

We've delivered

£68.3M

in development and trading gains.

We fundamentally believe that we have a responsibility to listen to and deliver for all of our partners, whoever they are – shareholders, employees, government and local authorities, and, crucially, the communities in which we work.

It's not just financial value that we create

FOR OUR LOCAL COMMUNITIES

we focus on unlocking the potential in often overlooked, undervalued neighbourhoods and creating great places where people will want to live, work and socialise.

FOR GOVERNMENT AND LOCAL AUTHORITIES

it is about supporting their agenda for change by addressing the shortfall in quality mixed-use places which, in turn, will create closer communities, stimulate local economies and boost productivity.

FOR OUR EMPLOYEES

it is about being part of an inspiring culture, where talent is nurtured and creativity encouraged, as we build a team who share a passion and commitment for changing people's lives for the better, creating communities and legacies which we can all be proud of.

FOR OUR SHAREHOLDERS

it is about delivering consistent, sustainable value, rewarding their support by returning capital rather than storing excess cash on the Balance Sheet.

FOR OUR PARTNERS

it is about nurturing our relationships with residents, councils and local businesses, challenging ourselves to bring creativity, inspiration and value to each project so we can realise positive change for everyone.

U+I AT A GLANCE

What we do

We are a specialist regeneration developer and investor in the fast-growing London, Manchester and Dublin city regions. We have a 25-year track record in transforming overlooked parts of towns and cities, brimming with potential, into mixed-use spaces where people and enterprises can thrive.

Why we do it

Our goal is to deliver long-lasting social and economic benefit for the communities in which we work and sustainable value for our shareholders.

How we do it

Imagination, intelligence, audacity.

Our strategic priorities

- Grow pipeline of larger regeneration projects
- Drive value within our portfolio
- Deliver excellent returns through-cycle
- Maintain capital discipline and efficiency
- People first approach to deliver long-term communities

+ Read more on p.2-8, 24-25

WE HAVE A STRONG BUSINESS MODEL

Development and trading portfolio

Public Private Partnership

£109 MILLION**

capital value***

19%

of gross assets*

Trading

£271 MILLION**

capital value***

49%

of gross assets*

Delivers:
- Shorter-term trading profit (1-3 years)
- Longer-term development profit (2-5 years)
- Some elements of completed developments retained in investment portfolio

Key value drivers:
- Planning gain
- Development margin
- Arbitrage/mispricing

Investment portfolio

£177 MILLION

capital value***

32%

of gross assets*

Delivers:
- Recurring revenue stream
- Income return
- Capital growth
- Future development opportunities

Key value drivers:
- Planning gain
- Asset management

* Group share where appropriate
** Assets held at cost, not revalued
*** Capital value includes all property interests held both directly and indirectly

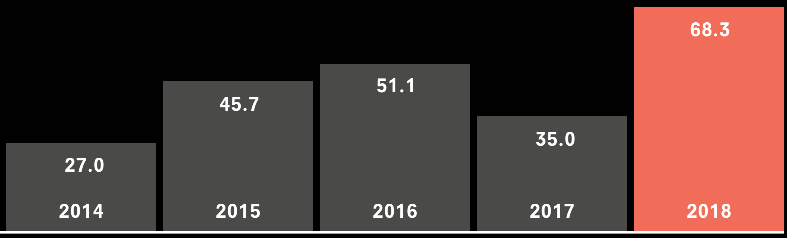
Read more on p.36-51

HOW WE HAVE PERFORMED

OUR KPIS

Development and trading gains (£'m)

£68.3 MILLION
+95%



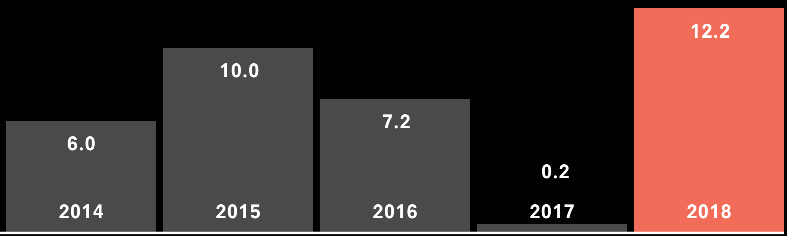
Investment portfolio total return (%)

£139.5 MILLION
Value of investment portfolio at FY18

10.1%

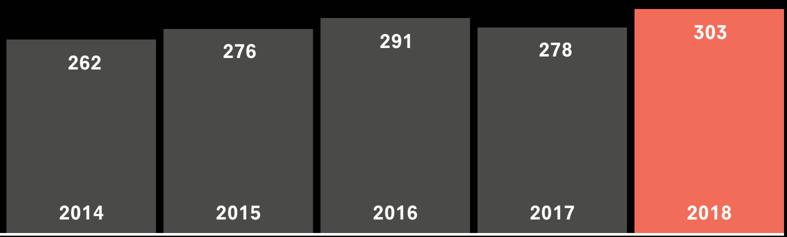
Total return* (%)

12.2%
+6,000%



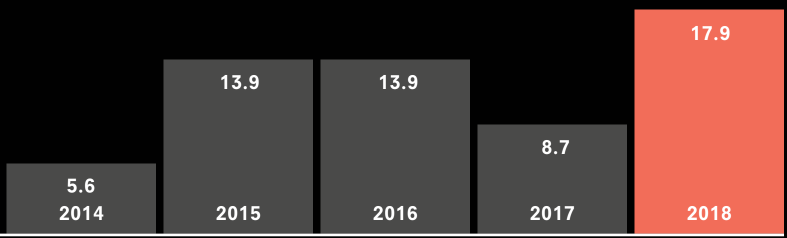
Basic NAV per share (pence)

303 PENCE
+9%



Total dividend per share (pence)

17.9 PENCE
+106%



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

Read more on p.26-27

WE KNOW YOU'RE BUSY, SO TEAR THIS COVER OFF FOR A QUICK OVERVIEW OF OUR BUSINESS

Our record numbers show we are doing things right. This is just the start. A positive financial performance means we can do more of what we are good at – realising positive change.

This is how we do it

Matthew Weiner
Chief Executive Officer

Our 2018 Annual Report and Accounts

Our delivery is no coincidence

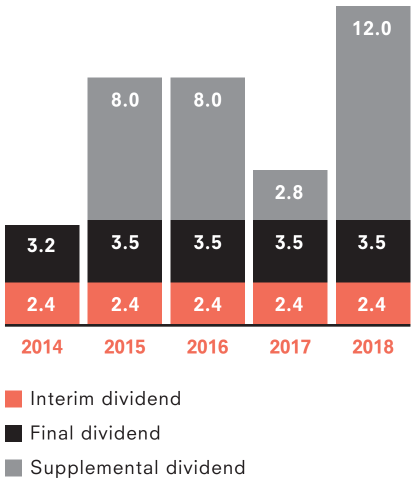
How would you summarise U+I's 2018 performance?

This year's figures are impressive on several levels. £68.3 million development and trading gains are a record for U+I. They are testament to the benefits of our approach. And they show we can deliver on our promises.

That delivery is no coincidence. The entire U+I team has worked hard to create a market-defining company with a focus on regeneration and a clear strategy for growth.

We are executing against that strategy and we are determined to continue doing so.

Dividend per share (pence)



Our dividend highlights our confidence in the future and our determination to put shareholders' interests at the heart of everything that we do.

Having recently passed U+I's three-year anniversary and your second anniversary as Chairman, what has changed?

U+I has been an exciting business since the start but it has now really come together, culturally, strategically and operationally. To use the terminology of the retail trade, where I come from, U+I has established a brand. It's a business to watch.

What do the next two years look like?

In many ways, U+I is in the early stages of its journey. We have had a record year and we are determined to keep on delivering, through larger regeneration projects and a continued alignment of the investment portfolio with the rest of the business.

With modern living and working trends making regeneration more relevant than ever, we have a tremendous opportunity to make a difference in our three chosen regions and deliver for shareholders at the same time.

What are U+I's greatest strengths in your view?

U+I has three core values: imagination, intelligence and audacity. Perhaps unusually in a business, our team truly believes in these values.

Peter Williams, Chairman

As a result, there is a genuine hunger to take on ambitious projects, with long-term beneficial outcomes. By their very nature, these are often in places that are neither easy nor obvious, but they can deliver a step-change for local communities.

This is a real differentiator within the property sector and I believe it will set U+I apart from its peers, generating increased trust among all our stakeholders and driving future growth.

You talk about community – why does this matter?

In divisive times, U+I stands out as a business whose key aim is to bring people together and make life better through carefully curated regeneration. Some people question whether we can be truly committed to delivering shareholder value and building high quality, community-focused places. I would counter with a different question: how can we operate without being serious about both? That is how we create the relationships that matter; that is how we attract the brightest talent; and that is how we deliver for shareholders.

What excites you most about U+I?

When I joined U+I, the management had decades of experience and a united vision and ambition for the future, but the concept had yet to be fully proved. There is now a growing understanding of what U+I stands for and what it can achieve.

There is so much more to come. Existing projects are making strong progress, there is an impressive pipeline of new work coming our way and, as the business becomes better known, the opportunities will increase.

More broadly, technology is creating greater flexibility in the way we work, live and play. U+I has the appetite and the creativity to develop places that work both now and for the future. It has the integrity to build responsibly, and the sense of purpose to deliver lasting change for the better.

I am tremendously excited about the Company but I am also proud of it and proud to be associated with it.

Peter Williams
Chairman
26 April 2018

Relentlessly focused on positive change

Matthew Weiner, Chief Executive Officer, with stakeholders

Delivering on our strategy

We set out a clear financial objective when U+I was formed in 2015: to deliver, as consistently as possible, 12% post tax total returns per annum. We estimated that we would first achieve this objective by February 2018. So, it is particularly pleasing to report that this is the year in which we have produced record results – £68.3 million of development and trading gains, compared with £35.0 million in 2017. Our profit before tax is £48.2 million (2017: £0.4 million before exceptional items) and, most importantly, we have increased basic net asset value (NAV) by 9.1% to 303 pence per share (2017: 278 pence per share). We are also pleased with the progress being made to realign our investment portfolio. This delivered a 10.1% total return for the year, with £6.5 million of value added through asset management initiatives. This included the disposal of over £50 million of non-core assets, in line with our target.

Our focus on delivering fewer but larger profit-making projects is supporting our financial performance as just under £60 million of our gains came from seven projects, each delivering £5.0 million or more of gains.

These results endorse the ambition that we set ourselves from the start: to create a strong business with a unique culture, a clear focus on regeneration and – above all – a commitment to delivering consistent long-term value for shareholders and the communities in which we operate. These results provide us with strong foundations for growth as we continue this momentum into FY19.

Notable development gains

Among our notable successes during the financial year, we achieved planning consent for a £130 million mixed-use regeneration project at the Equipment Works, Blackhorse Road in Walthamstow, London. This site was subsequently sold to a housebuilder in December 2017 crystallising a significant gain, with the entire project taking two and a half years from inception to exit.

At 12 Hammersmith Grove in West London (pages 20 to 23), we leased up the entire building over the course of the year and, in December 2017, we passed the 90% letting profit trigger. The building was subsequently sold by our funding partner Aberdeen Standard Investments in January 2018 for £170 million.

We made significant progress and gains at Preston Barracks, Brighton in the year (page 13) by securing planning for this major £200 million gross development value project. This consent set in motion one of the city's biggest ever mixed-use regeneration schemes and we subsequently completed the sale of the student accommodation element in February 2018 allowing the scheme to commence onsite.

These three projects alone delivered more than £33.0 million in profit for U+I.

We were pleased to have delivered £68.3 million of development and trading gains for the year, notwithstanding the setting aside of a full £7.5 million provision in respect of our St Mark's Square project in Bromley. This provision recognises the delays caused by the size and complexity of the basement and façade works and the inevitable extension to the construction programme.

The full breakdown of projects which underpin this year's gains is provided within the Portfolio Review (page 44) and demonstrates the range and depth of skills within the business and the optionality that we have in monetising projects as they progress.

Deptford Market Yard, London

We also continued to focus on our business efficiency and balance sheet management during the year, achieving £2.1 million of net management fee income as well as reducing complexity within our business.

Further progress across our investment portfolio and specialist platforms

The alignment of our investment portfolio with our focus on regeneration, is moving apace. We made £53.2 million of disposals during the year, exceeding our target of £50 million non-core asset sales. These sales were ahead of valuation and are part of our progress as we achieved our target 10% per annum total return from the portfolio. Within this total return, we generated £6.5 million from asset management initiatives, including; change of use, sub-division of units, lettings and exploiting the arbitrage between long and short lease values.

For the first time, our investment in Harwell (pages 46 and 47), held in joint venture, delivered a capital gain (£4.1 million) this year and has become a core element of our portfolio as capital invested has increased.

We will continue to progress with the disposal of non-core assets from the investment portfolio, targeting an initial tranche of £25.0 million in the coming financial year, optimising the value of the assets we are retaining and targeting reinvestment in new assets that maximise our regeneration expertise. We estimate that we are approximately a third of the way through the transformation of our investment portfolio.

Where we are involved in transformative regeneration projects, we are increasingly choosing to retain elements to transfer into our investment portfolio where we see further value in the longer-term. Following on from our success with Deptford Market Yard, we transferred Caxton Works in Canning Town (£2.1 million) into the portfolio during the year and agreed that the commercial elements of the residential projects at the Machine Store and Boiler House at The Old Vinyl Factory in Hayes will be returned to us by the housebuilders on completion. We also transferred Airport House in Croydon (£13.0 million) from trading assets to our investment portfolio, releasing a trading gain of £0.9 million. When we acquired Airport House for £7.8 million in 2010, it was at 54% occupancy. We have undertaken a comprehensive refurbishment over the last three years and occupancy was close to 95% at transfer. The asset produces an income return of 7.5% and targets the growing SME occupier base in Croydon.

In the same vein, we were particularly pleased that our joint venture with McArthurGlen at Mill Green, Cannock, near Birmingham, has now gone unconditional and that we have secured the option to retain a 12.5% stake in the development on completion, which we expect to become one of the top six outlet shopping sites in the UK. This structure is one that we will consider for other assets going forward as our unique access to high quality projects should allow us to drive further value through retaining a stake in our investment portfolio.

We are also making further progress across the specialist platforms we established last year with majority capital partners, Colony NorthStar and Proprium Capital Partners. These platforms now comprise six assets, as we made a further purchase of Carrisbrook House in Dublin through the joint venture with Colony NorthStar during the year. Our appointment of a director of joint ventures in February 2018 will enable us to accelerate the growth of our specialist platforms, allowing us to do more with our balance sheet capital and leveraging our intellectual capital.

Caxton Works, Canning Town

Most notably, we have seen the first material results from our specialist platforms with the gain in the year of £7.5 million at Charlton Riverside, resulting from an operational gain and valuation uplift following the adoption of the Charlton Riverside Masterplan, which allocated the area as suitable for residential-led development. Post year-end we have exchanged contracts to sell the site to a Housing Association for £58 million, at the top end of FY19 guidance for the asset.

Increased supplemental dividend

Our dividend policy comprises an ordinary dividend, including an interim and final dividend of 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. In line with this policy, the Company has already paid an interim dividend of 2.4 pence per share and is recommending a final dividend payment of 3.5 pence per share, bringing the ordinary dividend for the financial year to 5.9 pence per share. In addition, having delivered on our commitments and given the strength of our net cash position, we are pleased to recommend a significantly increased supplemental dividend of 12.0 pence per share (2017: 2.8 pence per share). This will be the fourth successive supplemental dividend paid to shareholders and underlines our confidence in our continued ability to generate strong surplus cash flows from our development and trading activities and our commitment to aligning shareholders with the success of the business.

We continue to review the method by which capital is returned to shareholders and, after consultation with our top twelve shareholders, the Board has concluded that a supplemental dividend currently remains the preferred option of return. This will be reviewed again by the Board over the course of the coming year.

Balanced business model to deliver across the property cycle

The majority of our value creation comes from management-led initiatives. We acquire opportunities in unloved and overlooked areas, where prices fail to represent underlying potential. We add value through planning, development and asset management. We then realise that value through sale, development or, on occasion, by transferring a developed asset into our investment portfolio, allowing us to capture further value as the asset matures.

We mainly operate in the dynamic markets of the London City Region (within one hour's commute from London), Manchester and Dublin. These places share certain characteristics. Demand is strong and growing; there is an urgent, unmet need for new homes and mixed-use spaces that will stimulate local economies; and supply is constrained by political impasse or a lack of expertise. We also feel these areas will be less impacted by the ultimate conclusion of the Brexit process.

These fast-moving times require agility, a hallmark of U+I. We benefit from optionality, both in the varied routes that we pursue to create value and in the schemes that we deliver. As mixed-use, regeneration specialists, we create assets where communities can live, work, play and study. This breadth allows us to flex the mix of our projects, in line with socio-economic trends.

Growing pipeline and market opportunity to deliver sustainable returns

Over the past three years, we have put the foundations in place to deliver against a set of demanding financial targets – aiming for consistent, annual total returns of 12.0% post tax. Over the three-year period to the end of FY21, we aim to achieve this through targeting £125-150 million of development and trading gains from existing projects, £15.0 million of added value from investment activity and enhanced operational efficiency.

We have a rich treasury of activity to draw on and take forward: a pipeline of over thirty projects for the next ten years, with a gross development value of in excess of £7 billion that can generate returns in good times and in bad. We negotiate transaction structures that enable us to respond flexibly to market conditions: in the various routes that we pursue to create value, in the mix of uses that we deliver and in the timing of exit, through direct development or trading consented land. We will also extract further value from repositioning our investment portfolio, as we move towards our target to achieve a consistent 10% annual return (2018: 10.1%).

We believe the strong partnership network we have built with key public-sector partners over many years will create a barrier to entry to others and open up further Public Private Partnership opportunities. We are recognised for our success in providing quality mixed-use environments, incorporating new homes helping to solve the UK's housing crisis and new workspaces to meet the changing needs of corporate occupiers. This was the case at Landmark Court, where we were selected from TfL's Property Partnership Framework to bring forward what will be a major £200 million+ gross development value mixed-use scheme within walking distance of Borough Market.

Critically, our strategy is aligned with major political and social trends as both central and local government recognise the importance of regeneration. Against this background, the number of opportunities available to us continues to grow. Looking ahead, we are on two shortlists for major partnership projects with a gross development value of more than £1.5 billion.

People have always been at the heart of what we do: the communities, partners and stakeholders with whom we work, and of course our employees. In recognition of this we have formalised 'people first' as one of the five key strategic drivers of our business. We are committed to nurturing our talent so we can retain the best people. I want to thank everyone at U+I for their hard work and commitment over the last year, without which our record performance would not have been possible.

We have had a fantastic year and we are determined to keep on delivering, demonstrating that our business model, our brand and our superb team can continue to generate excellent returns for our shareholders and deliver positive, sustainable change in the areas in which we operate. Our commitment to purpose, which combines shareholder returns with the creation of long-term, sustainable, socio-economic benefit, inspires trust among our public-sector stakeholders, ultimately allowing us to nurture close, longstanding partnerships that give us our licence to operate. Our culture, our track record and our passion for change mean we are well positioned for the future.

Matthew Weiner
Chief Executive Officer
26 April 2018

This is what positive change looks like →

Preston Barracks, Brighton


CONTROL FREQ
P KIRKWOOD
PLAY TALK LEA
MAKERCLUB
INTREPID CAM
UNION MOTIO

Worthwhile not Meanwhile

We put people first. We believe regeneration can only work when people are prioritised. Our focus is on creating great places that will leave a positive legacy.

Our work at Preston Barracks is a great example of this →

FROM THE FIELD UP

We love to get to know the fine grain of a place so we can create spaces that truly serve the needs and aspirations of the local community.

FIELD at Preston Barracks in Brighton highlights how we do this. We took a building that had been derelict for over two decades and transformed it into a creative, co-working space for a group of budding local entrepreneurs. We carefully picked young businesses that would most benefit from the space and would each bring something distinctive to the community. This also helped us to frame our plans for the area, by hearing first-hand what local people want and need from the new, permanent Preston Barracks site.

The project was so successful that six of the original eight entrepreneurs have established their own limited company – Leftfield – which will continue where FIELD left off.

fieldbtn.com

10-500%
earnings increase for local businesses

500 TONNES
of wood diverted from local waste stream

50+
volunteering and work experience opportunities created

"MY BUSINESS GREW THREEFOLD"

Control Freq, a bespoke 'Internet of Things' door entry system that users can access through their mobile phones.

"U+I HAS ALLOWED US TO FOCUS OUR EFFORTS"

Play Talk Learn, an education tech company developing children's toys that bring mathematical patterns to life.

CREATING POSITIVE CHANGE

Working in partnership with Brighton & Hove City Council and the University of Brighton, we are delivering one of Brighton's biggest ever regeneration projects. It will create 1,500+ jobs and inject more than £280 million into the local economy over the next ten years.

Having secured planning permission in December 2017, work has now started on the transformation of Preston Barracks and the University's Moulsecoomb campus. Now called 'Makerfield', our £200 million gross development value (GDV) project will deliver 369 new homes, including affordable housing, and 534 student bedrooms in managed halls of residence, to meet the shortfall in Brighton. The scheme will also attract inward investment and create a thriving 50,000 sq. ft. innovation hub for start-ups and SME businesses, bringing tangible benefits to the local community and the city as a whole.

400+
letters of local support for our development

5
acre site, equivalent to 84 tennis courts

25+
years site had lain derelict

The story continues online:
http://www.uandiplc.com/portfolio/preston-barracks-brighton

Supporting economic, technological and social change

U+I operates in a large, fast growing market, where there is an urgent need for the type of mixed-use regeneration projects that we deliver.

Demand for housing and mixed-use spaces outstrips supply. More than 300,000 new homes are needed in the UK every year. Land shortages and planning challenges have exacerbated the situation.

This is where U+I comes in. Our focus on unused and undervalued land and buildings, brimming with potential and character, opens up opportunities to create economically sustainable and attractive local communities. Our ability to find and deliver value from complex sites sets us apart and gives us a competitive edge.

We are closely aligned with central and local government priorities on mixed-use regeneration, helping the public sector to maximise the value from their land and, most importantly, to meet community needs for better places to work, live and socialise.

£370 BILLION+

Developable public estate land unused

970,000+

Homes that the brownfield register identifies capacity for

3 MILLION

New homes needed in the UK in the next ten years

The opportunity is huge

We are at the heart of major consumer trends, with growing demand for:

- Flexible living and working spaces
- Experiential shopping, combining leisure and retail
- Quality and more affordable office, retail and housing in London City Region, Manchester and Dublin
- Mixed-use regeneration to create closer communities
- Modern, accessible amenities that increase productivity and stimulate local economies

What sets us apart?

Creative, entrepreneurial talent

—

Purpose - creating long-lasting social, economic and environmental benefit in all our projects

—

Winning management team with longstanding network, providing unique access to exciting opportunities

—

Vision to see the potential in overlooked places

—

Reputation and trust that we will deliver for public and private partners

—

Geographic focus on three high growth regions

Our market opportunity

We operate in three key geographies – London City Region, Manchester and Dublin – where we see the greatest growth potential. Each is well advanced in four of the biggest drivers that stimulate economic growth – top talent, good transport network, tolerance for diversity and tourism.

These are also the places where we expect to see sustained population growth, above the national average, for the near, medium and longer term. Employment dynamics in each of these geographies are supportive of growth trends, with lower unemployment and higher than average levels of workforce participation.

In addition, these three locations have the character and heritage that we look for, brimming with sites that can be transformed into vibrant, socially inclusive mixed-use destinations that will help the cities to thrive. Entering these overlooked areas early gives U+I a competitive edge.

LONDON CITY REGION

(within one hour's commute of Central London)

29 projects | **65%** GDV of portfolio | **25+** years present

+ Fastest growing city in UK; largest in EU
+ Economy predicted to grow c.2.2% until 2020 (EY)
+ Buoyed by high employment and world-class job opportunities
+ Strong demand for affordable offices, homes and community spaces
+ #1 in JLL's most established world cities index, based on access to talent, innovation and infrastructure

Quick facts
Population: Expected to exceed 11 million in 2025 (London First)
Employment: Up 2.8% May to July 2017 (ONS)
Homes target: Mayor of London targeting 65,000 new homes a year in London

MANCHESTER

2 projects | **15%** GDV of portfolio | **15+** years present

+ UK's "second" city and rated third most influential in Europe (Colliers)
+ Thriving university town, with 51% graduate retention, second only to London (JLL)
+ Growing digital hub attracting tech start-ups
+ Two world-famous football teams, enhancing tourism
+ HS2 consolidating position at heart of Northern Powerhouse
+ Economy predicted to have increased by £600 million in 2017 (Cebr UK Powerhouse report)

Quick facts
Population: Expected to grow 3.49% to nearly 3 million by 2030 (UN World Urbanisation Prospects)
Employment: 22,258 jobs expected to have been created during 2017 (Cebr UK Powerhouse report)
Homes target: Greater Manchester region needs 11,254 more homes a year (Greater Manchester Spatial Framework)

DUBLIN

4 projects | **2%** GDV of portfolio | **8+** years present

+ Fastest growing economy in Eurozone; 6th most competitive globally (IDA, 2017)
+ Beneficiary of Brexit
+ Foreign direct investment at record high (€4.4 billion in 2016) attracting global brands and tech innovators
+ Economy predicted to grow 2.7% p.a. over next four years (Knight Frank)

Quick facts
Population: Ireland's population forecast to increase by almost 1 million people to 5.75 million in 2040 (CSO Census 2016, ESRI/National Planning Framework 2040)
Employment: Up 4% in Dublin (Enterprise Ireland FY17 report)
Housing target: Committed to building 25,000 homes every year by 2020

GDV of our portfolio

£4.7 BILLION

London City Region

£1.1 BILLION

Manchester

£157.8 MILLION

Dublin

Political uncertainty

There is a shifting political landscape in the UK, as delays in Brexit negotiations and leadership challenges risk distracting government from major domestic issues, whilst fuelling consumer uncertainty and commercial caution. Some international businesses are delaying decisions on investment and their long-term futures. Conversely, weak sterling and the UK's strong regulatory framework create opportunities for smart overseas investors. Areas with good local economies, occupational activity and further rental growth prospects are set to be the greatest beneficiaries.

Our response

+ We operate in three major financial and cultural centres where demand will continue
+ Dublin is a major beneficiary from Brexit. It is increasingly attractive to foreign investors, particularly in the office sector
+ We focus on mixed-use regeneration assets which are less exposed to market confidence and where there is a recognised shortfall
+ We have privileged access to invest in high quality assets through our PPP model

56%

of global investors plan to increase their exposure to the real estate sector in the next 24 months (INREV, ANREV, PREA, Investment Intentions Survey 2018)

Construction capacity

There are cost, delivery and reputational implications for the construction industry, as it has to adapt to new and constantly changing legislation and regulations. There are growing pressures and challenges for builders and suppliers to seek alternative and better practices to improve efficiency and effectiveness. This encourages those with the appetite to become early adopters of new technologies to create the next generation of safe and sustainable buildings.

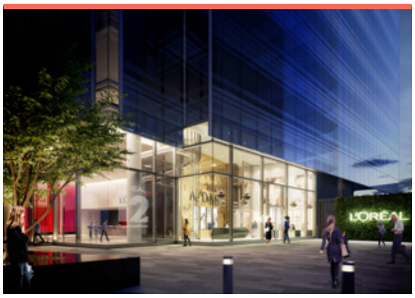
Our response

+ Best practice and community needs are a fundamental requirement across all our projects
+ We proactively evaluate advanced software to virtually model and construct projects, de-risking the process and evolving our building capabilities
+ We are investigating more aligned methods of procurement
+ Limited Zone 1 exposure means most of our schemes are low rise only

158,000+

new construction jobs expected to be created in the UK in the five years to 2022 (CITB)

Technological innovation



Consumer demand focuses on convenience over postcode, as advances in technology drive the need for mixed-use developments where people can seamlessly switch between working, living and socialising. Occupiers are increasingly seeking bigger, more innovative spaces close to transport routes that encourage collaborative working, drive creativity and offer flexible layouts and amenities. As a result, cost per head has become a bigger focus than cost per square foot.

Our response

+ Our projects are predominantly mixed-use to support modern flexible living and working needs
+ We focus on creative, innovative designs to support greater flexibility and connectivity
+ We undertake proactive asset management, centred on experience
+ Trends are supportive of growth in our core markets of London City Region, Manchester and Dublin, which have good infrastructure and are known digital hubs

10.6%

of office space in London is now classed as flexible (Cushman & Wakefield, Co-working 2018 report)

Online competition

The growth of online is driving two key trends in retail – convenience, where customers seek instant purchases – and the rise of experiential shopping. Outlets are under growing pressure to expand their spaces, showcasing bigger ranges and providing a mixed-use environment that combines shopping, leisure, culture and community. Shoppers will continue to travel further and stay longer at outlets offering high-end design, an appealing environment and a rich customer experience.

Our response

+ Our focus on design, experience and community coincides with market demand and growth trends
+ We select sites near areas where demand and footfall will be highest
+ Our investment portfolio includes convenience and experiential retail, so is more resilient against online risks

35%

predicted growth of the outlet sector, reaching £3.8 billion by 2020 (Savills)

Planning complexities

A lack of political cohesion, local infrastructure and complexities of achieving planning consents – particularly on bigger sites – are delaying construction in some areas, at times indefinitely. This can be exacerbated where sites are politicised. Estates Gazette's research predicts using just 40% of the estimated 15,763 brownfield sites owned by 296 local authorities would create approximately 971,384 houses. However, few have the expertise, appetite – or vision – to unlock the potential in these sites.

Our response

+ Our primary focus on undervalued or unused public sector land means no greenbelt sites are needed
+ The trust and relationships we have built across government and local authorities create a barrier to entry for others and a unique opportunity for us
+ Our 25+ year track record and trusted approach support our >90% planning success rate
+ Our vision and focus on schemes where we can make a tangible difference means we see potential where others do not and mitigate planning risk

62%

of all freehold land in the UK is owned by public sector organisations (Land Registry)

Long-term sustainability

The low carbon economy has increased the focus at business, government and local levels on providing socially inclusive and vibrant mixed-use spaces that encourage the health and wellbeing of occupiers and visitors. Builders, developers and suppliers are increasingly required to create sustainable buildings and places that offer environmental benefits, use forward-looking technologies to create efficiencies and help improve lifestyles, ensuring long-term economic and social benefits for communities.

Our response

+ We focus on mixed-use schemes that offer green space and a range of leisure amenities to promote wellbeing and cultivate a sense of community
+ Our partnership approach and proactive engagement with communities ensure our schemes' designs meet real needs
+ Each project is designed to stimulate local economies, create jobs, increase productivity and improve lifestyles, leaving a positive long-term legacy
+ We work with our partners to retain the heritage of sites and are increasingly using technology in the construction process

50%

reduction in greenhouse gas emissions in the built environment by 2025 targeted by UK Government


woman, 70, 5'8, WLTM
intelligent, warm-hearted, open-
...ed man, 50-75. Kent. Call me now on
...5 675 6709 Voicebox 79944
...nificent Amazon woman, early 50s,
...tile, into outdoor pursuits, in need
...attention from a real man ASAP.
...d not apply as they will be eaten
...ts/Wilts. Call me now on 0905
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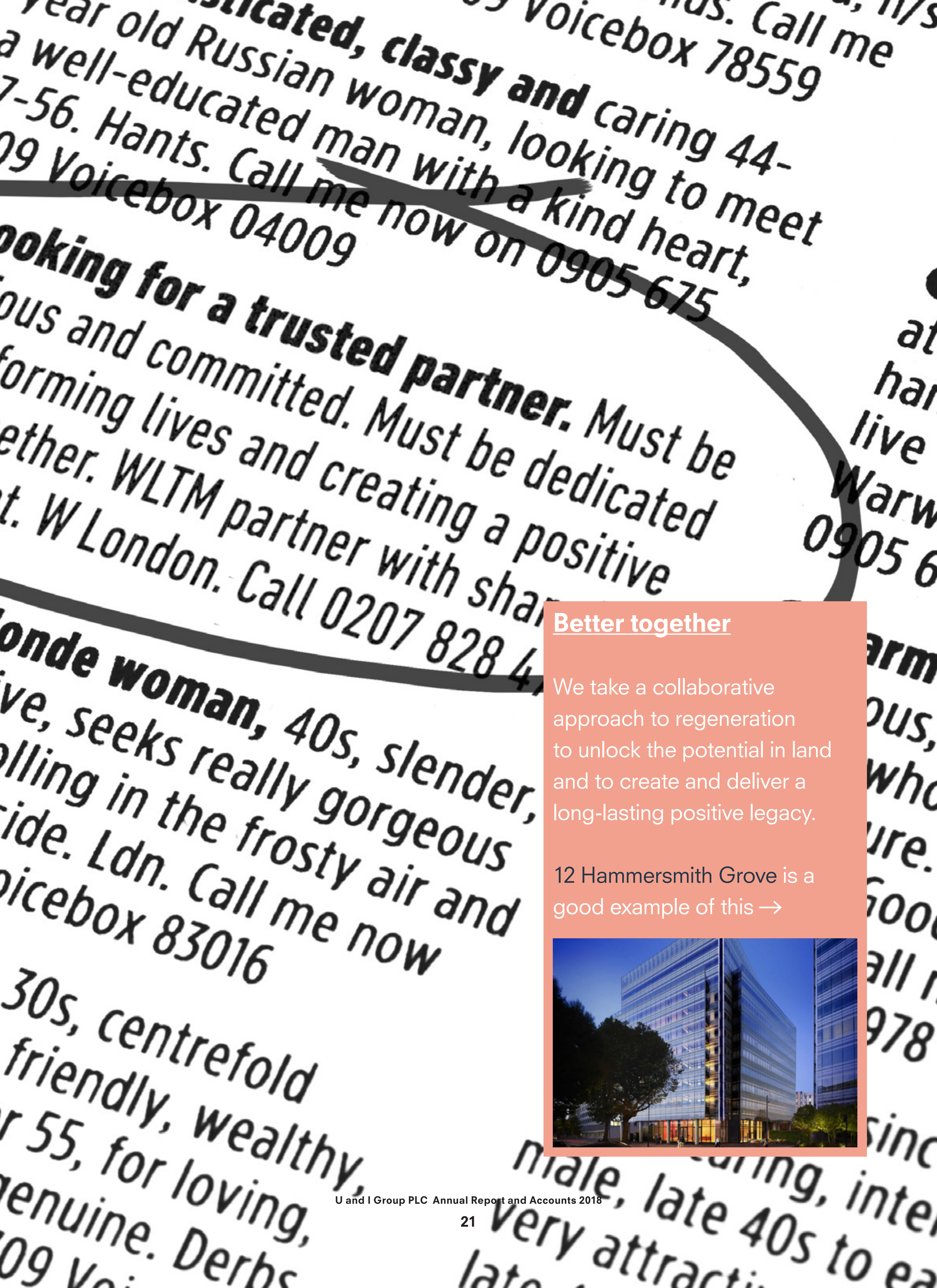


Better together

We take a collaborative approach to regeneration to unlock the potential in land and to create and deliver a long-lasting positive legacy.

12 Hammersmith Grove is a good example of this →

Working with TfL and Aberdeen Standard Investments, we have delivered two Grade A office buildings in Hammersmith, a bustling West London business hub. 10 and 12 Hammersmith Grove were built on a former car park, addressing the shortfall of office space in the area and setting a new benchmark for quality. Forward-funded by Aberdeen Standard Investments, we secured 100% occupancy at 12 Hammersmith Grove in January 2018, before Aberdeen Standard Investments successfully sold the building in the same month.

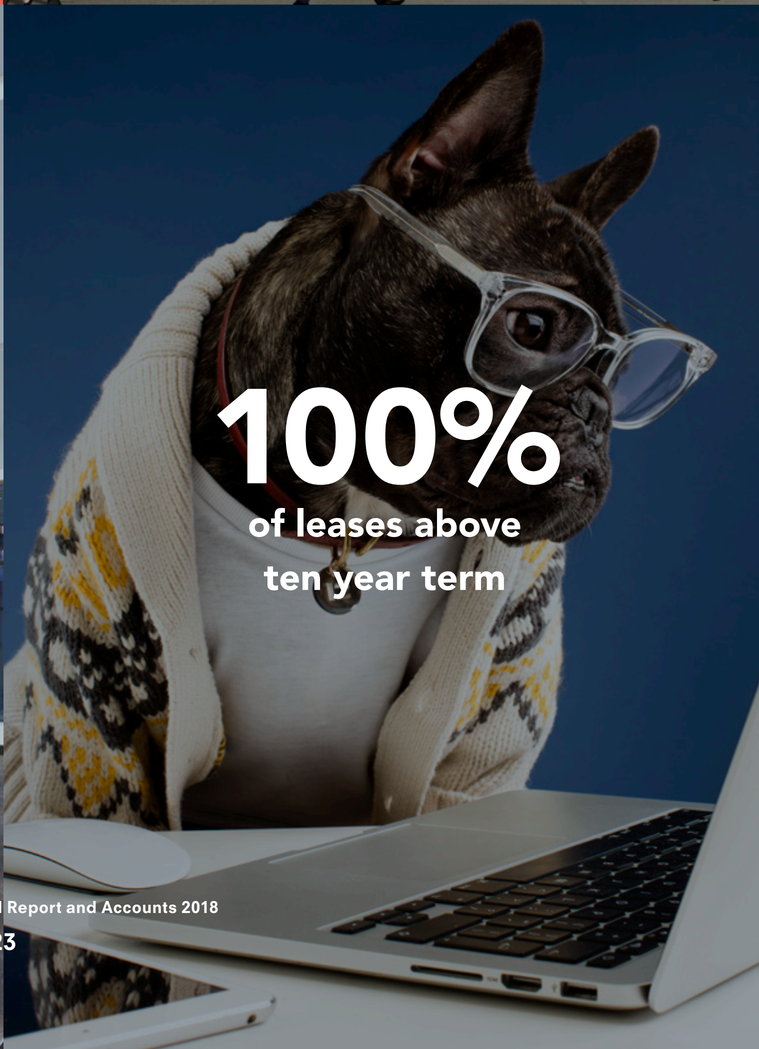
http://www.1012hg.com/12-hammersmith-grove

Attracting strong brands


£170 MILLION
GDV
170,000
sq. ft.


First
WeWork
in West London
12 Hammersmith Grove made up
25%
of total office lettings in
West London in 2017


Record rent of
£59 psf


100%
of leases above
ten year term

Our Strategic Objectives

Priority	Overview	Progress
1. GROW PIPELINE of larger mixed-use regeneration projects that deliver superior returns **Portfolio Review p. 36-51**	Our strength is in securing opportunity well where there is a regeneration need, a supportive planning context and an evident undersupply of homes, jobs and amenities. We focus on sites that are too complex for REITs and too mixed in use for housebuilders, where we can generate excellent shareholder return. Our low equity approach allows the de-risking of the development process through forward-sales and forward-funding, enabling us to build a pipeline of larger, more profitable projects through the property cycle.	Progress on delivering fewer, more profitable projects: seven of our projects delivered nearly £60 million of our total FY18 gains. Our biggest contributors all delivered at the top end of guidance. This follows a record year of four major PPP regeneration wins in FY17. We are on two shortlists for major partnership projects with a gross development value of more than £1.5 billion.
2. DRIVE VALUE within our portfolio through an integrated business model **Portfolio Review p. 36-51**	Our focus on complementary regeneration and asset management projects allow us to play to our strengths and commit our existing and future portfolio to overlooked sites where we can create value through planning. We realise value through either development or a sale, using our integrated model to seamlessly transition projects across our portfolio.	Having secured planning for Mill Green in Cannock, our joint venture funding agreement with McArthurGlen gives us the option to retain a 12.5% stake in the development on completion in our investment portfolio to benefit from the long-term potential of this major designer outlet, which we believe will be a top six asset in its class. We have also transferred Caxton Works in Canning Town and Airport House in Croydon into our investment portfolio, to take advantage of their medium to long-term performance potential.
3. DELIVER EXCELLENT RETURNS on a through-cycle basis **CEO's Statement p. 4-8** **Portfolio Review p. 36-51** **Financial Review p. 52-59**	Our business has the capacity to generate consistent returns through the property cycle by maintaining the balance of longer-term PPP projects, shorter-term trading activity and recurring revenue from the investment portfolio. Our specialist platforms enable us to generate additional revenue streams through off-balance sheet activity, allowing us to deliver more projects, using the same resources. We have targeted 12% total return post tax as 'excellent' and aim to deliver this consistently.	We have delivered our 12% post tax total return target this year and are driving the business to continue to deliver excellent returns. This includes strong progress on the realignment of our investment portfolio to focus on regeneration and deliver our target 10% total return. We are increasingly achieving gains through multiple routes. Harwell in Oxfordshire (pages 46 and 47), for example, is contributing both development and investment profits. We are also transferring developed assets into our investment portfolio, such as the commercial elements of of the residential projects at Machine Store and Boiler House at The Old Vinyl Factory, which will be handed back to us on completion.
4. MAINTAIN CAPITAL DISCIPLINE AND EFFICIENCY with a strong Balance Sheet and a rigorous approach to risk **CEO's Statement p. 4-8** **Risk Review p. 28-30** **Financial Review p. 52-59**	We manage an efficient Balance Sheet with appropriate gearing levels and a sizeable cash buffer to mitigate against risks. We do not hold excess capital on our Balance Sheet but use our strong cash flows to reinvest, pay-down debt or return capital to shareholders. This includes paying a supplemental dividend every year since U+I was formed.	We refinanced our Aviva debt facility with revised terms in the period. The facility is now more flexible in its approach to assets so we can more proactively manage our investment portfolio. We also increased our supplemental dividend by 329% (12.0 pence per share in FY18 compared with 2.8 pence per share in FY17), aligning shareholders with the ongoing success of the business.
5. PEOPLE FIRST APPROACH to deliver long-term communities in places where we can add sustainable value **CEO's Statement p. 4-8** **Sustainability p. 60-66** **Governance p. 75**	We are committed to nurturing top talent so we can keep the best people; working with communities on projects that will benefit their daily lives; and retaining close relationships with our partners so we can create quality and sustainable mixed-use places. These close bonds ensure we retain our passion and ambition to keep striving to do better and deliver high quality returns for our shareholders.	At Preston Barracks, our Worthwhile Use project FIELD has created a community of people who have since formed their own company, Leftfield, to continue their work (pages 10 to 12). We also held our first all-employee onsite at Mayfield, Manchester to celebrate the new office and build a shared ambition for the future at this inspirational place (pages 34, 35, 65 and 75). We made three senior hires in the period to support the delivery of our financial objectives.

FY2018 highlights	Future objectives	Key risks
£7 BILLION+ GDV of existing portfolio **£1 BILLION+** GDV added in year	– Increase pipeline of PPP and trading assets that match our risk profile and sustainable regeneration focus across London City Region, Manchester and Dublin to help meet shortfall in quality mixed-use spaces in these core regions – Maintain disciplined approach to new investments. Continued disposal of non-core assets and reinvestment in regeneration focused assets which align with our wider business portfolio and skill set	– Fewer viable investment and development opportunities coming to market – Project delays and associated costs
£6.5 MILLION value creation within investment portfolio through asset management initiatives	– Leverage our core expertise in planning, to secure consents for a number of projects including Mayfield, Landmark Court and Morden Wharf, working with partners and communities to create great places – Drive further value from our existing assets, through proactive management and enhancement – Improve performance of investment portfolio by disposing of non-core assets	– Market risk – Planning risk – Construction risk – Counterparty risk
£48.2 MILLION profit before tax **£379.3 MILLION** basic NAV	– Consistently monitor capital allocation to maintain balance across PPP, trading and investment portfolios – Continue to de-risk development process through forward sales and forward-funding to build pipeline of through-cycle projects, supporting long-term capital efficiency	– Fewer viable investment and development opportunities coming to market – Market risk – Planning risk – Construction risk – Counterparty risk – Funding risk
31.4% gearing **17.9%** cost of debt **17.9 PENCE** total dividend per share declared	– Disciplined approach to surplus cash, to ensure strong Balance Sheet and ability to reward shareholders	– Counterparty risk – Bank funding risk
1 employee onsite **3** new senior hires	– Continue to instil culture and ambition to ensure our core values of imagination, intelligence and audacity are reflected in our approach and the work we deliver	– Loss of talent – Market risk – Loss of key stakeholders

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 (MILLION)

Definition and comment: We deliver development and trading gains as we sell land and assets, where we have added value through improved planning, asset management or development. As such, development and trading gains are a key measure of the Group's success. Our £68.3 million gains mark a record for the Group and are at the top end of our £65-70 million target range for the period.

Remuneration linkage: Development and trading 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 development and trading gains is a key focus. 30% of the Directors' annual bonus is determined by development and trading gains being achieved within the range of guidance given at the start of each financial year.

Gains realised in FY18

£68.3 MILLION

Increase in gains on FY17

95%

KPI:

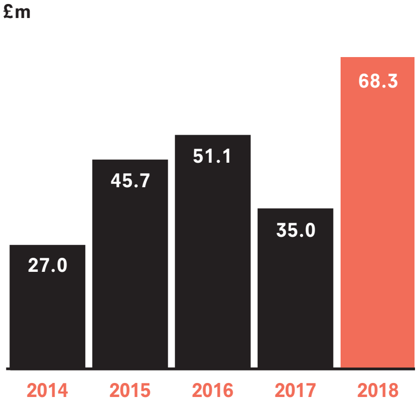
£50 MILLION+

p.a.

£125-150 MILLION+

development and trading gains in next 3 years

+ Read more on p. 40-45 Portfolio Review, p. 96-116 Remuneration Report



INVESTMENT PORTFOLIO TOTAL RETURN (%)

Definition and comment: The investment portfolio total return includes the capital growth and income growth realised during the financial year across our investment assets. The value of our directly owned assets within our investment portfolio was £139.5 million at the end of the year, from £179.2 million in the prior year as we exceeded our £50 million disposals target to focus our portfolio on regeneration. Our asset management initiatives and movement of development assets into the portfolio is making further strong progress.

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.

Value of investment portfolio at FY18

£139.5 MILLION

Value creation from asset management initiatives

£6.5 MILLION

KPI:

10%

p.a. investment portfolio total return

+ Read more on p. 48-51 Portfolio Review, p. 96-116 Remuneration Report

Investment portfolio total return in FY18

10.1%

TOTAL RETURN (%)

Definition and comment: Total return, the growth in our basic net asset value (NAV) including dividends, is the most direct way of measuring returns to shareholders during the year.

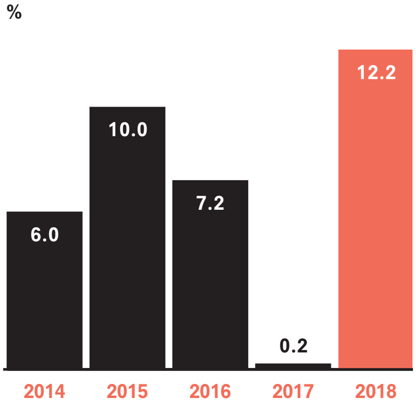
Remuneration linkage: Under the Group's Remuneration Policy, the Directors and all Employee Long-Term Investment Plan (LTIP) is calculated according to a scale of total return targets. As such, total return is considered a key performance measure for the Group.

Total post tax return in FY18
12.2%

Increase on FY17
6,000%

KPI:
12%
p.a. post tax total return

Read more on p. 98
Remuneration Report



GEARING (%)

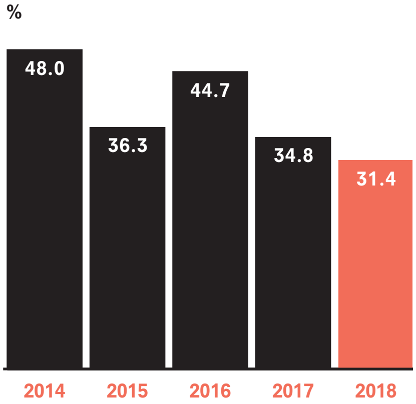
Definition and comment: The Group seeks to maintain a conservative level of gearing appropriate to the size of its Balance Sheet. At certain points in time, the Group's gearing may increase as a result of an increased level of construction debt against specific assets. However, construction finance is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

Although 31.4% gearing is in line with last year's 34.8%, we continue to believe 40-50% is the most efficient range for the business.

Gearing in FY18
31.4%

KPI:
40-50%
gearing on Balance Sheet and 50-60%, including our share of joint venture debt

Read more on p. 57-58
Financial Review



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

Risk management structure

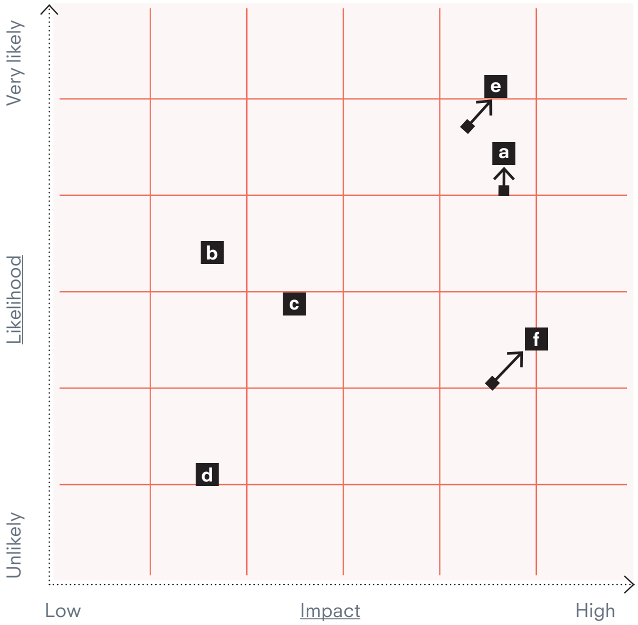
The Group's risk profile is maintained under continual review by its Audit and Risk Committee and by the Board. In addition, the Group has a Risk Management Committee, which oversees the Group's risk register and risk control processes on behalf of the Audit and Risk Committee. The Risk Management Committee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

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

BUSINESS RISK	IMPACT	MITIGATION	RISK EXPOSURE CHANGE YEAR ON YEAR
a. Market risk The real estate market is directly linked to the health of the local and national economies. Lack of economic growth, recessionary conditions or economic uncertainty can translate into the negative sentiment towards, and performance of, real estate.	– Lack of liquidity in market may delay the ability to realise planned disposals or reduce prices, leading to significantly reduced cash inflows. – Higher occupier risk, leading to significantly reduced values. – Lack of occupier demand, resulting in inability to realise gains.	– Risk-averse property development strategy, whereby projects are pre-funded, pre-let, or pre-sold where appropriate. – Long maturities of debt finance facilities. – Moderate level of gearing. – Regular meetings with economic forecasters to gauge economic trends.	↑ The UK economy remains supportive of our activities. However, continuing political uncertainty as the formal Brexit date approaches, together with escalating geopolitical risks, continue to overshadow the market.
b. Scarcity of viable investment and development opportunities The Group's business is predominantly transactional and requires a flow of PPP, trading and investment opportunities to generate consistent returns. The risk is that the flow of suitably priced opportunities either reduces or stops.	– Inability to source new deals leads to decline in development and trading profits in future years. – Higher pricing of acquisition opportunities leads to reduced ability to add value.	– Flexible approach to market opportunities, seeking out sectors where value can be generated and seeking funding partners with different return requirements. – Stringent deal underwriting procedures with minimum return hurdles. – Maintaining broad industry contacts for acquisitions rather than being dependent on a single source of opportunity. – Use of PPP model to secure regeneration opportunities in an innovative way.	→ Opportunities continue to be sourced for development, trading and investment, which satisfy Group underwriting criteria, albeit that the market is running late cycle with yields and house prices at record levels.
c. Counterparty risk Transaction counterparties, be they joint venture partners, purchasers under sale contracts or banks in respect of cash deposits or derivative arrangements, may suffer or fail financially.	– Failure of sales transaction counterparties may lead to an inability to produce trading profits. – Failure of financial counterparties may impact effectiveness of hedging or recoverability of deposits.	– Proof of funding required prior to agreeing sales contracts. – The Board regularly assesses the creditworthiness of financial counterparties prior to placing deposits and hedging transactions. – Substantial deposits are required for pre-sold residential developments.	→ 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.
d. Bank funding risk The pressure on a large number of traditional real estate lending banks to reduce their exposure to real estate reduces the capacity and liquidity within the lending market and can impact upon the availability of debt to deliver business plans.	– Inability to secure funding for new opportunities. – Inability to refinance existing facilities, leading to disposals at the wrong time in business plans and failure to maximise profits. – Unpredictability of cash flows.	– The Group maintains relationships with a wide range of both bank and non-bank lenders, reducing over-reliance on any one partner. – The Group is constantly seeking to widen its range of funding sources and liaises regularly with new entrants into the real estate lending market.	→ 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, as the Brexit date approaches.

BUSINESS RISK	IMPACT	MITIGATION	RISK EXPOSURE CHANGE YEAR ON YEAR
e. Construction risk There is a risk of being unable to secure a viable construction contract, post receipt of planning permission. Real estate construction is subject to the risk of cost overruns, delay and the financial failure of an appointed contractor.	– Reduced profitability or potential loss on individual projects and/or guarantees being called. – Construction work ceasing whilst a suitable replacement contractor is found, leading to delays in project completion and a reduction in profit.	– The Group retains in-house experienced project managers throughout the life of individual projects, to ensure that costs are appropriately budgeted, timetables are adhered to - hence the impact of these risks is minimised. – The Group performs appropriate pre-contract due diligence on the capabilities and financial security of its material contractors and key sub-contractors. – The Group continually monitors the financial position of key contractors to anticipate financial difficulties. – If issues arise with contractors, the Group uses its professional teams and in-house expertise to mitigate the impact. – The Group requires detailed design and specification throughout the tender process to enable it to maximise the risk transfer to contractors. – The Group requires that all construction contracts include provisions for liquidated ascertained damages in the case of performance failures by contractors and that contractors provide performance bonds, typically to a level of 100% of the contract sum.	↑ There continues to be an increase in construction material prices. At the same time, uncertainty over the status of EU nationals working in the UK post any deal between the UK and the EU is leading to the anticipation of construction workforce shortages and increasing labour costs. These are both impacting upon pricing and making the placement of construction contracts more difficult in terms of cost certainty and hence margin. As a result, contractors are increasing pricing on new tenders so as to build in additional contingencies for the losses they have suffered in the last two to three years. This can also lead to a lengthening of tender periods and the need for more detailed design before a viable construction contract can be agreed. The complexity of our projects requires even greater rigour in delivery.
f. Planning risk Procuring appropriate and valuable planning consents is often a key element of value creation through property development. Securing planning permission in a changing political and regulatory environment is a complex and uncertain process, with applications subject to objection from a wide range of potential stakeholders, and hence prone to delay, modification and rejection.	– Failure to secure planning consent can either cause delay or render a project unviable/unprofitable and lead to the write-off of considerable costs or reduced profit potential.	– The Group retains a team with a strong track record of achieving planning consents and an extensive local knowledge, supplemented by advisors and sector specialist partners, to maximise the chance of success and reduce the risks and costs of failure. – An alternative exit strategy is always considered in case of planning failure. – The Group's PPP model seeks to build partnerships with local statutory and planning authorities as a way of mitigating risk.	↑ The ability to obtain clear planning decisions is potentially compromised as key political events, such as elections, approach. The May local elections could see the further fracturing of the political landscape and planning decisions could become the battleground on which these disagreements play out. The financial strain on local authorities is manifesting itself in under-resourcing of planning departments. Taken against a back-drop of ever increasing complexity in both projects and planning regulations, especially in respect of mixed-use schemes with greater density, there is an urgent need to professionalise planning departments. This has been ignored by the 2017 White Paper.

Viability Statement

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

The key drivers in delivering the model are as follows:

– Ability to source a regular supply of new business opportunities which can deliver profits in future years.
– Sourcing debt finance to leverage new business opportunities and refinance existing facilities where appropriate.
– Access to a wide range of capital partners to co-invest in larger schemes and forward fund larger speculative developments.
– Successfully delivering new planning permissions.
– A high-yielding investment portfolio generating a sustainable cash yield to support business activities and 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 28 to 30. 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 with particular emphasis on construction and planning risk.

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 flexing of these assumptions, as detailed below. In particular, consideration was given to the following:

– 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 - hence the only profits that can be generated are from existing schemes.
– Debt facilities were stress-tested to see how much property valuations would need to fall before loan covenants would be breached and how much cash would be required to cure any loan covenant defaults.

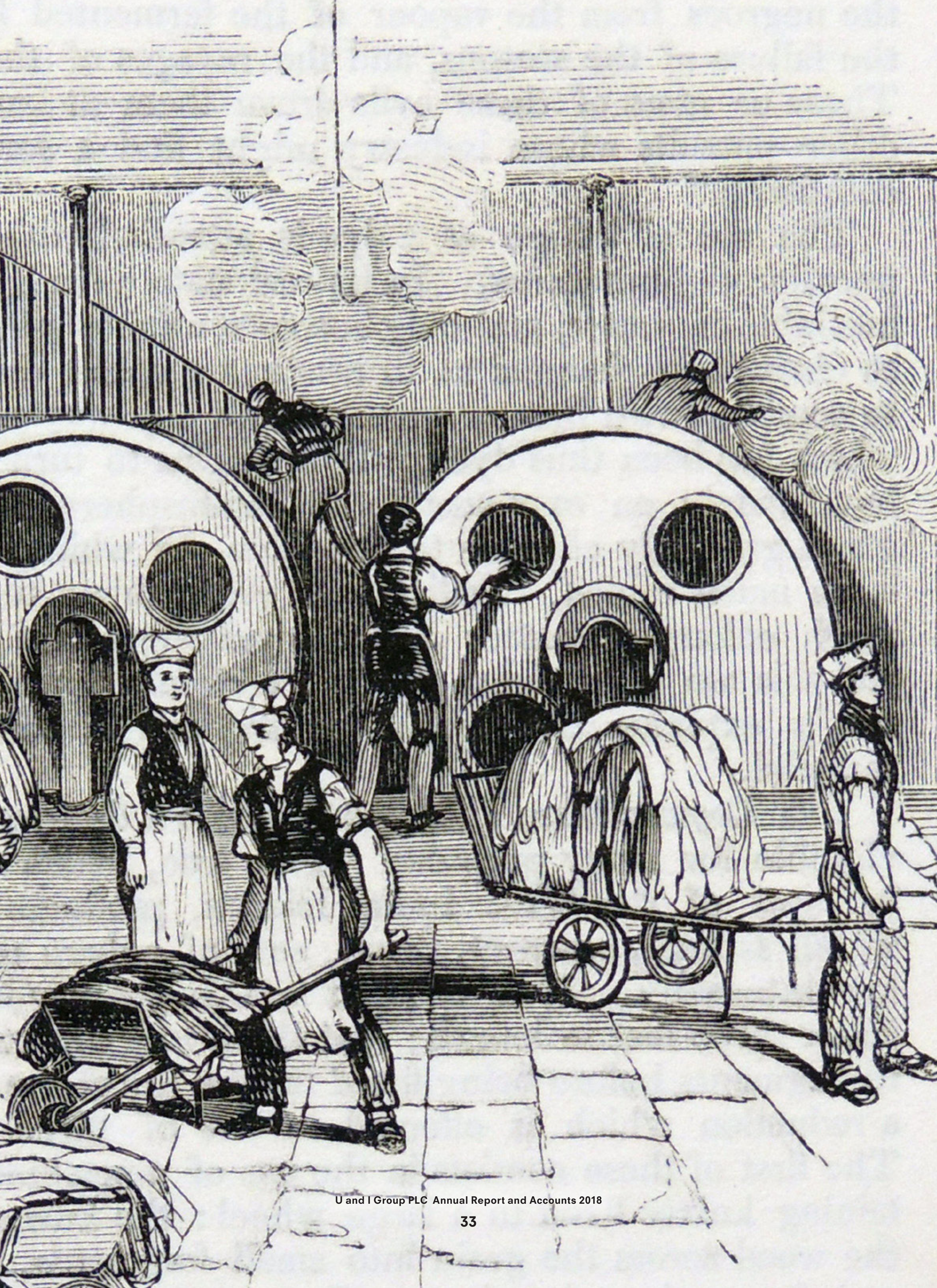
Conclusion
As a result of the work performed above, including the consideration of the key assumptions and the subsequent stress testing, the Board believes that the Group's strategy of maintaining a broad portfolio of development and trading projects, a core investment portfolio and a diverse range 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 2023.

An intimate understanding

To fulfil our purpose, we get to know places intimately, discovering hidden gems from their past to create a combined vision for their future.

Like at Mayfield, Manchester →



AN ILLUSTRIOUS FUTURE BUILT ON AN INDUSTRIOUS PAST

We are privileged to be delivering a transformational regeneration project for Manchester as a member of the Mayfield Partnership. In February 2018 our draft Strategic Regeneration Framework was approved for consultation by Manchester City Council. This marks the start of the public consultation and is our first milestone as we seek to breathe new life into this 24-acre derelict site, creating a thriving £1.1 billion mixed-use neighbourhood, that will deliver a new 6.5-acre urban public park within the city centre, new commercial, retail and hotel accommodation, as well as more than 1,350 homes and community uses.

The story continues online:
http://mayfieldmanchester.co.uk/

£3 MILLION
worth of gifts for 60,000+ children in Key 103's Cash for Kids scheme

24
acre site – equivalent to 12 football pitches

£1.1 BILLION
GDV

1.4 MILLION
sq. ft. of office space

10,000+
new jobs

There's plenty more to come

Richard Upton, Deputy Chief Executive Officer

A year of achievement

We are on a journey that has taken us from merger, to integration, to delivery of the financial performance that we promised our shareholders.

Today's results demonstrate the first fruits of that endeavour. Now we want to continue in the same vein – and we are confident that we will.

Matthew and I are intensely focused on building a great Company for the long-term. That means a Company with purpose; a Company aware of its wider socio-economic responsibilities; and a Company that inspires confidence among its people and its stakeholders internally and externally. That is what gets me out of bed with a spring in my step every morning.

Trusted partnerships driving delivery

Experience and track record provide the strongest of foundations for our future because they have enabled us to build close partnerships with Government, local authorities, landowners and the industry in which we operate. We have deep-rooted personal and corporate relationships everywhere we work.

Such partnerships are not born overnight. They are unique, they are developed over time and they rely on trust – a trust that is earned through the quality of our projects where we deliver positive change and long-term legacies for the communities we work with.

We are **intelligent**, we are **imaginative** and we can be **audacious**, when we need to be. These are our core values. They inform our approach and are ingrained within U+I's culture. We want to be the best at what we do and we know that we can be. Our people are bound together in a shared purpose – to deliver great regeneration projects that generate excellent financial returns for our shareholders and strong societal benefits.

We are determined to keep improving, with consistency at our core – consistent 12% post tax total returns per annum, consistent delivery and consistent quality.

Operating in a growing market

The opportunity is huge. More than 300,000 new homes are needed each year to repair the housing market's gaping supply/demand deficit. Local authorities are under intense pressure to drive productivity from their land assets and U+I is starting to stand out in the industry as best in class. Bricks and mortar are not enough. The built environment needs to support and nurture communities and meet the rapidly evolving lifestyles of today's world.

The need is particularly acute in urban areas, such as London City Region, Manchester and Dublin, our three core regions of focus. The developable land is there, as are the unused buildings, steeped in history and tradition. But we need to unlock their potential through exciting, inspirational mixed-use spaces, created in partnerships and secured through trust, hard work, creativity and passion.

Preston Barracks in Brighton (page 13) exemplifies the power of this approach. Originally owned by the Ministry of Defence, it lay dormant for over twenty years before we approached Brighton & Hove City Council with an idea. Inspired by another of our projects – The Old Vinyl Factory in Hayes – we suggested the creation of an extensive live, work, play, and study environment, enhanced by a focus on entrepreneurs and start-ups.

After five years of negotiation, consultation and partnership, this incredible regeneration project started on site in March 2018 and will deliver hundreds of new homes, student accommodation and an innovation hub for young businesses. The architecture, public realm and landscaping will be

Richard Upton at Deptford Market Yard

astonishing. The project has and will deliver significant profits for the Group. The City Council wins; the community wins, as the site will drive huge socio-economic growth; and shareholders win, as U+I delivers its forecast gains. Everyone wins. That is our model; it is different and it works.

The team, passion, drive and pipeline to keep delivering
Our industry is too often associated with minimising social gain and maximising financial returns. That is not U+I's approach. Our strategy has been forged in the belief that we need to deliver positive outcomes for everyone we touch, if we are to achieve our ambition – to be the best property regeneration developer and investor in the UK. We have an excellent and committed team and a network of great partners to help us to achieve this.

Having secured some of the most exciting regeneration projects in our chosen areas, we have a strong pipeline ahead of us. The opportunities for our Company have never been better and I look forward to continuing to deliver them with the help of all our stakeholders.

Richard Upton
Deputy Chief Executive Officer
26 April 2018

EVERYTHING IS CONNECTED

The U+I portfolio is strategically balanced between longer-term development projects, shorter-term trading opportunities and our investment portfolio. This three-pillar approach is one of U+I's core strengths, providing multiple routes to creating value and a more diverse earnings stream, helping us to mitigate risk through the property cycle.

Our aim is simple but ambitious. We intend to be the best property regeneration developer and investor in the UK, delivering real socio-economic benefit to the communities in which we work and consistent returns for our shareholders.

Each part of the business reflects our core focus on regeneration.

Development and trading

- **Development:** Long-term, large-scale mixed-use regeneration projects that are significant drivers of profit. Often structured as Public Private Partnerships (PPP), these comprise 19% of gross assets, delivering multi-year profit flows.
- **Trading:** Short-term trading opportunities where we buy land and add value through enhanced planning consents and/or asset management. These comprise 49% of gross assets, delivering one to three-year profit flows.

Investment: Provides recurring income to anchor our development and trading activities and added value potential. This comprises 32% of gross assets.

Value creation is at the core of everything we do

Importantly, the whole is greater than the sum of the parts. We harness our ability to buy land well and secure opportunities in areas with a regeneration need. We add value through obtaining planning consents, aligned with active asset management. We then realise value through land disposals and development, mainly for sale but, increasingly, with an element retained within our investment portfolio. This interlinked approach is designed to maximise risk-adjusted returns and deliver consistent, sustainable returns.

We adopt a creative attitude to regeneration, underpinned by our core values of intelligence, imagination and audacity. We concentrate on building a pipeline of fewer, larger projects, where our skills can have the most impact, and we focus on three core regions, where we see the greatest potential: London City Region (places within one hour's commute of London), Manchester and Dublin. The demand is there, the undervalued sites are there and we have the vision, expertise and appetite to transform them into vibrant mixed-use places that will help local communities to thrive.

Public Private Partnership: Long-term, large-scale mixed-use regeneration projects in partnership with public and private bodies. Equity light, these are undertaken with a public-sector landowner, who seeds the partnership with land. This means low upfront capital requirements for U+I. We capture value through development margin, as we deliver the amenities, offices, homes, jobs and public assets that communities need, and which resource-poor local authorities would otherwise struggle to deliver alone.

Trading: Short-term trading opportunities where we apply our expertise in sourcing and buying undervalued land and buildings, creating value through enhanced planning consents, change of use or asset management. Our relationships and understanding of the market allow us to focus on opportunities where terms of trade are in our favour and we can realise value efficiently.

Investment: This is a recurring revenue, achieved by acquiring assets with a regeneration focus, that will deliver a sustained yield. We seek out sites that we believe have been overlooked, and add value through smart asset management. At times, we develop a site and drive value by bringing it into our investment portfolio, where we can nurture it over time. Alternatively, we find sites with longer-term regeneration potential, that can potentially feed our development pipeline.

Worthwhile Use: From day one of securing a site, we use our spaces and places to add value to communities, hear their views and create benefits that last. Benefits such as risk-free opportunities for independent businesses to grow and develop, cultural experiences, and places to meet, eat, drink, have fun and try new things. This positive change rooted in the local community allows us to understand their needs and frame our projects around these.

DEVELOPMENT AND TRADING PORTFOLIO
DELIVERING A RECORD YEAR

"These results endorse the ambition we set ourselves from the start: to create a strong business with a unique culture, a clear focus on regeneration and – above all – a commitment to delivering consistent long-term value for shareholders and the communities in which we operate."

In summary:
We have had a record year and we believe that we have the business model, track record, passion and team in place to consistently deliver on our KPIs.

We have:

- A clear and focused strategy aligned with political and social trends in regions with strong growth potential;
- A growing pipeline and visibility on delivery of gains for the next ten years;
- A trusted relationship with the public sector creating barriers to entry for others;
- An excellent and committed team and a network of great partners.

£68.3 MILLION
Development and trading gains

£45-50 MILLION
gains targeted for FY19

£7.0 BILLION+
GDV of current pipeline

We made significant progress across our development and trading portfolio, achieving record gains of £68.3 million in 2018. This is towards the top end of our guidance of £65-70 million, underlining the year as a period of delivery and growth.

Within our development portfolio our efforts are yielding tangible results, as we realise value from some of our pipeline and advance more recent PPP project wins.

In Brighton, we are making a real contribution to the urban environment. In December 2017, we secured planning consent and in February 2018 completed the purchase of the Preston Barracks site, a crucial step for a project that will allow us to deliver one of the largest mixed-use regeneration schemes in the city. With £200 million of gross development value, our project will create 369 homes, 534 student beds and a 50,000 sq. ft. innovation hub for start-up businesses. The scheme will create over 1,500 new jobs and bring more than £280 million into Brighton & Hove's economy over the next ten years. The sale of the student element of the scheme in February 2018 allowed the project to come forward and site preparation works are now well underway. A case study for the project can be found on page 13.

We have also begun construction at Circus Street in Brighton (page 63), having secured funding for this £130 million regeneration project, which will turn a derelict former market into an exciting new destination in the heart of the city. With 142 new homes, 450 student bedrooms, 30,000 sq. ft. of new office space and workshops for creative new businesses, the scheme will inject £200 million into the local economy over the next decade.

At 12 Hammersmith Grove, London, we delivered gains of £11.3 million, having successfully let 100% of this modern, flexible, 170,000 sq. ft. Grade A office space. Highlighting the appeal of this development, the building was sold by our partners, Aberdeen Standard Investments, in January 2018 (case study on pages 20 to 23).

In Manchester, we are making encouraging progress with our plans at Mayfield, transforming this former rail depot into a new urban neighbourhood in the city, through an ambitious and extensive mixed-use regeneration scheme. The public consultation undertaken for the proposed amendments to the existing Strategic Regeneration Framework has demonstrated wide support for our plans and the scope of the project has increased, such that its gross development value has risen from £850 million at the outset to £1.1 billion now. Read more on pages 32 to 35.

Harwell, Oxfordshire

At Harwell, we realised £6.3 million of gains, as we delivered and let 160,000 sq. ft. of space on this internationally renowned science campus. Harwell exemplifies the benefits that can be gained when the public and private sectors work in true partnership. Spread over more than 700 acres, the site is a commercial and research cluster, grounded by more than £2 billion of world-leading scientific infrastructure.

Working with two Government-backed agencies, U+I is driving the next stage of development at Harwell, through the creation of new office space, laboratories and other state-of-the-art facilities. We also benefited from an investment gain of £4.1 million, as earlier phases of development were revalued to reflect the increased critical mass of the scheme. We expect Harwell to be a continued driver of gains as the next phases of development are brought forward. Read more on pages 46 and 47.

Our industry is dynamic and timings can change, depending on a wide range of factors and the actions of key stakeholders. In recognition of this, our business model is to remain agile and flexible so that we can maximise opportunities as and when they arise. In 2018, for example, we realised a material gain from the sale of our investment in a regional, strategic land business, Barwood Development Securities Limited. Whilst the business could have produced a steady flow of gains over several years, we felt that an immediate sale of our holding, generating a £5.0 million gain, more than offset the potential gains over the longer term.

At St Mark's Square in Bromley we set aside a full £7.5 million provision in the year due to delays resulting from the size and complexity of the basement and façade works, all of which inevitably extended the construction programme. Once completed later this year, St Mark's Square will regenerate and transform a major part of Bromley town centre.

The Old Vinyl Factory, Hayes

We remain committed to building our PPP pipeline, with a clear focus on substantial, high quality, value-enhancing projects. There is no shortage of opportunities. Both public and private-sector landowners are looking for ways to realise value by making their, often urban, real estate work harder. The resultant trend towards higher density mixed-use living plays to our core regeneration strengths.

We are currently pursuing a number of exciting prospects in Dublin and London City Region and are on two shortlists, with a combined gross development value of more than £1.5 billion.

This PPP approach has significant attractions. It is equity efficient as our partners typically seed projects with land, while we apply our planning and development expertise. This allows us to spread our risk across projects at various stages of the development, committing a maximum of £20 million to any one project. In a further evolution of our business, we are increasingly able to charge management fees on larger regeneration projects such as Mayfield (pages 32 to 35). This helps to cover our overhead commitment to a project ahead of development activity taking place.

Trading pipeline provides shorter-term gains
To balance our major regeneration opportunities, we maintain a shorter-term trading pipeline. This gives us a more tactical focus as we buy land well and add value through planning and/or asset management. In the year, we generated gains of more than £45 million in this area.

At Blackhorse Road in Walthamstow, London (page 62), we made a significant disposal, after securing planning permission, delivering £10.3 million in gains, using just £2.1 million of equity in two and a half years.

In Ashford, we have secured planning for a significant mixed-use development on a brownfield site. This will inject renewed life and vigour into this strategically located town and realise gains of £2.8 million on disposal of the site to a housebuilder.

As part of our focus and commitment to Ashford, in January 2018 we purchased the Kent Wool Growers site, and we will now seek planning for 250 homes, to further cement our reputation in this vibrant commuter location. This transaction underlines our ability to buy well in locations adjacent to our existing developments, capitalising on the trust and reputation earned in an area.

At The Old Vinyl Factory in Hayes, the sale of the residential plot at The Machine Store and the Group's retained interest in The Cabinet Building realised a combined gain of £3.4 million.

In terms of other trading projects, our joint venture project at Kensington Church Street in the Royal Borough of Kensington and Chelsea did not obtain planning consent at a Planning Committee meeting in January 2018. This was notwithstanding an officer's recommendation for approval and strong support from the GLA through a Stage 1 sign-off. The recent call-in of the scheme by the GLA underlines the quality of the project and the sizeable regeneration benefits it would bring. We look forward to the Mayor of London's assessment of the scheme later this year.

Our exit from Bryn Blaen Wind Farm has progressed. We made a strategic decision not to sell the project during the year, in the strong belief that we could realise more value by extending our timeline, having built out the site during the year and submitted the requisite paperwork to secure valuable subsidies. We also expect to realise profits from this and our two other wind farms, Rhoscrowther and Hendy, in the coming financial year. Although wind farms are not core to our future strategy, they leverage our planning and development experience and will enable us to make a significant margin on an equity efficient basis.

A summary of our realised gains and losses in 2018 can be found below:

PROJECT NAME	VALUE TRIGGER	PREVIOUS GUIDANCE	REALISED GAINS
Preston Barracks, Brighton (Makerfield) Read more on p.13	Planning approved in December 2017. Completed sale of student accommodation element of £200 million gross development value regeneration scheme.	£8-10 million	£11.5 million
12 Hammersmith Grove, Hammersmith Read more on p.20-23	Secured 100% lettings, triggering profit.	£9-11 million	£11.3 million
Blackhorse Road, Walthamstow	Secured planning in October 2017 and subsequently sold for a £130 million mixed-use regeneration project in December.	£7-10 million	£10.3 million
Charlton Riverside, Greenwich*	Operational gain and valuation uplift following planning re-designation.	N/A for FY18	£7.5 million
Mill Green, Cannock	Joint venture with McArthurGlen consortium to fund the development of this £160 million 26,500 sq. m. designer outlet centre. Transaction includes the option for U+I to retain a 12.5% stake in the development on completion.	£5-6 million	£7.4 million
Harwell, Oxfordshire* Read more on p.46-47	Development and letting of 160,000 sq. ft. of accommodation.	N/A for FY18	£6.3 million
Barwood Development Securities Limited	Sold regional land promotion business.	£4-5 million	£5.0 million
The Old Vinyl Factory, Hayes	Sale of a retained interest in The Cabinet Building and sale of residential site at The Machine Store.	£2-3 million	£3.4 million
HCA, Ashford	Having already secured planning permission, site sold for major regeneration scheme in Ashford town centre.	£3-4 million	£2.8 million
Other (12 projects), various	Planned sale of smaller legacy projects <£2.5m each in value.	£15 million	£10.3 million
St Mark's Square, Bromley	A full provision due to delays resulting from the size and complexity of the basement and façade works and the inevitable extension to the construction programme.	N/A	(£7.5 million)
Wind Farm Projects*	Bryn Blaen project delayed. Expected to realise in FY19.	£6-8 million	N/A for FY18
Kensington Church Street, London*	Planning consent not obtained. GLA has called in scheme for Mayor of London's assessment.	£6-10 million	N/A for FY18

* Held in joint venture

The major projects for FY19 supporting our targeted £45-50 million development and trading gains include those listed below. We have the agility in our portfolio to flex this mix of projects where appropriate.

PROJECT NAME	VALUE TRIGGER	TARGETED GAINS
Bryn Blaen Wind Farm, Wales*	Trading: Surplus arising from disposal.	£6-8 million
Charlton Riverside, London*	Trading: Completion of sale.	£2-4 million
Curzon Park, Birmingham*	Trading: Vesting of land under CPO.	£4- 7 million
Harwell, Oxfordshire* **Read more on p.46-47**	PPP: Profits from further phases of development.	£4-6 million
Kensington Church Street, London*	Trading: Surplus arising from either development of the site (post planning) or from sale of our interest.	£5-7 million
Mixed-Use Scheme A, London City Region	Trading: Post planning consent being obtained, funding or sale of retail-led mixed-use scheme.	£3-5 million
Preston Barracks (Makerfield), Brighton **Read more on p.13**	PPP: Surplus arising from either development or disposal of the residential element of the site.	£2-3 million
Wind Farm Projects	Trading: Post-planning consent being obtained, funding or sale of Rhoscrowther and Hendy wind farms.	£10-12 million
Other (8 projects)	Various smaller projects individually contributing <£3.0 million.	£9-12 million

* Held in joint venture

The next chapter of scientific research

At every stage of a project, we unlock social and cultural, as well as financial and economic value, now and into the future.

Our Harwell project shows this in action.

Harwell is an internationally renowned science campus. Located just outside Oxford, it is at the centre of Government's industrial strategy for innovation.

U+I is working with the Science and Technology Facilities Council (STFC) and the UK Atomic Energy Authority (UKAEA), in a joint venture with Oxford Partners, to develop this former RAF site into one of the world's foremost research and innovation campuses.

New state-of-the-art buildings, homes and community areas will create a thriving space expected to deliver over £1 billion Gross Value Added every year, driving job creation and economic growth both locally and nationally.

This 710-acre commercial science and research cluster is steeped in 70+ years of history, responsible for world-changing progress across life sciences, space, energy, supercomputing and big data. Home to the Vulcan laser and the Diamond Light Source synchroton, Harwell focuses on groundbreaking innovation and R&D.

6,000+
people

225+
organisations

60+ YEARS
world-changing innovation

£264 MILLION
Government investment into Harwell in 2017

1
laser a billion times hotter than the sun

C.£2.3 MILLION
current rental income

The story continues online: https://www.harwellcampus.com/

“HARWELL IS A PLACE THAT MATTERS GLOBALLY”

Magali Vaissiere, Head of the European Space Agency’s European Centre for Space Applications and Telecommunications

INVESTMENT PORTFOLIO
CONTINUING TO DELIVER TRANSFORMATION

"Where we are involved in transformative regeneration projects, we are increasingly choosing to retain elements to transfer into our investment portfolio where we see longer-term value."

In summary:
The alignment of the investment portfolio with our regeneration focus is progressing well, reflected in reaching our 10% total return target.

- Good progress on our disposals strategy, exceeding our £50 million target of non-core assets
- Continuing to add value through asset management initiatives
- Bringing quality regeneration assets from our development portfolio into our investment portfolio presents opportunities to maximise value creation

6.3%
average premium above book value of disposals

£50 MILLION
new assets targeted in FY19 (including retained assets from development portfolio)

£6.5 MILLION
added value through asset management initiatives

Regeneration is at the core of our business and, as we have previously stated, we are realigning our investment portfolio in accordance with that focus. At the beginning of the year, therefore, we set a target of £50 million from the disposal of non-core assets, which do not have a regeneration focus. We exceeded that target, achieving sales of £53.2 million and an average premium above book value of 6.3%. Our disposals were largely made up of legacy or mature assets, as we moved to create a more dynamic portfolio. At the year end, the investment portfolio was valued at £139.5 million (2017: £179.2m). We are targeting an initial further £25.0 million of non-core disposals in FY19.

During the year, we disposed of our holding in Kingsland Shopping Centre in Thatcham through two transactions: selling the Waitrose anchor store to long-term capital and the remaining retail units to a specialist retail asset manager. By splitting the asset, it allowed us to realise greater value, securing a combined sale price above book value at a blended yield of 5.9%.


12 Hammersmith Grove, London

The Old Vinyl Factory, Hayes

We also sold the Waitrose anchor store at Ringwood but retained the associated units at this popular, convenience-led shopping centre. This will allow us to realise further value through future asset management potential, while continuing to benefit from the footfall from the Waitrose store.

As part of our core strategy, the proceeds from these disposals will be reinvested into assets with a regeneration focus, supporting our wider development and trading portfolio and maximising value creation.

Closer portfolio alignment – capturing further value from regeneration

We are driving through the transition of our investment portfolio from a more passive, sector investment, which historically delivered 5-8% returns, towards alignment with our regeneration expertise and total returns targeted at 10% plus per annum. This has started with our investments at Caxton Works, Canning Town; Airport House, Croydon; as well as the option to retain a stake in the completed development at Mill Green, Cannock.

Mill Green in Cannock highlights the advantages of forging closer connections across our business. Our planning and regeneration expertise, combined with our collaboration with the local community, helped us to secure planning consent to develop a 35-acre greenfield site and deliver a 26,500 sq. m. designer outlet village. During the year, we entered into a joint venture funding agreement to partner this project with retail outlet expert, McArthurGlen.

The scheme is expected to be a top six UK asset in its class. Located in an underserved catchment close to Birmingham, it is expected to prove extremely popular as a local and destination attraction. As part of the transaction, we secured the option to retain a 12.5% stake in the development on completion within our investment portfolio – a unique opportunity, with material value-generation potential.

We have pursued a similar longer-term, value-enhancing model at Caxton Works in Canning Town, where we expect to see further gains as the scheme leases up over the course of the next twelve months. During the year, we also transferred our co-working office building at Airport House in Croydon into our investment portfolio. We acquired this asset for £7.8 million in 2010 as a trading deal. Through refurbishment and further asset management initiatives, we have increased the occupancy from 54% at the time of acquisition to 95%, as well as driving up rents. The building was valued at £13.0 million on 28 February 2018. We have chosen to retain Airport House in our investment portfolio as we expect to see further value from this well-located asset, alongside a high running income yield (7.5%). These two assets equate to £15.1 million of value and Cannock would represent a further circa £6-8 million of investment which will be held at cost until practical completion.

Acquisitions and disposals – at the right time

We continue to monitor suitable acquisition opportunities with a focus on regeneration, where we can add value through proactive asset management, refurbishment and development. This is an integral part of our investment strategy and is subject to disciplined investment criteria. In the current environment, we believe it is in shareholders' interests to remain true to our underwriting criteria and delay further open market investment acquisitions until pricing becomes more favourable. We are targeting £50.0 million of new assets in FY19, including retained assets from our development portfolio.

Our disposals and larger gains from asset management initiatives in FY18 are outlined below:

PROJECT NAME	OVERVIEW	VALUATION
Atlantic Village, Bideford	Outlet centre anchored by Nike, M&S and Gap.	Sold for £13.0 million, 2.4% above valuation; yield of 8.25%.
Denmark Street, Altrincham	Sale of cinema and two restaurants.	Sold for £4.4 million, 9.0% above valuation; yield of 7.45%.
Kingsland Shopping Centre, Thatcham	Sold Waitrose anchor retail outlet in two elements.	Sold for combined £16.1 million, 1.6% above valuation; blended yield of 5.86%.
Killingworth Centre, Newcastle	Sale of McDonald's and KFC at auction.	Sold for £1.9 million, 18.8% above valuation; yield of 6.03%, generating £0.4 million of added value.
	Sub-division of Matalan unit to create space re-let to Home Bargains.	£2.3 million asset management gain from sub-division.
Furlong Shopping Centre, Ringwood	Sold Waitrose retail store.	Sold for £17.3 million, 10.14% above valuation; yield of 4.99%, generating £1.6 million of added value.
	Upsizing retailers and re-letting activity.	£0.3 million asset management gain.
Harwell, Oxfordshire	Rent review at Element 6 and letting at Genesis Building.	£1.7 million asset management gain.
Vicus, Manchester	Removal of break clause in restaurant lease.	£0.3 million asset management gain.

Key statistics	FY18	FY17
Portfolio value	**£139.5m**	£179.2m
Valuation change	**£(2.4)m**	£(9.5)m
Number of assets held	**16**	18
Value of disposals	**£(53.2)m**	£(18.0)m
Initial yield in the period	**6.2%**	6.6%
Contracted rental value	**£8.9m**	£12.7m
Estimated rental value	**£10.7m**	£13.7m
Voids	**7.9%**	4.7%
Equivalent yield	**8.3%**	7.5%

Specialist platforms

Our specialist platforms are currently focused on two areas of the market, where we believe that we can add substantial value: office refurbishments in partnership with Colony NorthStar and strategic land in partnership with Proprium Capital Partners. There are six projects in total across the platforms: The Record Store (The Old Vinyl Factory, Hayes), Ballymoss House (Dublin), Carrisbrook House (Dublin) and Donnybrook House (Dublin) with Colony NorthStar; and Charlton Riverside (Greenwich) and the Mecca Bingo unit in Wood Green with Proprium Capital Partners.

At Charlton Riverside, the value of our assets increased by £6.9 million following the adoption of the Charlton Riverside Masterplan, thereby allocating the area as suitable for residential-led development. Since the year end we have crystallised further gains at the top end of guidance through the sale of the site to a Housing Association.

We acquired Carrisbrook House in Ballsbridge, Dublin, in August 2017. Well located in the heart of Dublin 4, the property has been neglected in recent years and has significant upside potential. A planning application has been submitted and we intend to realise value through transformation of the building.

At Ballymoss House and Donnybrook House, work is underway to refurbish the buildings. We aim to complete Donnybrook House in June 2018, with Ballymoss House following in 2019. Combined, these three buildings will give us c.150,000 sq. ft. of refurbished office space coming to market over the next 12-18 months. Dublin remains an undersupplied market benefiting from both US and UK demand as well as its indigenous market.

Our appointment of Eoin Condren to lead our joint venture offering underlines our determination to realise value in this area. Having spent a decade in the real estate investment industry, Eoin will drive our joint venture partnerships, as we seek to source and execute acquisitions in our core geographies.

He will look to expand our capital partner relationships, assessing where we might aggregate elements of our existing pipeline to further capitalise on our operational leverage and maximise funding efficiency.

Top five occupiers as at 28 February 2018

	Annual rent £'m	% of contracted rent
1. Matalan	0.54	6.1
2. J Sainsbury	0.49	5.5
3. Ricardo-Aea Limited	0.39	4.4
4. Wilkinson	0.28	3.2
5. Specsavers	0.20	2.3

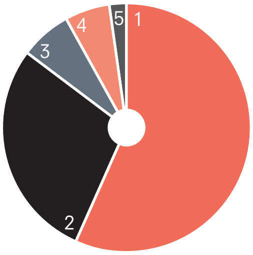
Income generating properties–Like-for-like rental income received

Year ended 28 February 2018	Property owned throughout the year £'000	Acquisitions £'000	Disposals £'000	Total rental income £'000
Investment	**7,484**	**755**	**3,773**	**12,012**
Development and trading	**1,632**	**–**	**437**	**2,069**
Joint ventures	**2,473**	**289**	**–**	**2,762**
	11,589	**1,044**	**4,210**	**16,843**

Year ended 28 February 2017				
Investment	8,025	–	4,711	12,736
Development and trading	2,003	17	1,341	3,361
Joint ventures	2,342	139	403	2,884
	12,370	156	6,455	18,981

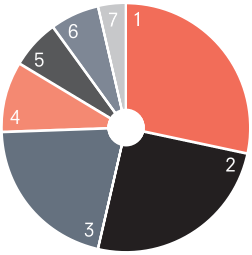
Core investment portfolio–28 February 2018

Gross rental income – tenant profile



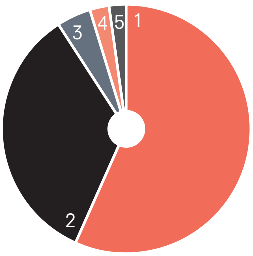
1. PLC/nationals	56.8%
2. Local traders	28.7%
3. Regional multiples	6.7%
4. FTSE 100	5.6%
5. Government	2.2%

Capital value – location profile



1. South East	28.4%
2. South West	25.3%
3. North	20.9%
4. London	9.1%
5. Wales	6.3%
6. Northern Ireland	6.4%
7. Midlands	3.6%

Gross rental income – lease term profile



1. 0–<5 years	56.9%
2. 5–<10 years	34.1%
3. 10–<15 years	4.4%
4. 15–<20 years	2.5%
5. 20+ years	2.1%

It adds up financially

Results for the year

During the year the Group focused on its aim of delivering a record level of development and trading gains whilst at the same time continuing to rationalise the number of smaller, inefficient projects it is involved in and restructuring its investment portfolio.

As can be seen below we have successfully achieved what we promised.

	2018	2017
Development and trading gains	**£68.3m**	£35.0m
Basic net asset value (NAV)	**£379.3m**	£347.6m
Basic NAV per share	**303p**	278p
Total declared dividends per share	**17.9p**	8.7p
Profit/(loss) before tax	**£48.2m**	£(1.7)m*
Total return	**12.2%**	0.2%
Balance sheet gearing	**31.4%**	34.8%

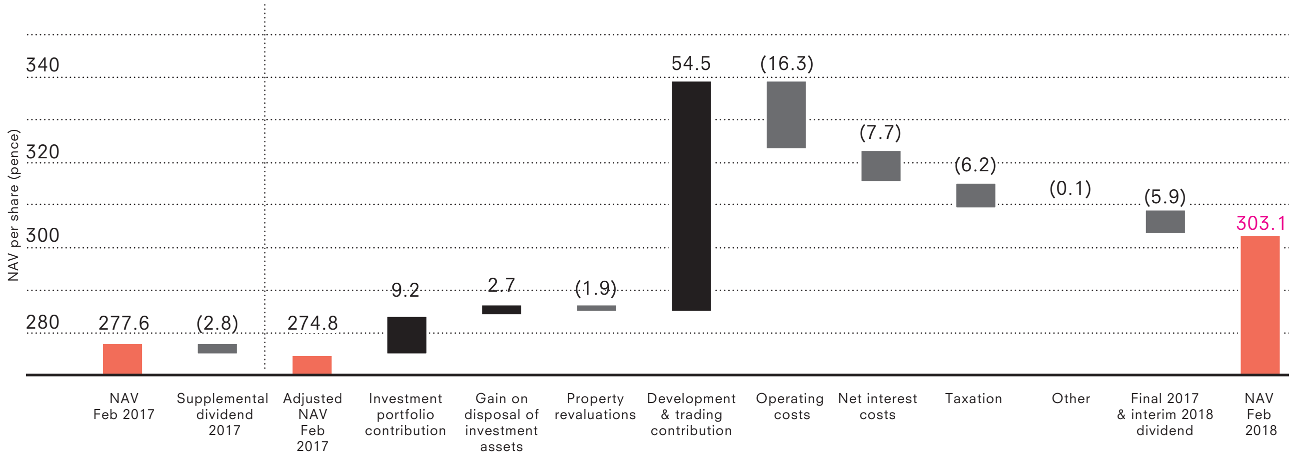
* After exceptional loss of £2.1 million

Marcus Shepherd, Chief Financial Officer

The profit before tax for the year to February 2018 was £48.2 million (2017: £1.7 million loss), after generating a record level of gains of £68.3 million, in line with our guidance.

In addition, we also achieved our target capital return on our investment portfolio of £5.0 million, as well as disposing of £53.2 million of non-core assets. We are now actively seeking opportunities to reinvest in assets which are focused on our expertise in regeneration and planning.

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



Development and trading gains

During the year, we realised a total of £68.3 million of net development and trading gains. The key components of these gains are:

- £11.5 million – Preston Barracks: disposal of student accommodation scheme.
- £11.3 million – 12 Hammersmith Grove: profit share on letting of office building.
- £10.3 million – Blackhorse Road: sale of consented residential scheme.
- £7.5 million* – Charlton Riverside: operational gain and uplift in value reflecting designation of the site as a strategic regeneration area.
- £7.4 million – Cannock: sale of consented designer outlet village.
- £6.3 million* – Harwell: operational gain and uplift in values following the completion and letting of three buildings.
- £5.0 million – Barwood: profit on disposal of interest in regional land promotion business.
- £3.4 million – The Old Vinyl Factory: disposal of The Machine Store consented residential scheme and interest in the Cabinet Building.
- £2.8 million – Ashford: disposal of consented residential scheme.
- £2.2 million – Avid Building: disposal of consented residential scheme in Dublin.
- £1.9 million – Telegraph Works: disposal of ten townhouses.
- £1.8 million – Southwark: disposal of vacant office building and five flats.

* These gains represent U+I's share of gains on assets held in joint venture arrangements with significant capital partners

In addition to the above, approximately £4.4 million of gains were realised from a number of smaller projects as we continued our policy of rationalising the number of projects we have.

In total the Group has delivered project gains of approximately £75.8 million during the year before provisions.

In respect of our project at Bromley, we set aside a full £7.5 million provision in the year due to delays resulting from the size and complexity of the basement and facade works all of which inevitably extended the construction programme. The provision comprises of the following components:

- £3.1 million+ – allocated fair value uplift of the scheme as part of the acquisition of the Cathedral Group in 2014.
- £4.4 million – anticipated irrecoverable costs.

Once completed later this year, St Mark's Square will regenerate and transform a major part of Bromley town centre.

+ The total fair value adjustment on acquisition of the Cathedral Group was allocated across all of the acquired schemes in 2014 based upon the anticipated profitability and risk of each scheme at that point in time. Other schemes acquired, such as Telegraph Works and Preston Barracks, have generated profits significantly in excess of those projected at the time of acquisition

Development and trading gains can be analysed as follows:

	2018 £m	2017 £m
Included in segmental analysis:		
Development and trading segment result	**48.4**	28.5
Share of results of joint ventures	**13.0**	3.0
Sale of investments	**6.8**	0.6
Other income	**0.1**	0.7
Included in net finance costs:		
Interest from financial asset	**–**	1.1
Other asset realisations	**–**	1.1
	68.3	35.0

Overheads

During 2018 we succeeded in our aim of realising 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, fees from our specialist platforms with Colony NorthStar and Proprium Capital Partners were the major contributors 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 2018 comprised:

	2018 £m
Group overheads	**24.2**
LTIP charge (net)	**(1.8)**
	22.4
Income from specialist platforms	**(2.1)**
Net recurring overheads	**20.3**

Net finance costs

Net finance costs for the year of £9.7 million (2017: £10.8 million) include a foreign exchange deficit of £1.4 million (2017: £3.4 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 2018 was a gain of £0.3 million (2017: £3.0 million gain). The net impact of these movements on NAV during the year was £1.1 million loss (2017: £0.4 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.

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

- Successful restructure of our long-term investment facility with Aviva, delivering a more flexible facility and an annualised saving in finance costs of circa £1.0 million.
- Following the disposal of Kingsland Shopping Centre from our investment portfolio we have repaid the £28.0 million Lloyds Bank facility.
- Two Irish bank facilities were repaid following disposals of trading assets.
- To enable the build out of the Bryn Blaen wind farm, we entered into a £24.0 million joint venture loan facility with Close Brothers.

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

Group's bank facilities

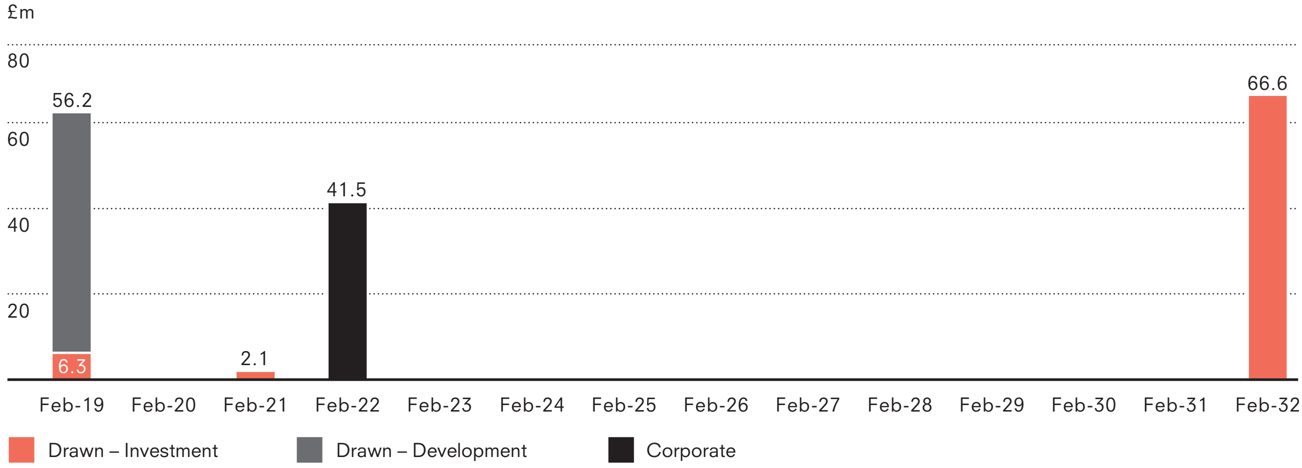
Facility type	Notes	Total facility	Utilised as at 28 February 2018 £'000		Interest rate	Maturity	Loan to value ratio	Interest[1] cover ratio	Minimum[1] net worth £'000
							Principal financial highlights		
Loans financing longer-term assets									
Term loan		£12,000	6,276		Cap	05-Jan-19	50%	200%	–
Term loan	3	£10,580	10,580		Variable	10-Jan-20	73%	160%	–
Term loan		£2,795	2,105		Variable	22-May-20	–	–	–
Loan notes	2	€47,000	41,483	~	Cap	24-Apr-21	–	–	–
Term loan		£66,667	66,589		Fixed	5-Dec-32	75%	125%	–
Loans financing development and trading assets									
Term loan	3	£4,900	4,900		Fixed	16-Nov-18	–	–	–
Term loan		£30,750	20,398		Fixed	25-Nov-18	70%	–	–
Term loan	3	£24,113	22,901		Variable	13-Dec-18	–	–	–
Term loan	3	£26,000	25,250		Cap	31-Dec-18	60%	125%	100,000
Term loan	4	£9,500	10,167		Variable	31-Jan-19	–	–	–
Term loan	4	£26,000	25,692		Fixed	31-Jan-19	–	–	–
Term loan	3	£44,100	41,043		Fixed	24-Feb-19	–	–	–
Term loan	3	€22,045	8,502	~	Fixed	18-Nov-19	–	–	–
Term loan	3	€20,125	11,095	~	Fixed	06-Jan-20	–	–	–
Term loan	3	£11,300	11,300		Variable	28-Oct-20	55%	150%	–
Term loan	3	£5,610	5,440		Cap	31-Mar-21	60%	175%	–
Term loan	3	€14,000	12,357	~	Variable	08-Aug-21	–	–	–
Term loan	3	£40,025	31,917		SWAP	03-Apr-22	65%	175%	–

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
3. Loans relating to joint ventures represent the total loan facility and not the Group's share
4. This facility has the provision to allow interest to be rolled into the loan

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

Debt maturity profile

The chart 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%.
- Medium-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 2018**	26 Apr 2018	28 Feb 2017
Gearing (excl. share of JVs)	40-50%	**31.4%**	23.8%	34.8%
Gearing (incl. share of JVs)	50-60%	**50.5%**	43.8%	47.4%

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 FY17.

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:

		2018	2017
Group net debt and gearing:			
Gross debt	£m	**(171.2)**	(172.1)
Cash and cash equivalents	£m	**52.1**	51.3
Net debt	£m	**(119.1)**	(120.8)
Net assets	£m	**379.3**	347.6
Gearing	%	**31.4**	34.8
Weighted average debt maturity	years	**7.0**	4.8
Weighted average interest rate	%	**4.7**	4.6
Including joint ventures:			
Share of net debt in joint ventures	£m	**(72.7)**	(44.0)
Gearing	%	**50.5**	47.4
Weighted average debt maturity	years	**5.4**	4.2
Weighted average interest rate	%	**5.2**	4.9

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

During the year, the Group has created considerable value in two of its most important joint ventures:

- At Harwell we are partnered with the STFC and Harwell Oxford Partners on the 700-acre Harwell Campus, an internationally renowned science campus. During the year we have successfully completed the letting and development of three buildings and let over 160,000 sq. ft. of space to, amongst others, the Nuclear Decommissioning Authority and Oxford Space Systems. During the year this has generated both £6.3 million of development and trading gains and an investment valuation uplift of £4.1 million in respect of the Group's holding.
- At Charlton Riverside, we are partnered with Proprium Capital Partners. The designation of the sites as a strategic regeneration area during the year has resulted in a third party, independent valuation at the year end of £50.0 million, delivering a revaluation gain to the Group of £6.9 million.

The Group's joint ventures and associates are analysed in more detail in note 13 on pages 162 to 168 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 and if necessary after prior consultation with the relevant tax authority. Those findings are recorded in any relevant structuring document;
- The maintenance of good relationships with tax authorities and a clear interaction between tax planning and the Group's wider corporate reputation and responsibility; and
- Management of tax affairs in a manner that seeks to maximise shareholder value whilst operating within the parameters of existing tax legislation.

For 2018 the underlying tax rate, including deferred taxes, was 16.51%. The Group's tax rate is sensitive to both geographical location of profits and business activity from which the profits are derived. It is anticipated that future years will see an increase in the effective tax rate following legislative changes announced in the 2017 Budget and the possible impact of interest deductions in line with OECD's Base Erosion Profit Shifting (BEPS) Action Point 4.

The Group has made a provision of £1.0 million relating to an open HMRC enquiry into historical tax losses of the Group. The Group has not made any other provisions relating to prior-year events and will only do so when there is a high degree of certainty of an obligation to settle any liabilities.

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 from the financial year.

A final dividend of 3.5 pence per share will be recommended to shareholders at the Annual General Meeting (AGM) on 5 July 2018, to be paid on 17 August 2018 to shareholders on the register on 20 July 2018 (2017: 3.5 pence per share).

On 25 April 2018, the Board approved the payment of a supplemental dividend of 12.0 pence per share, to be paid on 15 June 2018 to shareholders on the register on 11 May 2018.

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 2018, following the disposal of a number of Irish assets during the year, the Group had net Euro-denominated liabilities of €38.7 million (2017: €16.6 million).

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

During the year, the value of Sterling against the Euro has fluctuated reflecting economic uncertainty relating to the UK's decision to leave the EU. The impact on our NAV during the period was a reduction of £1.1 million, which is the net result of a loss of £1.4 million recorded in finance costs in the profit and loss account and a gain through reserves of £0.3 million.

European Public Real Estate Association (EPRA)

Unlike a traditional 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 (57.1%) 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.

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 trading and development gains over the next three years as a more complete picture of the potential value within the Group's projects.

Five-year summary

		2018	2017	2016	2015	2014
Revenue	£m	**173.7**	123.9	242.3	203.7	79.3
Profit/(loss) before taxation	£m	**48.2**	(1.7)	25.8	34.8	19.5
Net assets	£m	**379.3**	347.6	363.3	346.4	320.3
Earnings/(loss) per share	Pence	**32.2**	(2.4)	17.5	26.8	14.9
Net assets per share	Pence	**303**	278	291	276	262

Marcus Shepherd
Chief Financial Officer
26 April 2018

OUR APPROACH TO SUSTAINABILITY

At U+I 'sustainability' means investing in the long-term success of our developments, assets and team.

We are committed to delivering real socio-economic benefits to the communities in which we work and consistent returns for our shareholders.

Sustainability is what can be achieved when we work together. Our approach connects the social and environmental value we create for people, places and communities with long-term financial returns for our investors. It means fostering unique partnerships to secure the socio-economic success of our developments; transforming unloved town centres and brownfield sites into vibrant neighbourhoods; developing resilient assets; and investing in our people.

We tackle our material sustainability impacts within the context of our focus on complex mixed-use regeneration developments, our specialism in PPP projects and the management of our investment portfolio.

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

Mill Green Designer Outlet Village, Cannock

Our community

Maintaining an industry-leading approach to community engagement and delivering the greatest possible social and environmental value across all of our places remains our priority. Connecting people, businesses and places to create dynamic, sustainable communities is at the heart of our development strategy. Done well, regeneration can reinvigorate neighbourhoods by breathing life into underutilised and neglected sites. In so doing, it supports job creation, stimulates local economies and delivers value to our partners.

We take a pioneering approach to community engagement and our track record demonstrates innovation and leadership in this area. We work in collaboration with local people throughout the planning and development process, listening to their concerns and needs, whilst keeping them informed so we can make our projects the best that they can be. Our respect for the history and significance of a location contribute to a sense of place that builds on each site's unique attributes.

Our Circus Street development in Brighton, for example, is turning a derelict former municipal market into an innovation quarter and a powerhouse for regeneration in the city centre. In the process, we are creating a sustainable, productive, healthy model of city life, with new public spaces, a lively, creative atmosphere and a sense of community. The final design will include a dance studio, 142 new homes, accommodation for 450 students and 30,000 sq. ft. of new office space, including workshops and retail units designed to meet the needs of start-up businesses and entrepreneurs. Once complete, we estimate the development will create over 400 new jobs and contribute more than £200 million to the local economy over the next 10 years. Read more on page 63.

This commitment to generate positive socio-economic returns for local communities and integrate novel commercial solutions underpins other flagship developments in our portfolio, such as Mayfield in Manchester (see pages 32 to 35) and Preston Barracks in Brighton (see pages 9 to 13). These projects illustrate our strategy of generating value for our stakeholders from the outset: working with local partners to transform disused areas into creative zones and establish innovative 'Worthwhile' uses which allow us to trial features that can be reflected in the final scheme. This in turn helps us to prove the feasibility of our approach and strengthens our track record of driving sustainable growth and commercially successful projects.

Blackhorse Road, London

Our plans for Blackhorse Road will deliver 337 new homes, 24% of which are affordable, and just under 19,000 sq. ft. of commercial space. Prior to construction works, Blackhorse Road was home to a community project, Blackhorse Sideshow, which we launched in partnership with Blackhorse Workshops. Dedicated to 'making and mending', the installation featured fully equipped metal and wood workshops celebrating the area's industrial heritage, as well as a new café and events space for the local community that attracted more than 6,000 people.

Future Works, Slough

Before we began construction works at our Future Works development in Slough, the site was the home to the pop-up Culture Café, which aimed to support long-term unemployed local people back into work. A partnership with local social enterprise, The Real Experience provided work experience and training in hospitality and broader life skills for 116 people over approximately 18 months. More than 30% have gone into employment and 94% left with at least one industry-recognised qualification.

Our environment

Our commitment to delivering sustainable communities extends to managing and reducing the environmental impact of the places we create. Measures to improve the environmental sustainability of our projects are integrated into our design briefs for development and construction. We take a practical approach, guided by the National Planning Policy Framework and our partners' objectives, which ensures we reflect our stakeholders' priorities while providing a consistent focus on operating responsibly to improve 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. We do not set project-specific environmental performance targets, but we seek to incorporate sustainable solutions and features that minimise environmental impacts and maximise resource efficiencies, such as green rooftop spaces, cycling facilities, photo-voltaic panels, LED lighting, water efficient fittings and integrating developments within existing public transport networks. Increasingly occupiers are looking for more flexible spaces that offer a wider range of lifestyle and experience features. We incorporate health and wellbeing principles into our designs which serve to meet demand, whilst preserving and enhancing asset values.

While many of these initiatives are in line with the requirements of green building certifications such as BREEAM, we target these certifications on a project-by-project basis, such as Circus Street, where we are aiming for BREEAM Excellent, and the Record Store at The Old Vinyl Factory in Hayes, which achieved BREEAM Very Good.

We also investigate opportunities to integrate sustainable product selection and responsible sourcing into our procurement activities, such as FSC certified timber and building materials to achieve a Green Guide rating of at least A. The Boiler House at The Old Vinyl Factory exemplifies this approach, as it is constructed of cross-laminated, sustainably sourced timber, while modular offsite construction techniques are being used at the site's school. We are also exploring with our partners the use of other innovative techniques and materials that can reduce the environmental impact of our construction activities.

New Garden Square, Birmingham

Our redevelopment project at New Garden Square in Birmingham illustrates the holistic approach we take to the environmental design of regeneration projects. The development incorporates more than 603,000 sq. ft. gross internal area of 'Grade A' Office space set within a vibrant and high quality mixed-use site. It integrates a range of environmental features designed to enhance people's health and wellbeing and revitalise this part of the city. The site plan preserves the architectural heritage and character of the existing assets and streets. A central green space at the heart of the development incorporates the listed building's gardens, to provide zoned areas that encourage biodiversity and incorporate sustainable urban drainage features. Consistent with our broader approach, we have planned infrastructure improvements for greater connectivity by providing safe, clearly marked pedestrian and cycle routes through the site.

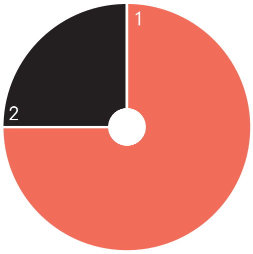
Circus Street, Brighton

Our designs for Circus Street in Brighton seek to improve the health, wellbeing and ecological value of the site. The residential units will be built around two large, green urban squares, encouraging the growth of fruit and vegetables in allotments (on a site where fresh produce was once sold); planting disease-resistant elms; and taking steps to nurture biodiversity. There will be a big focus on travel by bike and foot; a push for green energy, with electric charging points in accessible locations; and residential design that encourages more communal, responsible and neighbourly living among tenants. During construction we are using locally sourced materials and suppliers, and 99% of all waste on site is recycled. The overall project has been designed to the One Planet Living accreditation scheme and seeks to align with the city of Brighton's wider sustainability goals as a One Planet City.

Our people

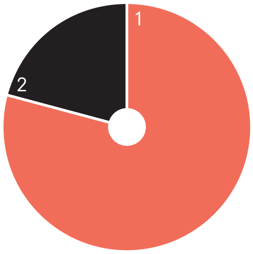
Employee gender diversity

Board



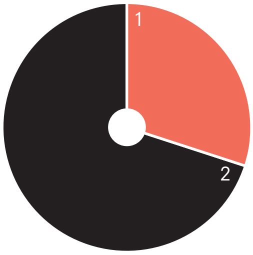
1. Male	6
2. Female	2

Senior management (excluding Board)



1. Male	19
2. Female	5

Remaining team



1. Male	29
2. Female	67

The success of the projects we deliver relies in turn on our ability to harness the intelligence, imagination and audacity of our people. These values underpin everything we do and our goal is to nurture them by providing a culture where people are proud to work for us. This can only be achieved by fostering a strong sense of belonging among our employees, connected by strong internal communications and high levels of engagement.

People thrive when they are inspired so we challenge our employees to think creatively, and encourage them to further their professional and personal development. Our learning and development policy and performance management frameworks combine to provide a clear process that defines employees' roles and responsibilities, as well as the progress they are expected to make against targets set by the management team in order to deliver the business strategy. To continue to get the best out of our team, we also encourage them to stay healthy, by offering a wide range of benefits designed to promote wellbeing.

100%

of employees received some form of training and professional development, including webinars and workshops delivered by external providers.

4

employees are studying for further education qualifications including RICS, CIPD, MA in Construction Management and ICSA (Institute of Chartered Secretaries and Administrators).

95%

of employees enrolled in our Vitality wellbeing programme. All staff are also offered subsidised gym membership and free yoga classes.

To extend these learning opportunities outside the workplace we are offering four work experience placements at U+I in the year ahead, two of which will be given to students in local schools near our projects so we can support the communities in which we work. We have also formalised our partnership with the Reading Real Estate Foundation, centred on an internship programme for young people. The programme targets those who would not normally consider a career in property, recognising the value that a diverse range of backgrounds can bring to our Company and the property sector as a whole.

Finally, in the year we formalised our community giving activities by establishing a charitable committee and Matching Charity Giving Policy for our chosen charity Shelter. The policy establishes our commitment to support employees by providing up to two days' paid leave a year for volunteering and matched giving of up to £1,000 for team efforts.

Mayfield, Manchester staff onsite

We've added 'people first approach' to our strategy to acknowledge that above all we are a people business. We are committed to cultivating a top team – attracting and retaining the best talent, whilst also maintaining a trusted partnership network so we can be the partner of choice for any project.

http://www.uandiplc.com/investors/our-strategic-priorities

Our Strategic Objectives p.24-25

Preston Barracks, Brighton

Our buildings

The options for reducing the environmental impact of our investment portfolio are more limited because they are buildings we have not 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, reduce operating costs, and attract and retain quality tenants.

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

14%
reduction in Scope 1 and 2 GHG emissions

4.5%
reduction in like-for-like electricity consumption

5.3%
reduction in like-for-like fuels consumption

To mitigate risk in the context of environmental legislation, in 2017 we completed a review of all the assets in our investment portfolio to ensure that we have no remaining properties rated 'F' or below in terms of energy performance. We have set out upgrading programmes across a number of assets to meet our goal of only EPC 'C' rated assets, and we are working with our property managers and tenants to target the improvements needed. These include energy efficiency initiatives from the roll-out of LED lighting, to investigating the feasibility of technology, such as smart meters, to facilitate the collection of more accurate energy consumption data. We strive to identify the most appropriate hardware and software solutions, given the assets' needs, age and annual investment budgets.

Our tenants account for the majority of the energy use and waste generated in our investment portfolio. Although these fall outside our direct control, we are nonetheless tackling them 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.

Our 2018 strategic report, from pages 1 to 66, has been reviewed and approved by the Board of Directors on 26 April 2018.

Marcus Shepherd
Chief Financial Officer
26 April 2018

We are committed to sustainable governance

In this section:

Corporate Governance Report

Peter Williams, Chairman

DEAR SHAREHOLDER,

On behalf of the Board I am pleased to present the Corporate Governance Report for U+I for the year ended 28 February 2018.

To achieve our ambition to be the best property regeneration and developer in the industry, we must strive to be the best in each and every area in which we conduct our business. The front section of this report sets out what we do as a Company. In this section we look at how we do this, what drives us, and how decisions are taken in an accountable, transparent and ethical manner, based around a framework of good governance and in line with our culture and values.

The concept of good governance should not foster a tick box mentality, nor should it be an afterthought in our decision-making processes: rather, it should be central to them. Our ambition is to ensure that good governance is ingrained in every aspect of how U+I operates as a Company.

As Chairman, I am responsible for leading the Board and I am pleased to report that your Board has remained effective during the year. What drives each of us as Directors of U+I can be found on pages 70 and 71, details of how we have performed can be found in the Board's annual performance review on page 83.

Over the next two pages I have answered some of what I believe are the key questions regarding the importance of, and U+I's approach to, good governance.

Why is the concept of good governance central to U+I? Our values of imagination, intelligence and audacity aim to promote social and cultural change in the places in which we operate. This means more than just delivering financial returns. It also means improving lives and creating opportunities where there were few before. Only by having a culture of good governance throughout our Company will we be able to meet our vision of creating long-lasting social and economic change for the communities in which we operate, as well as generating the sustainable value we demand for our shareholders. An open and ethical decision-making process in the long-term interest of the business, taking into account all our stakeholders, is integral to achieving this aim. See how we do this on pages 73 to 95.

How do you ensure the Board's governance agenda supports the wider delivery of the Company's strategic objectives? This year, by working in partnership with all of our stakeholders, U+I delivered a record £68.3 million development and trading gains. A robust governance system is fundamental in the delivery of these numbers, demonstrating to our partners and our investors that transparency and accountability are at the heart of everything we do. As such, good governance forms an essential part of our business strategy and is practised in line with our core values and beliefs. The Board ensures the right culture and levels of accountability are present throughout the business, and that our values, strategy and business model are aligned so we can fulfil our promises to all our stakeholders. During the year, the Board reviewed and updated U+I's internal governance structure to be better aligned with the evolving demands of the business. More information on this can be found on page 81.

What is the Board doing to actively engage its stakeholders? As we have discussed throughout this report, at U+I we believe in the power of partnerships. Building trust, confidence and strong relationships with our stakeholders is a key part of our business strategy. The expectation placed on us by our partners is great, but not as great as the expectation we place on ourselves. The bigger the challenge, the more we are able to demonstrate, through our imagination, intelligence and audacity, what differentiates us from other property companies. By working effectivity with our partners, we become greater than the sum of our parts. You can read more about how we have engaged with all our stakeholders during the year on pages 94 and 95.

How does the Board ensure that risk is addressed and mitigated to the fullest extent possible? Understanding the risks in the markets in which we operate is a fundamental strategic requirement to safeguard the sustainability of our

Applying the Principles of the UK Corporate Governance Code

LEADERSHIP

A clear tone of good governance has been established throughout the Company by:

- Clearly defining roles and responsibilities of Board members;
- A comprehensive corporate governance framework; and
- Independent Directors fostering open and honest dialogue at the Board led by the Chairman.

Read more on p.73-81

EFFECTIVENESS

Effective leadership of the Company by the Board through:

- Continued focus on Group strategy, risk, finance, governance and people;
- Successful execution of succession planning at Board level; and
- Annual review of the effectiveness of the Board, its Committees and Directors.

Read more on p.82-86

ACCOUNTABILITY

Transparent lines of accountability leading back to the Board with:

- Clear reporting lines of Committees and senior management back to the Board;
- Delegation of duties to Committees set out in published terms of reference; and
- Continuous review and improvement to risk management and internal controls.

Read more on p.87-93

RELATIONS WITH SHAREHOLDERS

Ongoing engagement with shareholders through:

- Executive Directors and Chairman meeting with key shareholders throughout the year;
- Site visit to 8 Albert Embankment for shareholders and analysts; and
- Engaging with smaller shareholders through the AGM process.

Read more on p.94-95

REMUNERATION

A transparent remuneration framework aligned with shareholder value by:

- Consultation process undertaken on Remuneration Policy during the year;
- Incentive structure focused on longer-term performance; and
- Monitoring of market trends and changes in legislation by the Remuneration Committee.

Read more on p.96-116

business, especially given the increasing complexity in the environment in which we operate. No successful business can operate in a risk-free environment, but risk-taking should be considered in the context of the correct governance framework. U+I's Board, through the Audit and Risk Committee and the Risk Management Committee, identifies, manages and mitigates these risks to the fullest extent possible whilst ensuring the business is able to take advantage of opportunities as and when they arise. Our key risks can be found on pages 28 to 30.

How does U+I promote diversity and inclusivity in the workplace? At U+I we understand the benefits that diversity in all its forms can bring to the Company, and we pride ourselves on encouraging equal opportunity throughout our business. Progress has been made with respect to key senior female hires in the Company during the year. However, we recognise that there is more to do, and that and there is a more fundamental industry-wide issue with regard to diversity in property, especially at a senior level. We understand that this will not improve overnight but there are signs of progress and U+I is proud to take its place at the forefront of this change.

How does U+I ensure it has the right people and a pipeline of talent for the future? We are continually evaluating the skills we have on the Board and throughout the Company, and we understand the requirement to review, refresh and renew these. Following feedback from last year's Board evaluation results, Ros Kerslake was appointed as a new Non-executive Director. Ros brings with her a great deal of experience and skills, which complement those already in place on the Board. More information on this process can be found on pages 84 to 86.

The Board understands the need for a strategic and practical approach to succession planning. As such we dedicated one of our Nomination Committee meetings during the year to reviewing the pipeline of internal talent to ensure that the correct people and structure were in place to allow for future Board succession. The Company appointed two new senior members to its Leadership Team during the year. We have also ensured that the required leadership and development processes are in place to identify future leaders, and to allow our employees to reach their full potential. Our Remuneration Policy was approved by shareholders at last year's AGM, and we believe we now have the right incentive structure in place, in addition to our values, culture, and challenging and rewarding work, to attract the calibre of talent we require to meet our ambitions.

Peter Williams Chairman
26 April 2018

Chairman

Peter Williams
Chairman

What drives me

"Human beings need contact and communication with other people, it's what brings us the most joy and happiness! Despite the great advances in technology, the best form of communication is face to face in a sympathetic environment or place, whether that's a home, an office, restaurant, pub or club. U+I creates those places."

Appointed: 4 January 2016

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

Experience: Peter became Chairman of the Company on 14 July 2016. The former CEO of Selfridges, he 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. Peter is currently Chairman at boohoo.com plc, the online fashion retailer, and DP Eurasia NV, the master franchise owner for Domino's Pizza in Turkey and Russia. He is also a Senior Independent Director at Rightmove plc. In addition, Peter 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 Sport, GCap Media 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

Matthew Weiner
Chief Executive

What drives me

"Simply to deliver on our purpose of creating great places in unloved parts of London, Manchester and Dublin – these places deserve to be happy. To test the tension between profitability and quality in everything we do and to do so leading and inspiring a great team of people who will take on this responsibility."

Appointed: 18 March 2004

Period of service on the Board: 14 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.

Richard Upton
Deputy Chief Executive

What drives me

"I am driven by a desire to deliver a great Company that inspires great people to create great places that are authentic, inclusive and exceptional. All this will in turn create consistent returns for our shareholders who will learn to trust the management team and feel proud to be supporting a business that makes a positive difference."

Appointed: 19 May 2014

Period of service on the Board: 3 years, 11 months

Experience: Richard was the co-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. In January 2018, Richard was appointed a Commissioner for Historic England. Richard was appointed as Deputy Chief Executive of the Company in July 2015.

Marcus Shepherd
Chief Financial Officer

What drives me

"A desire to make a difference, to have a positive influence and to prove that property development has a valuable part to play in our society."

Appointed: 18 February 2013

Period of service on the Board: 5 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

Nick Thomlinson
Senior Independent Director

What drives me

"What drives me is a desire to help create environments that are both aesthetically pleasing and socially responsible, run by teams that are experts in their fields, whilst adhering to the values of U+I."

Appointed: 3 January 2012

Period of service on the Board:
6 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.

Barry Bennett
Non-executive Director

What drives me

"Witnessing the tremendous benefits flowing to very diverse communities from our regeneration Public Private Partnerships, and seeing our team work tirelessly in developing long-term places to be proud of inspires me as a Director of U+I. These schemes add value for our shareholders and create wonderful environments in which to live, work and play for the future."

Appointed: 19 May 2014

Period of service on the Board:
3 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 housebuilder, and in 2002 founded specialist regeneration real estate developer Cathedral Group with Richard Upton.

Lynn Krige
Independent
Non-executive Director

What drives me

"It is about making your mark. From a company, to a project, to people: with all interactions you have to make your mark to ensure that you have a positive influence and leave a sustainable legacy."

Appointed: 10 March 2016

Period of service on the Board:
2 years, 2 months

Experience: Lynn is currently Chief Financial Officer at WELL Group and brings over 25 years' experience from across the construction, infrastructure, investment and B2B services sectors. She has previously held executive roles at British Engineering Services Limited, Speedy Hire Plc and John Laing Plc, originally qualifying with Deloitte in South Africa.

Committees: Chairman of the Audit and Risk Committee, member of the Remuneration Committee and Nomination Committee.

Ros Kerslake OBE
Independent
Non-executive Director

What drives me

"I have a passion for making places that genuinely work for people and communities, and joined the U+I Board because they share those values."

Appointed: 1 September 2017

Period of service on the Board:
8 months

Experience: Ros is currently Chief Executive Officer of the Heritage Lottery Fund and has previously held senior executive positions at The Prince's Regeneration Trust, RegenCo. and Network Rail. Trained as a solicitor, she brings over 30 years of property, regeneration and corporate experience and has varied experience working across publicly listed, private and public interest companies. Ros is also a member of the Community, Voluntary and Local Services Honours Advisory Committee and has non-executive board experience serving on audit, finance and remuneration committees. Ros holds honoury degrees from Keele and Staffordshire Universities for her work in heritage and regeneration, and, in 2016, she was awarded an Order of the British Empire for her services to British Heritage.

Committees: Member of the Audit and Risk Committee, the Remuneration Committee and the Nomination Committee.

Board statements

Under the UK Corporate Governance Code (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
Compliance with the Code As a Company listed on the London Stock Exchange, U and I Group PLC is subject to requirements of the 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 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 - see pages 68 to 124.
Going Concern The Board is required to confirm that the Group has adequate resources to continue in operation for at least 12 months.	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 2018 financial statements.	More details on the Going Concern Statement can be found on page 93.
Viability Statement 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 28 to 30.	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 2023.	U+I's Viability Statement can be found on page 31.
Principal risks facing the Group 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 28 to 30.	Information around key risks and risk management processes can be found on pages 28 to 30, and on page 90 of the Audit and Risk Committee Report.
Risk management and internal control 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 page 87.
Fair, balanced and understandable The Board should confirm that it considers the Annual Report, taken as a whole, to be 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 91, and the Statement of Directors' Responsibilities on page 125.

LEADERSHIP

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 includes, but is not limited to, those set out opposite.

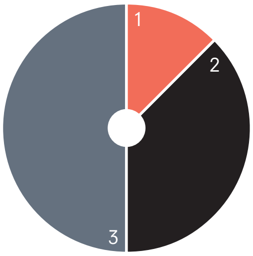
Board composition and appointments

On 1 March 2017, the Board consisted of three Executive Directors, a Non-executive Chairman and three Non-executive Directors, two of whom were independent. On 11 July 2017 the Company announced that Ros Kerslake would be appointed as an independent Non-executive Director, with effect from 1 September 2017. On appointment Ros also became a member of the Audit and Risk Committee, the Remuneration Committee and the Nomination Committee. On 28 February 2018, the Board consisted of three Executive Directors, a Non-executive Chairman and four Non-executive Directors, three of whom were deemed to be independent.

Further information on the appointment of Ros Kerslake can be found on pages 84 to 86.

Biographical information for all Directors in office at the date of this Report is set out on pages 70 and 71.

Board composition



1. Chairman*	1
2. Executive Directors	3
3. Non-Executive Directors	4

* independent on appointment

Board experience

Property	6
Retail	1
Engineering	1

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.

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 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 U+I governance structure on page 76. The Audit and Risk Committee monitors the effectiveness of the Group's system of internal control 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 88 to 93. 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 84 to 86. 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 96 to 116.

During the year U+I's internal governance framework was reviewed and, to ensure ongoing alignment of the Committee structure with the strategic requirements of the business, the Executive Committee was replaced with three separate Committees as set out in the diagram on page 76. More details of the Investment Committee, the Operating Committee and the Strategy Committee can be found on page 81.

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.

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	% attendance
Peter Williams	Chairman	04.01.2016	10/10	100
Matthew Weiner	Chief Executive	18.04.2004	10/10	100
Richard Upton	Deputy Chief Executive	19.05.2014	10/10	100
Marcus Shepherd	Chief Financial Officer	18.02.2013	10/10	100
Nick Thomlinson	Senior Independent Director	03.01.2012	10/10	100
Barry Bennett	Non-executive Director	19.05.2014	10/10	100
Lynn Krige	Independent Non-executive Director	10.03.2016	10/10	100
Ros Kerslake	Independent Non-executive Director	01.09.2017	5/5	100

Board meetings during the year

The Board met formally ten times during the year. Two of these meetings, in March and September, were Board strategy days. 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.

Board and Committee meeting preparation process

Standardised Board reporting templates are in place, and training has been given to those preparing reports to ensure clarity, consistency and conciseness in approach.

The Company Secretary manages a yearly planner of key Board and Committee agenda items and the timings required for annual matters.

The Company Secretary liaises with the Chairman, Executive Directors and Committee Chairmen at least two weeks ahead of Board and Committee meetings to confirm agenda items.

The Investment Committee meets around ten days prior to each Board meeting to agree all project-related matters requiring Board discussion/approval and feeds these items into the agenda via the Company Secretary.

Board papers are circulated electronically one week prior to the meeting.

Engaging our stakeholders

As part of our Mayfield project, our proposal to revitalise 24 unloved acres of central Manchester through an exciting mixed-use regeneration scheme includes the creation of Manchester's first new public park in over 100 years. Mayfield has opened its doors and invited in local Mancunians, as well as all other interested stakeholders, to see our emerging proposals and to comment on our strategic regeneration framework encompassing our vision for this site.

Our stakeholders reviewing our proposals for the Mayfield site

Team U+I at the Manchester People's History Museum

Engaging our employees

During the year, the U+I team visited Manchester to introduce all employees to the Mayfield project. The aim of the trip was to engage and energise our colleagues, share the amazing potential of this site, and demonstrate our vision for it. We also used this opportunity to spend a day at the Manchester People's History Museum to discuss our strategy and our 'Working Smarter' initiative. The day included talks from five successful Manchester entrepreneurs from different sectors of the community, and a futurologist, who gave us some insight into his vision of the world over the next 100 years. The Manchester onsite was a great experience, which engaged our team, refreshed our entrepreneurial spirit, and cultivated a shared vision of, and responsibility for, the opportunity we have been given to bring real and lasting change to the people of Manchester.

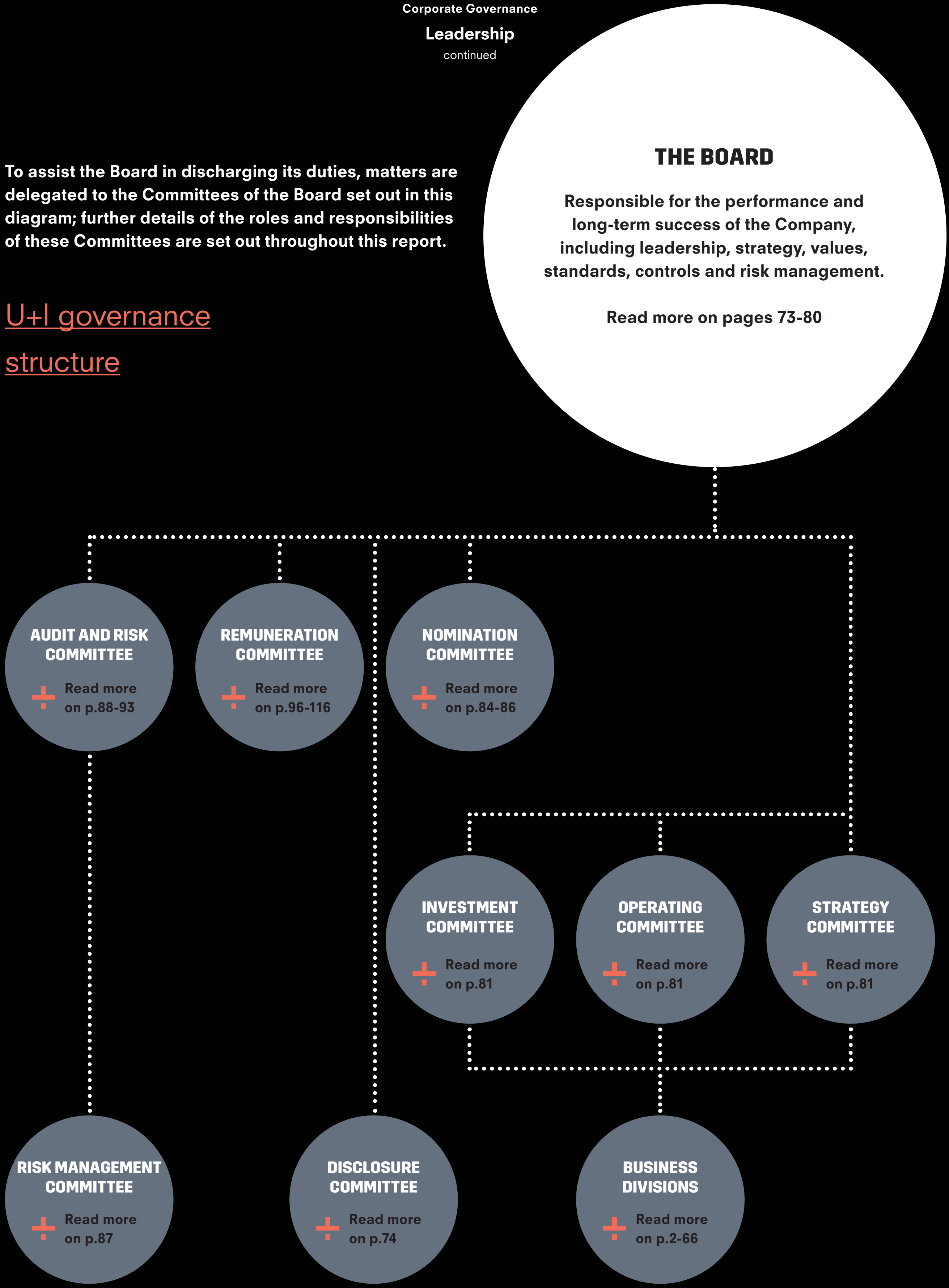
Engaging local communities

Last Christmas, Mayfield opened its doors and acted as the warehouse and campaign headquarters for local radio Key 103 'Cash for Kids Mission' Christmas Appeal. Tens of thousands of gifts were donated to youngsters across Manchester to ensure disadvantaged children were given the Christmas they deserved.

James Heather (second left), Development Director for Mayfield, at Key 103's Christmas Appeal HQ at Mayfield

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

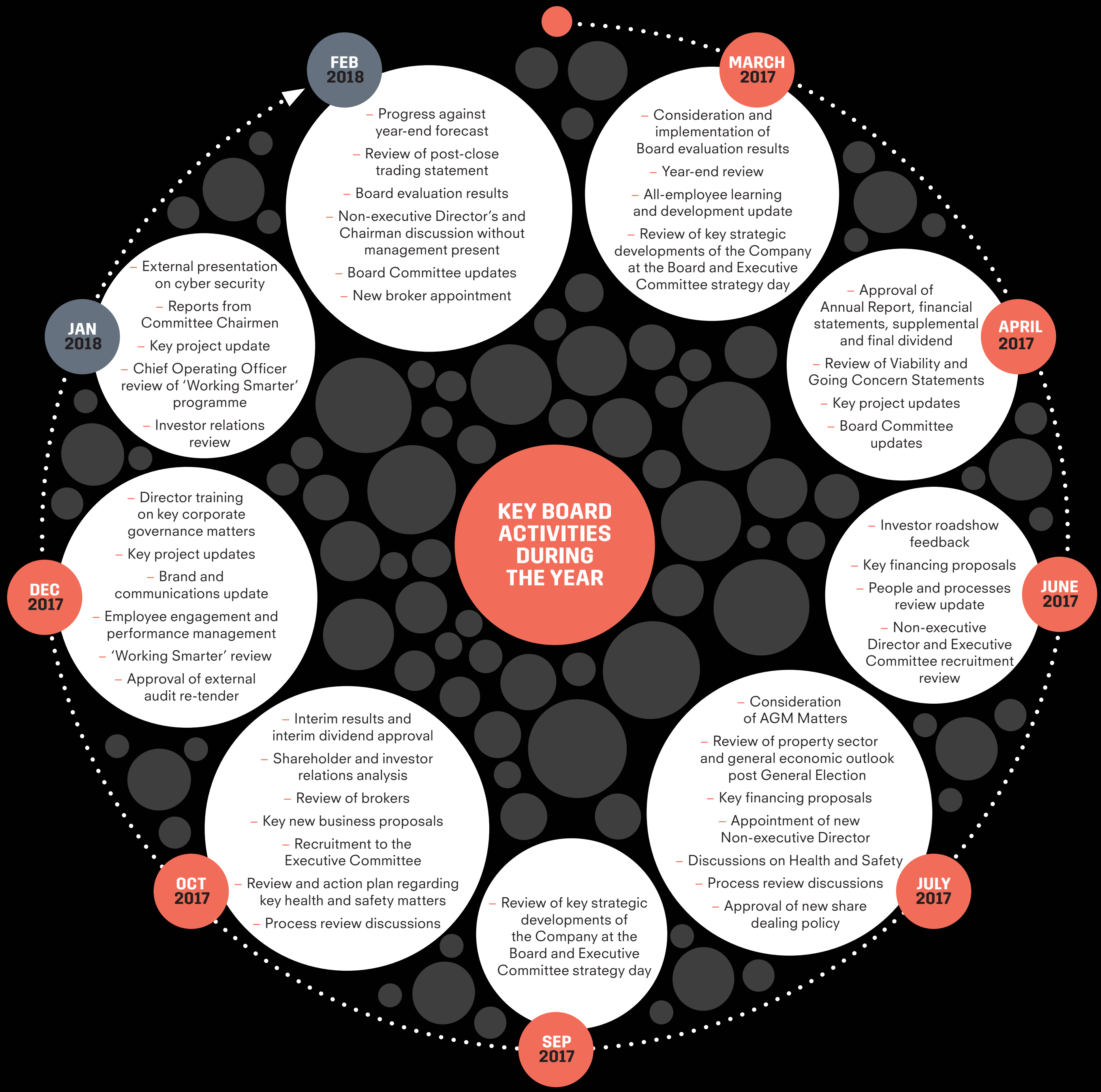
U+I governance structure



Division of responsibilities

In accordance with the UK Corporate Governance 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.

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 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 Leadership Team 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 71, 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 serve as an intermediary for other Directors where necessary.
Leadership Team Consists of U+I's Executive Directors and senior divisional directors.	The Leadership Team has the following key responsibilities: – Responsibility for development and implementation of the Company's business strategy. – Responsibility for the executive management of the Company's business. – To assist the Chief Executive, Deputy Chief Executive and Chief Financial Officer in managing the operational and financial performance of the Group.
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, to ensure 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 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.



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.

Focus on strategy

All Directors are engaged in setting the strategic priorities of the business. To facilitate this, U+I holds two offsite Board and Leadership Team strategy days during the year. The purpose of these days is to ensure enough time is given for detailed and focused discussion and debate around the strategic direction and priorities of the Company outside the regular Board meeting agenda.

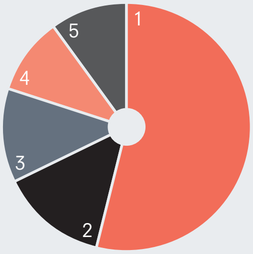
Board activities

The key activities the Board addresses during the year can be separated into the five topics outlined below. Time spent on each area varies depending on the nature and importance of the activity at any given time, however, a general idea of the how the Board spends its time is given below. The Board and Leadership Team keep all areas under review within the context of key risks facing the Company, as set out on pages 28 to 30.

Key Board activities during the year

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

Board activity during the year – allocation of time



1. Strategy and new and existing project portfolio **54%**
2. Financial planning and performance **14%**
3. Leadership, culture and people **12%**
4. Governance, risk and internal controls **10%**
5. Stakeholders and investor relations **10%**

TOPIC	WHAT WE DO	WHAT WE HAVE DONE
1. Strategy and new and existing project 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.	– Review of Company strategy including two dedicated Board strategy days during the year, reviewing current and future strategic direction of the Company. – Completion of 100% letting of 12 Hammersmith Grove, followed by sale, realising forecast gains. – Unconditional contract to purchase Preston Barracks, allowing future delivery of one of Brighton's biggest ever mixed-use regeneration schemes. Including simultaneous exchange on the student element, allowing realisation of forecast gains. – Good progress being made in the repositioning of the investment portfolio, including disposals totalling £53.2 million for the year to date. – Realisation of profits through entering into a joint venture agreement to deliver a designer outlet in Cannock, Birmingham. – Approval of acquisitions, disposals and new business in line with agreed strategy. Further details of all acquisitions and sales can be found on our website at uandiplc.com.
2. Financial planning and performance	The Board, led by the Chief Financial Officer, monitors and discusses the financial requirements of the Group at each meeting, and has sole authority to approve transactions over a prescribed threshold.	– Detailed consideration of financial matters at each meeting, led by the Chief Financial Officer, including annual and interim results, cash flow, trading forecast, final, interim and supplemental dividends, treasury and tax matters, and consideration of Going Concern and Viability Statements. – Renegotiation on key Aviva finance facility to enable flexibility and cost reduction. – Clear sight over future pipeline profit forecasts. – Focus on operational discipline and capital, including meeting the forecast £2 million reduction in net recurring overheads.

Key Board activities during the year continued

TOPIC	WHAT WE DO	WHAT WE HAVE DONE
3. Leadership, culture and people	Our people are our most important asset. Ensuring we have the right people on the Board, its Committees, the Leadership Team and throughout the business as well as areas of succession planning and development of talent are key functions of the Board.	– Appointment of new Non-executive Director and key Leadership Team hires, including new Chief Operating Officer. – Roll out of 'Working Smarter' initiative reviewing all areas of the business and led by the Chief Operating Officer. – Manchester onsite for all employees included workshop and learning on new strategic and operational priorities. – Monthly all-employee 'townhall' meetings, a new intranet, and weekly email news circulars to foster employee engagement and understanding through a shared vision. – Review of succession planning at senior level, and the development of people and talent within the Group. – Regular Board updates on matters relating to people and culture. – Roll out of new online e-learning courses for all employees on key governance and regulatory matters. – New performance management system put in place during the year. – Establishment of new Charity Committee along with preferred charitable partner.
4. Governance, risk and internal controls	Good governance and an effective system of risk management are essential in allowing the Board to maximise the opportunities available to it whilst mitigating risks to the fullest extent possible.	– Review of Governance framework, and changes to the Committee structure to bring Committees into line with the Group's strategic priorities. – Review of the Group's risk register and the effectiveness of the systems of internal control and risk management. – Roll out of ongoing Board educational programmes, including updates in governance, regulatory and information security by external subject matter experts. – Discussion around Board evaluation and effectiveness review, and agreement on areas of improvement opportunities. – Review of the Company's approach to anti-slavery and human trafficking, including approval of a statement to go on the website. – Regular review of health and safety reports. – Regular updates from the Chairmen of the Audit and Risk, Remuneration and Nomination Committees.
5. Stakeholders and shareholders	U+I believes in the power of partnerships: by working effectivity with our partners we become greater than the sum of our parts. The Board takes time to consider all stakeholder and shareholder issues and is committed to an ongoing and active dialogue with stakeholders and shareholders on relevant matters.	– Ongoing collaboration and relationship-building with Local Authorities and Governments to enable successful mixed-use development and regeneration projects, to help effect change in local communities. – Investor relations report tabled at each meeting updating the Board on share performance, shareholder movement and media coverage. – Institutional investor feedback given by analysts on Company performance and investor presentations. – Regular meetings with investors and investor site visits to discuss any issues or concerns. – Review of 2017 Notice of Annual General Meeting and proxy voting figures. – For more information on how we engaged with our stakeholders and shareholders during the year see pages 94 and 95.

Board and Leadership Team strategy day at Harwell Science Campus

Changes to our governance structure during the year

As a result of our 'Working Smarter' review, which took place throughout 2017, the requirement for a revised governance framework was highlighted, to ensure that our internal governance structure remained closely aligned to the evolving strategic priorities of the business. The result of this review was the formulation of a new Leadership Team to replace the previous Executive Committee and, as detailed in our governance structure diagram on page 76, Executive Committee meetings were replaced with the following new Committees:

Investment Committee

The Investment Committee is made up of the Leadership Team, the In-house Legal Counsel, and the Head of Direct Investment Portfolio. It is chaired by the Chief Operating Officer. The Committee meets every two weeks or weekly if required, and always the week before a U+I Board meeting. The Committee has the responsibility to track, scrutinise, challenge and drive progress of current and prospective property projects and investments, including progress against projected financial targets, and to scrutinise U+I's pipeline in light of agreed financial targets for the next five years. The Committee operates within agreed financial limits set by the Board. There is a clear delegation of authority from the Board to the Investment Committee, which is set out in writing and approved by the Board. Members of the Investment Committee are invited to present on business activities and portfolio updates at each formal Board Meeting.

Operating Committee

The Operating Committee is made up of the majority of the Leadership Team and chaired by the Chief Operating Officer. The Committee meets every other week or weekly as required. It addresses topics around people, processes and operations across the whole business and is responsible for ensuring the entire business is functioning optimally, and is set up to deliver against our strategy. The Committee is also responsible for driving the progress of our 'Working Smarter' programme and other improvement initiatives. The Committee operates within agreed financial limits set by the Board, and there is a clear delegation of authority from the Board to the Operating Committee, which is set out in writing and approved by the Board. The Chief Operating Officer gives updates on matters discussed at the Operating Committee at each formal Board meeting.

Strategy Committee

The Strategy Committee is made up of the Leadership Team and the In-house Legal Counsel, it meets twice yearly or more often if required. The Committee is responsible for reviewing U+I's strategy, and determining the extent to which it enables the Company to fulfil its purpose and organisational objectives. The Committee, chaired by the Chief Operating Officer, reports into the Board.

EFFECTIVENESS

Director independence
Peter Williams was appointed as Chairman of the Board following the AGM on 14 July 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 70. Ros Kerslake was appointed as an independent Non-executive Director during the year. Further details regarding this appointment can be found in the Nomination Committee Report on pages 84 to 86.

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. The current ratio of Executive and independent Non-executive Directors is permissible for a smaller company under Code provision B.1.2.

Information flow
The Company Secretary manages the provision of information to the Board, within an appropriate timeframe, in consultation with the Chairman and Chief Executive. As discussed on page 74, in addition to the formal meetings of the Board, there may be a requirement to hold ad hoc Board meetings, where the approval of certain items cannot wait until the following scheduled meeting. When this occurs, Directors are given as much notice as possible, and all Directors are encouraged to attend these meetings, either in person or via telephone. The Company Secretary ensures that all Directors receive timely information in relation to the decisions that are being taken. Updates are sent by the Chief Executive Officer to keep Non-executive Directors fully advised of key issues outside of Board meetings. The Chairman may arrange meetings with Non-executive Directors without any Executive Directors present to address any issues facing the Company.

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. This pack 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 Leadership Team, where required, for briefings around business strategy, performance, and the Company's projects. Visits to key project sites are arranged. Ros Kerslake received a full induction following her appointment as a Non-executive Director. Further information regarding this induction can be found on page 86.

All Directors are given the opportunity to receive ongoing training and development whilst in office. Directors may request this as part of their annual performance evaluation or by discussion with the Chairman or Company Secretary. The Chairman agrees training and development needs with each Director, as and when required. During the year, external experts attended Board meetings to give updates on specific areas which had been identified as of particular importance. Development activities include regular presentations and updates on the Company's projects and portfolio by Executive Directors and members of the Leadership Team, 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
During the year the Board undertook a formal performance evaluation of itself and its Committees to ensure they continued to be effective. As part of this process it also reviewed the effectiveness of individual Directors and their commitment to

their respective roles. The Board strongly believes that this annual evaluation of its effectiveness is helpful, and provides a valuable opportunity to address any matters arising and allow for ongoing 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 in light of potential changes to the Corporate Governance Code.

This year's Board evaluation was carried out through a detailed questionnaire, prepared by the Company Secretary, and responses were collated and fed back to the Board. 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 was leading the Board effectively, and that the various Committees of the Board functioned properly during the year.

The Company Secretary presented the results of the 2018 Board evaluation, together with the progress made on the areas highlighted through the 2017 Board evaluation process, to the Board for discussion at its meeting in February 2018. Where considered relevant, suggestions for areas of improvement have been, or will be, implemented as detailed below.

2017 Board evaluation results: The 2017 Board evaluation identified no major issues with the effectiveness of the Board's operations, however noted that the governance structure was evolving with a relatively new Chairman, Peter Williams, and Non-executive Director/Chairman of the Audit and Risk Committee, Lynn Krige. There were also new senior hires at Executive Committee level. It was agreed that these changes should be kept under close scrutiny throughout the year to ensure their effective integration. The potential benefit of adding an additional independent Non-executive Director was highlighted. The introduction of two dedicated strategy days per year for the Board and Leadership Team was viewed as a positive step forward to ensure an alignment in the values, vision and strategy of the Board and the Company as a whole.

Progress made: Peter Williams and Lynn Krige continued to be successfully integrated onto the Board during the year and made valuable contributions to the Board and Committee discussions and to the decision-making process. Ros Kerslake was appointed as an additional independent Non-executive Director during the year and has been effectively inducted into the business (see page 86). Further changes to U+I's governance structure took place during the year with the introduction of the Leadership Team to replace the existing Executive Committee, along with key senior hires at this level. A new Chief Operating Officer was introduced to drive the 'Working Smarter' initiative. Strategy Boards have now been established and are proving to be a valued part of the Board calendar focused on discussing the key strategic priorities of the business.

2018 Board evaluation results: The conclusions from this year's Board evaluation highlighted that the Board and its Committees continued to operate at a high standard, and were working effectively. There were no concerns regarding the performance of any individual Directors, with all giving the appropriate amount of time and commitment to the role. Board discussion was open and honest with all Directors contributing effectively. The introduction of a new Non-executive Director was a positive addition, providing balance and additional experience to the Board's decision-making processes. No specific concerns were raised as to the performance of the Board and its Committees. However, the ongoing changes to the governance structure below Board level were noted, and it was agreed that these changes would require effective embedding and monitoring by the Board during the year to ensure the business continued to operate effectively. The Board continually reviews areas where improvements could be made. It was agreed that an ongoing review, with the aim of obtaining further clarity around strategic priorities, would be addressed at dedicated Board strategy days. It was further agreed that the Company's preparation in respect of managing an unexpected event would be reviewed and the crisis management procedure and processes would be updated accordingly.

The Chairman, with the assistance of the Chief Executive and Company Secretary, understands the requirement to continually evolve as a Board in line with changing requirements and legislation and will build on the current strengths of the Board and ensure any perceived or potential areas of weakness are addressed as and when they may arise.

“The Nomination Committee has continued to focus on ensuring that the correct balance of skills, diversity and experience are on the Board, and that succession planning is at the forefront of senior recruitment decisions taken by the Company.”

Peter Williams
Chairman of the Nomination Committee

Nomination Committee highlights during the year

- Successful and thorough appointment process of Ros Kerslake as new Non-executive Director
- Review of succession planning at senior level
- Review of structure, size and composition of the Board
- Review and recommendation for re-election of Directors at AGM

Nomination Committee composition

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

Director	Joined the Committee	Number of meetings attended/meetings possible	% attendance
Peter Williams	04.01.16	4/4	100
Nick Thomlinson	03.01.12	4/4	100
Lynn Krige	14.07.16	4/4	100
Ros Kerslake[1]	01.09.17	1/1	100

1. Ros Kerslake was appointed as a member of the Committee on her appointment to the Board on 1 September 2017

For full biographies see pages 70 and 71.

Activities undertaken by the Committee during the year

The Committee meets as and when necessary. The Committee met four times during the year ended 28 February 2018 to discuss the structure, size and composition of the Board, to review candidates for the position of independent Non-executive Director and recommend the subsequent appointment of Ros Kerslake, and to undertake a review of succession planning.

New Director Appointment

U+I was pleased to welcome Ros Kerslake to the Board as a Non-executive Director on 1 September 2017. Prior to Ros being appointed the following process was undertaken by the Committee:

- The specifications of the role were discussed by the Committee, in conjunction with the results of the 2017 Board evaluation, to understand what skills and experience were desirable in the candidate in order to complement the existing skills and experience on the Board.
- The services of the consultant search firm Norman Broadbent were used to draw up specific requirements for the role and to engage a wide range of potential candidates for the position.
- The Committee spent time reviewing a long list of candidates followed by a revised shortlist of candidates.
- Four candidates were interviewed by the CEO and the Chairman.
- The final two candidates were interviewed by the majority of Directors.

– The Committee formally recommended the appointment of Ros Kerslake to the Board.

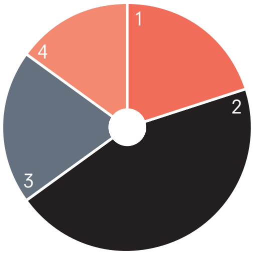
Norman Broadbent, an external search consultant, was used throughout this process. Norman Broadbent is accredited under the enhanced code of conduct for executive search firms, it has no other connection with the Company.

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. As discussed previously, the Director 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 and 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 Chairmen of those Committees.

Nomination Committee – allocation of time



1. Board composition and structure	20%
2. New Non-executive Director appointment	45%
3. Board succession planning	20%
4. Other	15%

New Director induction

The Chairman, assisted by the Company Secretary, is responsible for the formal induction of all new Directors. Ros Kerslake, 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 Leadership Team members, and also visits to project sites. Further detail of Ros Kerslake's induction process can be found on page 86.

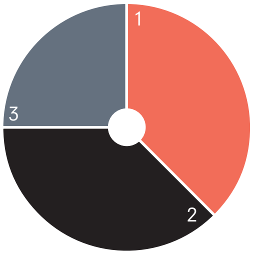
Directors standing for election or re-election

The Committee met once following the end of the financial year to discuss the re-election of all Directors; it recommended 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.

On the advice of the Committee, the Board recommends the re-election of each Director to shareholders at the 2018 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 pages 70 and 71 in order for shareholders to make an informed decision on each Director's re-election.

Tenure on the Board as at 26 April 2018



1. Under 3 years	3
2. 3-6 years	3
3. 6+ years	2

Induction of Ros Kerslake

We recognise that new Directors joining the Board at U+I will come from a variety of backgrounds and have varying skill sets that complement those already established on the Board. As a result of this we believe there should be no rigid induction process. We tailor our induction process according to each new Director's requirements. The Chairman, through the Company Secretary, ensures that all new Directors receive a comprehensive induction programme and the required support to enable them to understand the requirements of the role, notably to facilitate their understanding of the history of U+I, the culture, strategy, key projects, financial position and any key issues being addressed by the Board and its Committees at that time.

Ros Kerslake was appointed to the Board on 1 September 2017. As part of Ros' induction process she had meetings with the Leadership Team to give her a full understanding of U+I's business, its culture and strategy. The Company Secretary prepared an extensive briefing pack with key information about the Company, the duties expected of a Director, governance structures and relevant procedures and policies, and led Ros through this information answering any queries arising. Access to previous minutes of the Board and its Committees were made available. Ros was taken to key Company projects, for example Mayfield, Deptford Market and Morden Wharf, to provide first-hand experience of the projects the Company was currently involved in, and how it went about its activities.

Composition of the Board

The Committee has reviewed the size, structure and composition of the Board and concluded that, with the addition of Ros Kerslake as an independent Non-executive Director during the year, it has the appropriate composition to run as an effective Board.

Diversity

As part of its role, the Committee will review the diversity on the Board. U+I embraces diversity in its broadest sense and recognises the benefits and value this brings to the Board and the Company as a whole, in terms of skills, knowledge and experience. The addition of Ros Kerslake to the Board has meant that there is currently 25% female representation on the Board. Details of the gender diversity on the Board and across the Company are set out in the Sustainability Report on page 64. The Committee recognises that diversity is more than just gender based, and will continue to focus on addressing the issue of diversity in the property industry in its wider context.

Our Board gender diversity

Committee effectiveness

I am pleased to report that the recent Board evaluation process concluded that the Nomination Committee operated effectively during the year. Going forward the Committee will continue to focus on succession planning and the new governance changes, and will consider how effectively these are being integrated into the business.

Peter Williams
Chairman of the Nomination Committee
26 April 2018

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 time 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 88 to 93.

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 Leadership Team, the In-house 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 28 to 30.

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.

"The Committee plays a key role in ensuring the appropriate controls and challenges are made around the management of risk, accounting treatment, financial reporting and internal control and assurance process."

Lynn Krige
Chairman of the Audit and Risk Committee

Highlights of Committee activities during the year:
- Review and approval of half and full year financial statements
- Review of key risks and risk mitigation
- Review of internal audit requirements
- External audit retender
- Assessment of the effectiveness of internal controls and risk management
- Review and approval of U+I's modern slavery statement.
- Review of finance policies and procedures
- Review of governance and legislation developments and roll out of all-employee e-learning courses

DEAR SHAREHOLDER,

As Chairman of the Audit and Risk Committee (the Committee) I am pleased to present the report of the Committee for the year ended 28 February 2018.

This report provides a summary of the Committee's activities during the year, and an overview of our role overseeing the financial reporting, along with the assurance, internal control and risk management framework of the Company.

Financial reporting process
The Committee monitors the integrity of the Group's reporting processes and considers all significant accounting matters in relation to the year-end and interim financial statements. In this report we explain what matters we considered to be significant. Further information can be found on page 91.

Risk management
The risk landscape has continued to evolve during the year. Through the Risk Management Committee, the Committee regularly reviews U+I's risk register, which is used as the basis of this Committee's risk assessment and subsequent mitigation. Information on the principal risks of the Company can be found on pages 28 to 30.

Internal audit
The Committee reviewed the Company's requirements with respect to internal audit during the year and confirmed that, in line with its peer group, a dedicated internal audit function was not required. Further information on this can be found on page 93.

External audit
During the year the Committee reviewed and carried out a retender of its external audit arrangements. More on this process can be found on page 92.

Modern slavery
During the year the Committee reviewed the Company's approach to modern slavery and made recommendations to the Board. For more information see page 93.

Cyber security and governance
Cyber security and governance continue to be areas of specific focus for the Committee. During the year, the Committee received training in these areas by external experts in the subject matter. See page 90 for further information.

Fair, balanced and understandable

The Committee, at the Board's request, reviewed the Annual Report and Accounts and confirmed that this is fair, balanced and understandable. More information on this can be found on page 91.

Committee evaluation

As part of the Board and Committee evaluation process, the role and effectiveness of the Committee was considered. I am pleased to report that the feedback received relating to the Committee was positive and it was felt that the Committee continued to operate at a high standard and was effective in its support to the Board during the year.

Audit and Risk Committee composition

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

Director	Joined the Committee	Number of meetings attended/meetings possible	% attendance
Lynn Krige	10.03.16	4/4	100
Nick Thomlinson	03.01.12	4/4	100
Peter Williams	04.01.16	3/4	75
Ros Kerslake[1]	01.09.17	3/3	100

1. Ros Kerslake joined the Committee on 1 September 2017

Full biographies of the Committee members can be found on pages 70 and 71.

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 integrity of the Group's financial reporting and audit process, and the development and maintenance of robust system of risk management and internal control. The Committee currently consists of three 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. In addition Nick Thomlinson and Ros Kerslake have significant property sector experience. The Company's Chief Executive, Deputy Chief Executive, Chief Financial Officer, Financial Controller and In-house Legal Counsel 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 during the year fall under the following categories:

Financial reporting

- Review of significant financial reporting judgements and accounting policies, and compliance with accounting standards.
- Ensuring the quality, appropriateness and integrity of the half year and full year financial statements and their compliance with statutory requirements.
- Ensuring that the Annual Report is fair, balanced and understandable, consideration of the underlying assumptions presented in support 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.

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.

Internal audit

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

External and internal property valuation

– The quality and appropriateness of the half year and full year external and internal valuations of the Group's property portfolio, together with an assessment of the methodology applied.

Significant financial matters

– During the year the Committee considered the appropriateness of significant financial matters made in connection with the financial statements as set out on page 91.

Committee activities during the year

The Committee met four times during the year ended 28 February 2018. Committee meetings are timed to coincide with the key responsibilities of the Committee during the year. 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 to consider any significant issues arising from the audit and review process. A further meeting is held to agree the external audit terms of engagement, the auditors' scope and proposed approach, and the fees of the annual audit. One Committee meeting during the year is dedicated to reviewing the internal controls of the Company. 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 2017:** Year-end financial results and Annual Report, Viability and Going Concern Statements, internal audit requirements, risk appetite and review of key risks, significant project risks, external auditors' report, external property valuations, non-audit fees, evaluation of U+I management's and external auditors' effectiveness with regard to the audit process, and the re-appointment of the external auditors.

– **October 2017:** External auditors' interim report, interim results and financial statements, internal and external portfolio valuations, risk management, internal audit requirements and external audit retender review update.

– **December 2017:** Learning and development: presentation on key corporate governance issues, update on external audit retender process, external audit planning, risk management appetite and review of key risks, and a review of non-audit fees.

– **January 2018:** Learning and development: cyber security presentation, update on external audit retender process and recommendation to the Board, internal controls and control processes, risk assessment review, whistleblowing policy review, review of requirement for internal audit, and review of audit fees.

Cyber security

Cyber security and the potential threat of business disruption through cyber security issues continued to be a high priority for the Committee during the year. In 2016 an external consultant was engaged to provide training on cyber threats to all U+I employees. In January 2018, an external expert in cyber security gave an in-depth briefing on developments within the cyber security field to the Committee. The Company continues to review its hardware and software systems, in addition to the education of its employees, to ensure all cyber threats are minimised to the fullest extent possible, and a dedicated review of cyber risks is planned for the current financial year.

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 87), which reports into the Committee. The Committee reviews the key risks of the Company, the risk register, and the mitigation processes in place.

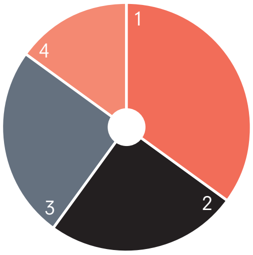
A full review of the effectiveness of the risk management and risk mitigation processes was carried out by the Risk Management Committee during the year, at the request of the Committee. This included a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The results of this review and subsequent changes to the risk register were approved by the Committee. The significant risks facing the Company are set out on pages 28 to 30.

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 again considered the Company's internal audit requirements during the year following the removal of the outsourced internal auditors the previous year. 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 93.

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, PwC.

Audit and Risk Committee - allocation of time



Significant issues considered by the Committee in relation to the Company's financial statements

Ensuring the integrity of the financial statements is fundamental to the Committee's remit. In preparing the accounts, there are a number of areas requiring the exercise by management of particular judgement or a high degree of estimation. The Committee's role is to assess whether the judgements and estimates made by management are reasonable and appropriate. Set out below are what we consider to be the most significant accounting areas which required the exercise of judgement or a high degree of estimation during the year, together with details of how we addressed these.

– **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. In particular, consideration was given to the provision made against the carrying value of St Marks's Square, Bromley, and the methodology for arriving at that number to ensure that the remaining work in progress could be reasonably assessed to be recoverable. As a result the Committee concluded that the assets were appropriately recognised in the Group's financial statements.

– **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 net realisable value of the assets.

– **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.

– **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

At the request of the Board, the Committee has considered whether, in its opinion, the 2018 Annual Report and Financial Statements are fair, balanced and understandable, and whether they provide the information necessary for shareholders to assess 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 125.

Viability Statement
The Committee has assessed whether five years continues to be an appropriate timeframe over which to make the Viability Statement. It was concluded that the current five-year assessment period remains appropriate and this was reviewed and adopted by the Board. The Viability Statement and our approach to assessing long-term viability can be found on page 31.

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.

External audit tender
PwC have been the Company's auditors since 2008. The Committee has undertaken a review of PwC's performance every year since appointment. The Committee reviewed PwC's performance in relation to the audit for the year ended 28 February 2018. It sought the views of key members of the Finance Team, and concluded that PwC had performed well, provided an appropriate and robust level of challenge, and continued to be effective. 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 five years. Julian will therefore stand down from the role of lead audit partner following the conclusion of the audit for the financial year ended 28 February 2018.

As disclosed in the Audit and Risk Committee Report for the year ended 28 February 2017, in accordance with the Code, the Committee decided to put the external audit out to tender during 2017. This was in advance of the ten year threshold for external audit tender at the end of the 2018 financial year. The process was planned in advance, with the Committee undertaking an initial desktop process which informed a decision to invite two firms to tender in addition to the incumbent, PwC. A scope of services required was circulated, and initial meetings were held between those parties tendering for the audit and key individuals throughout the U+I business. All parties were given access to the same individuals and all relevant information. Submissions from those parties tendering were presented to a sub-committee consisting of the Chairman, the Chairman of the Committee, the Chief Financial Officer and the Financial Controller. Each tender was independently assessed and scored against identical criteria by those present.

Following robust discussion and evaluation of scores against the previously defined criteria, it was agreed that PwC should be offered the opportunity to continue in the position of external auditors of the Company. PwC confirmed that a new lead audit partner would be in position following the end of the 2018 financial year-end reporting cycle.

Following the audit tender process the Committee subsequently recommended the re-appointment of PwC as auditors of the Company to the Board. This recommendation was approved by the Board and PwC's appointment as auditors will be proposed at the forthcoming 2018 AGM.

Internal control
The Directors acknowledge their responsibility for reviewing the effectiveness of the Group's system of internal controls 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 on page 93 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 clearly 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

As discussed in last year's Audit and Risk Committee Report, H W Fisher & Company were stood down by the Company as internal auditors in April 2016. At this time, 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. In taking this decision, 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 the Audit and Risk Committee meeting held in January 2018 the Committee reviewed the requirement for an internal audit function and came to the conclusion that this was not required at this time for the same reasons discussed the previous year. It was confirmed that a mechanism was in place whereby areas that may need additional review and focus, as circumstances and the nature of risks change, would be adequately covered. Any such review would be carried out using experienced staff or external advisors. The Committee will continue to review the requirement for an internal audit function on an annual basis.

The Board has conducted a review of the effectiveness of the systems of internal control for the year ended 28 February 2018, and to the date of this report, and considers that there is a sound system of internal control which accords with the FRC's 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.

Modern Slavery Act 2015

U+I recognises the importance of the Modern Slavery Act 2015, and is fully committed to ensuring that human trafficking and slavery play no part in any activities carried out by the Group or its supply chain. A modern slavery statement was discussed and approved at the Audit and Risk Committee, and by the Board, and you can find this on our website at uandiplc.com/investors/corporate-governance. All employees have completed an online modern slavery e-learning course, and are fully aware of the Company's attitude and their personal responsibilities towards such matters.

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 impact 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 at least 12 months and therefore have adopted the going concern basis in preparing the Group's 2018 financial statements.

Lynn Krige
Chairman of the Audit and Risk Committee
26 April 2018

Our approach
Partnerships are key for us, as we believe we are stronger when we work together with our different stakeholder groups. In the two years since we became U+I, we have achieved a huge amount, largely thanks to this collaborative approach, which drives us to continue to challenge ourselves to deliver great places. Each of our stakeholders has a part to play and will be integral to our continued success.

We consider each project with our heads to ensure it will deliver sustainable returns for our shareholders, and with our hearts to evaluate how we can create long-term socio-economic benefits for the communities in which we work.

Why we engage
We strive to continue to improve. To do this, it is important to keep listening to concerns and suggestions from our different stakeholders so we can deliver projects that strengthen the local environment and the communities that we serve. The feedback we receive forms part of our Board and strategic discussions, as we focus on running a business that benefits all our stakeholders for the long term.

SHAREHOLDERS

Expect honest disclosure and the delivery of sustainable long-term returns

How we engage with our shareholders:
Ongoing and regular engagement and conversation with investors through meetings, feedback loops, market announcements, the AGM and social media.

- Increased access to management through investor meetings and site visits, including 8 Albert Embankment, Preston Barracks and Circus Street, to encourage discussion and respond to any concerns or issues.
- Bi-annual investor and analyst feedback through third party advisors.
- Regular calls and meetings with institutional investors who, in aggregate, held over 80% of the issued share capital of the Group, on strategy, remuneration and governance.
- Updates on business and industry progress through U+I Think, Matter and our newsletters.
- Distribute regular newsflow through press releases and RNS announcements to show progress within our portfolio, reveal that key milestones have been met, and demonstrate that the Company is executing against business strategy.
- Set out clearly defined KPIs for which management can be held accountable.
- Detailed Annual Report and Accounts to give further background on strategy, business model, outputs and project performance.
- Presentations made by Executive Directors to analysts, shareholders and the media, following the release of the preliminary and interim results.
- Face-to-face engagement with private shareholders through the AGM.
- Participation at investor conferences and roadshows.
- Detailed report to each Board meeting to give an up-to-date perspective on the investment market, feedback received from the buy and sell sides, changes to the shareholder register and key sector news.

COMMUNITIES

Expect great places that preserve their heritage and deliver long-term socio-economic benefit

How we engage with communities: Close collaboration and continuous discussions with communities to align demand with our work.

- Introduction of new 'Worthwhile Use' projects to turn our sites into free/low-cost office, events and arts spaces for local communities and fledgling businesses seeking to grow.
- Discussions with communities from the outset to get their feedback and input on any plans and cultivate a joint vision; focus on turning derelict, unwanted spaces into thriving multi-use areas that transform cities and boost tourism.
- Regular forums and events to engage communities throughout the process and ensure delivery of necessary amenities to support modern flexible working and living.
- Working alongside local suppliers to create new jobs, grow productivity and stimulate the economy.
- Including the environment and sustainability in our template so all our projects consider the carbon, energy, water and waste impacts on communities.

OUR PEOPLE

Expect a great business they can be proud to work for

How we engage with our employees: Increased communication and engaging, interactive events to create a collaborative culture and positive working environment.

- First all-employee onsite at our new Manchester site, designed to instil closer relationships and understanding and cultivate shared values, vision and passion.
- New intranet to keep employees updated on key activities, as well as a weekly email on staff activities.
- Roll out of Company-wide 'Working Smarter' initiative, to help share knowledge and expertise and improve processes.
- Monthly townhalls to encourage greater collaboration, innovation and entrepreneurial spirit.
- Further investment in retaining staff through learning and development opportunities, as well as strengthening the team.
- Appointment of new Board and Leadership Team members to strengthen team expertise and experience.
- Relevant incentive programmes to reward talent, including share schemes, well being and gym memberships.
- Roll out of Company-wide e-learning course on new and evolving governance and legislatory requirements.
- Annual employee engagement survey to encourage feedback and improve practices.

OUR PARTNERS

Expect a professional, collaborative and innovative approach

How we engage with our partners: Continuous flow of calls, meetings and site visits amongst all parties involved in a project to foster alignment and ensure projects are delivered to the highest standard.

- Working with architects, funders, councils, local residents and fledgling start-ups, amongst others, to engage untapped potential and deliver ambitious projects.
- Ongoing and regular discussions with partners throughout our project programmes and beyond to encourage open feedback and areas for improvement.
- Bi-annual Matter magazine on macro themes that inform what we do and challenge norms.
- Free U+I Think events to challenge the status quo and promote innovation in the real estate sector with panels of thought leaders and change makers.

GOVERNMENT AND LOCAL AUTHORITIES

Expect high quality execution of projects and a track record of strong delivery and partner network

How we engage with the Government and Local Authorities: Meetings and forums to discuss needs and necessary outputs.

- Regular collaboration and partnerships with Local Authorities and Governments through existing, multi-use regeneration projects, to help effect change in communities and support their agendas to increase office and housing capacity and stimulate local economies.
- Ongoing discussions with local MPs, councils, authorities and responses to White Papers to support future regeneration of our cities.
- Richard Upton appointed a Commissioner of Historic England to advise governing body of Historic England on the National Heritage Collection.
- Nurturing strong relationships and delivering on other key projects to build trusting and complementary relationships.

"Our Remuneration Policy closely aligns the interests of U+I's Executives with those of our stakeholders."

Nick Thomlinson
Chairman of the Remuneration Committee

Highlights during the year
- New Remuneration Policy approved by 95% of shareholders at 2017 AGM.
- Third consecutive year of salary freeze for Executive Directors.
- The first half of the 2015 LTIP award vested at 38.1% of maximum as a result of an average three-year NAV per share growth of 6.6%.

REMUNERATION COMMITTEE

Dear Shareholder,
As Chairman of the Remuneration Committee I am pleased to present our Directors' Remuneration Report for the year ended 28 February 2018.

Implementation of Remuneration Policy in 2018/19
For the forthcoming year we are not making any changes to the operation of our Remuneration Policy and Executive Directors' salaries are not being increased for the third consecutive year.

Awards under our Long-Term Incentive Plan (LTIP) will continue to be based on three-year and four-year NAV growth and will be subject to the extended holding period introduced last year. A summary of our Remuneration Policy is included on page 98 for easy reference.

Remuneration out-turns
The year ended 28 February 2018 was the second year for which we operated our new annual bonus framework with financial and strategic/personal targets set at the beginning of the year. Annual bonus outcomes reflect a year of record development and trading gains of £68.3 million as well as an increase to basic net asset value of 9%, and 12.4% including dividends. Our notable successes in the year include achieving planning consent for the regeneration project at Blackhorse Road, as well as leasing the entire 12 Hammersmith Grove building in West London over the course of the year. As a result of overall performance against both financial and individual objectives, the Executive Directors received annual payments

ranging from 58% to 59.5% of salary. Further details on bonus payments and performance for the year are set out on pages 102 to 104.

The first awards under our LTIP were made in 2015 with the performance period for the first half of the awards ending on 28 February 2018. NAV per share performance over the three-year period was 6.6% p.a. resulting in 38.1% of this half of the award vesting. A portion of the vesting award will be subject to an additional holding period.

The performance period for the second half of the award is due to end on 28 February 2019 and details of performance will be included in next year's report. Further details on LTIP performance are set out on page 105.

The year ended 28 February 2018 represented the final year in respect of which payouts to Executives under the legacy Development Profit Plan (DPP) may be made. As a result of performance to 28 February 2018, the Chief Executive received payouts relating to awards granted in previous years from the successful realisation of profits, above a cost of equity threshold. Further details are set out on page 105. There will be no further DPP payments made to Executive Directors in future years.

Looking ahead

The Remuneration Committee has oversight for the Company's remuneration policies and practices and receives regular updates on employee remuneration throughout U+I, as well as broader workforce topics such as gender pay and diversity.

We believe that our Remuneration Policy closely aligns the interests of U+I's Executives with those of our stakeholders.

During the year the Committee monitored developments in corporate governance and investor expectations, including the Financial Reporting Council's proposed changes to the UK Corporate Governance Code. Over the last few years, we have introduced a number of good practice features, such as holding periods and longer-term horizons. Looking ahead, we will continue to monitor good practice and we anticipate reviewing our remit and Group-wide arrangements to ensure they align with the new Code.

The Committee was pleased to receive the strong support of our shareholders at the 2017 AGM in respect of the Directors' Remuneration Report and Remuneration Policy and we look forward to your continued support at the forthcoming AGM in respect of this year's Directors' Remuneration Report.

Nick Thomlinson
Chairman of the Remuneration Committee
26 April 2018

REMUNERATION POLICY SUMMARY

Prior to the 2017 AGM, the Company engaged with shareholders representing over 70% of the issued share capital of the Company. Following this engagement, an updated Remuneration Policy was presented and approved by 95% of those shareholders voting at the 2017 AGM. This policy will operate for the next three years until the 2020 AGM or until the Company puts a revised policy to shareholders. As the restructured Policy only came into effect in 2014, there were minimal changes to the policy in 2017. The Committee believes that those changes made were in line with best practice and were in the best interests of the Company and its shareholders.

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

Summary of operation of Policy

Salary	Core element of remuneration set to attract and retain individuals of the calibre required to shape and execute the Company's strategy.
Bonus	Incentivises and rewards Executive Directors for the successful delivery of financial and strategic objectives on an annual basis. Maximum bonus of 75% of salary.
Long-Term Incentive Plan	Incentivises and rewards Executive Directors for delivery of the Company's strategic plan of building shareholder value. Maximum LTIP award: – Chief Executive and Deputy Chief Executive – 300% of salary – Chief Financial Officer – 100% of salary Awards are subject to achieving performance targets set by the Committee. Awards are subject to a combined performance period and holding period that will not be less than five years in total. Malus and Clawback provisions apply.
Retirement Benefits	To provide Executive Directors with retirement benefits consistent with the role. Defined contribution pension arrangements are provided at 17.5% of salary per annum.
Benefits	To provide Executive Directors with market-competitive benefits consistent with the role. Typical benefits include cash in lieu of motor vehicle, private medical insurance, income protection insurance and life assurance.
Shareholding Guidelines	Shareholding guidelines apply.

ANNUAL REMUNERATION REPORT

The Annual Remuneration Report on pages 99 to 111 provides details of remuneration for the financial year ended 28 February 2018, and how our Policy will be implemented for the financial year commencing 1 March 2018.

Implementation of Remuneration Policy in the financial year commencing 1 March 2018

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

Fixed pay	+	Annual bonus	+	LTIP

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 2018 are set out below:

	1 March 2018 £'000	1 March 2017 £'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 third 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 pensions are 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 2018.

Annual bonus

The annual bonus structure sets financial and strategic/personal targets at the beginning of each year. The targets set for 2017/18 are disclosed in the incentive out-turns section on pages 103 and 104. For 2018/19 we will continue with this structure. The performance measures and weightings for the 2018/19 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 2018/19 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 2018 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 has been 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 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 focused on cash-based profit plans.

As reported in previous years, to balance fairness to participants and shareholders as well as reflect legacy contractual entitlements, transitional arrangements applied as outlined below.

Development Profit Plan

While no new awards were made under this plan since 1 March 2015, payments in respect of profits realised up to 28 February 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 of awards will be taken into account when a profit is realised on a project. Projects prior to 2009 and certain other legacy projects are excluded.

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.

Non-executive Directors' fees

Fees for the financial year commencing 1 March 2018 are set out in the table below:

	1 March 2018 £'000	1 March 2017 £'000
Chairman	**120**	120
Basic fee	**42**	42
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 2018 with a comparison to the previous financial year:

Executive Directors		Fees and salary £'000	Benefits[1] £'000	Pension[2] £'000	Annual bonus £'000	DPP[3] £'000	LTIP[4] £'000	Total £'000
M S Weiner	**2018**	**375**	**18**	**58**	**218**	**1,003**	**138**	**1,810**
	2017	375	18	58	75	1,197	0	1,723
R Upton	**2018**	**350**	**19**	**55**	**206**	**0**	**138**	**768**
	2017	350	19	56	69	0	–	494
M O Shepherd	**2018**	**325**	**19**	**50**	**194**	**0**	**33**	**621**
	2017	325	19	50	63	0	0	457

Non-executive Directors								
P W Williams	**2018**	**120**	**–**	**–**	**–**	**–**	**–**	**120**
	2017	94	–	–	–	–	–	94
N H Thomlinson	**2018**	**60**	**–**	**–**	**–**	**–**	**–**	**60**
	2017	57	–	–	–	–	–	57
B Bennett	**2018**	**42**	**–**	**–**	**–**	**–**	**–**	**42**
	2017	41	–	–	–	–	–	41
L G Krige	**2018**	**55**	**–**	**–**	**–**	**–**	**–**	**55**
	2017	50	–	–	–	–	–	50
R Kerslake[5]	**2018**	**26**	**–**	**–**	**–**	**–**	**–**	**26**
	2017	–	–	–	–	–	–	–

1. Benefits received during the year include motor vehicle, 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. The average share price between 1 December 2017 and 28 February 2018 (194.06p) has been used to estimate the value of the LTIP awards. As set out on page 105 38.1% of the first half of the awards granted in 2015 are due to vest.
5. R Kerslake became a Non-executive Director of the Company on 1 September 2017, and also became a member of the Audit and Risk, Remuneration and Nomination Committees on this date.

Incentive out-turns

Annual bonus

The annual bonus structure operates using 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 2018	% of actual payout for NAV growth (maximum 30%)*
NAV per share growth (including dividends)*	5%	12%	12.38%	30%

* 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 2018	% of actual payout for development and trading gains (maximum 30%)*
Development and trading gains*	£60.75m	£65.25m	£67.50m	£74.25m	£68.3m	23.39%

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

Non-financial targets - 40% of total bonus award

Personal objectives were set at the beginning of the year which focused on both delivery of strategic priorities for 2017/18 and the longer term.

M S Weiner

Asset business plans

- Funding agreement signed with MGE which delivered both the forecast gain for the year but also the option of retaining a 12.5% stake in the project.

Investor relations

- Simplification of investment case and engagement with both existing and new shareholders has led to existing shareholders increasing their holdings.
- Refreshed approach to investor communications, including retendering of the broking instruction, improved investor messaging and attendance at investor round tables.

Management of the Bromley project

- Implemented a comprehensive integrated team approach to material outstanding matters.
- Revised commercial agreements reached with both the contractor and funders.

Talent management

- Organisational appointments and restructuring of the Executive Committee to drive operational efficiencies.
- Executive Committee team leadership sessions to improve connectivity.

Strengthening the Company's capitalisation

- Refinement of the Company's joint venture structures.
- Appointment of new Leadership Team member to lead co-ordination of all joint venture strategies and establish a pipeline of the Company's capital requirements.

Operating model

- 'Working Smarter' review undertaken as part of an overhaul of the Company's processes so that they are better aligned with the Company's growth ambitions.

Annual bonus (% of salary)	18%

M O Shepherd

Financing

- Successful renegotiation of £67 million loan facility with Aviva to provide increased flexibility on substitution and a cost reduction of circa 75 basis points p.a.

Efficiency and cost effectiveness

- Delivered £2 million overhead efficiencies in line with objectives.
- Further savings identified and will be targeted over the next financial year.
- Continued corporate rationalisation programme to improve efficiency and save cost.

Financial/control processes

- Initiation of identified system improvements following the 'Working Smarter' review.
- Paperless AP system implemented.
- Implemented workshop process between Finance Team and Regeneration Team leading to improved liaison.

Cost savings

- Facilitation of the audit tender process undertaken by the Audit and Risk Committee, with PwC retained at reduced fee.

Engagement with analysts, shareholders and potential investors

- Significantly increased role in engagement with analysts, shareholders and potential investors, including an increased number of 1 to 1 meetings and participation in broker retender process.

Operating model

- 'Working Smarter' review undertaken as part of an overhaul of the company's processes so that they are better aligned with the Company's growth ambitions.

Annual bonus (% of salary)	19.5%

R Upton

Short and long-term development programme

- Partial achievement against development planning objectives including:
  - Circus Street project funding secured.
  - Planning secured for the temporary market at Shepherd's Bush Market.

Asset business plans

- Planning and initial disposal secured at Preston Barracks generating substantial gain in the period.
- Mayfield progressed with a revised planning framework, under public consultation for adoption in 2018, and initial site works targeted in the financial year.

Identification and securing of new projects

- During the year the Company secured one new PPP project and three new trading deals with a GDV in excess of £500 million and a profit potential in excess of £25 million.

Public affairs programme

- Several high profile speaking engagements. Principal spokesperson on all public affairs matters.
- Cemented the Company's reputation in the PPP space.

Operating model

- Drove the initial 'Working Smarter' concept.
- Leading a refinement of Company strategy and incorporating key findings into the Company's operating model.

Annual bonus (% of salary)	18.8%

In light of both corporate and individual performance, the Committee determined the following bonus awards be made for the year ended 28 February 2018:

Executive Director	Total award % of maximum	Total award % of salary	Total bonus award (£'000)
M S Weiner	77.4	58.0	218
R Upton	78.4	58.8	206
M O Shepherd	79.4	59.5	194

100% of any annual bonus awarded which is above target (50% of the maximum opportunity) will be paid in shares which the recipient must hold for at least two years. This equated to £77,034 for M S Weiner, £74,524 for R Upton, and £71,638 for M O Shepherd in relation to the bonus payment for 2017/18.

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.

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)
Wick Lane - residual	Profit	781	11,621
	DPP	–	77
Deeley Freed	Profit	2,630	4,633
	DPP	–	120
MVMNT	Profit	505	1,933
	DPP	–	100
Vertium	Profit	0	5,031
	DPP	–	300
BDSL	Profit	1,963	5,525
	DPP	–	249
Cathedral Projects	Profit	883	3,947
	DPP	–	156

Long-Term Incentive Plan (audited)

Awards were made under the LTIP in 2015 with the first half of awards subject to the Company's growth in NAV per share over the three-year performance period 1 March 2015 to 28 February 2018. Details of the NAV growth over the three-year performance period are set out in the table below:

	NAVps growth per annum	Vesting % of maximum
Threshold	5%	20%
Maximum	12%	100%
Performance	6.6%	38.1%

Two thirds of the shares that vest in respect of performance to 28 February 2018 are subject to an additional holding period of two years.

The second half of awards made in 2015 are subject to the Company's growth in NAV per share over a four-year performance period 1 March 2015 to 28 February 2019. Details of the NAV growth performance will be disclosed next year following the end of the performance period.

Payments made/awards granted during the year

Development Profit Plan (audited)

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

Long-Term Incentive Plan (audited)

On 30 May 2017, awards were made under the LTIP as follows:

Executive Director	Type	Number of shares	Face value (% of salary)[1]	Performance conditions[2]	End of performance periods	% vesting at threshold
M S Weiner	Conditional share award	579,299	300	% NAVps growth	29 Feb 2020/ 28 Feb 2021	20.0%
R Upton		540,679	300			
M O Shepherd		167,353	100			

1. The face value has been calculated based on the share price of 194.20 pence taken on 29 May 2017 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 114 for further information

Payments to a former Director

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

The treatment of Julian's outstanding incentive awards when he stood down from the Board reflected the fact that he continued to be employed by the Group. As disclosed in the 2015 Directors' Remuneration Report Julian retained a number of DPP awards. He will receive payment in respect of the award for 12 Hammersmith Grove to a maximum of £400,000 in respect of the year to 28 February 2018. This related to an award, the inception of which was in 2005, and which has now realised profit for U+I. The threshold target was based on the achievement of a notional cost of equity of 12.5%. The table below provides further information on the DPP incentive out-turn and target. Julian's only remaining DPP award, in respect of Shepherd's Bush Market, will lapse.

Project		Threshold target (£'000)	Actual profit/ DPP award (£'000)
12 Hammersmith Grove	Profit	4,400	12,600
	DPP	–	400

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 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. M S Weiner and R Upton have met their respective shareholding requirements; M O Shepherd will retain 50% of net vested shares until such time as he has reached his 150% shareholding guideline, see page 115 for further information.

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.

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:

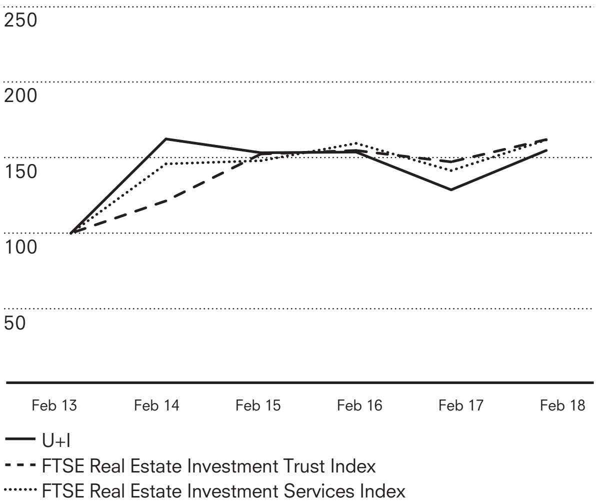
Executive Director	Shares owned outright as at 28 February 2018[1]	Shareholding as % of salary[2]	Interest in shares/ options subject to performance	Interest in shares/ options subject to continued employment only
M S Weiner	384,578	200	1,541,075	11,815
R Upton	3,006,034	1,676	1,463,208	0
M O Shepherd	168,345	101	426,576	11,815
Non-executive Director				
P W Williams	75,000	–	0	0
N H Thomlinson	20,000	–	0	0
B Bennett	35,000	–	0	0
L Krige	0	–	0	0
R Kerslake	0	–	0	0

1. Including shares held by connected persons
2. Calculation derived from the market value of 195.20 pence per share and Directors' salary as at 28 February 2018

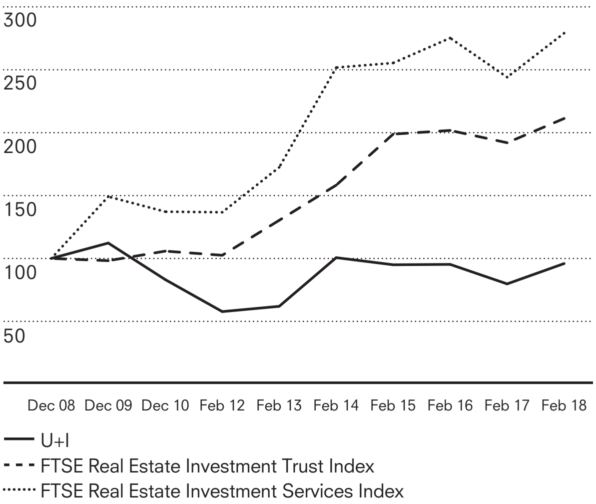
Historical total shareholder return (TSR) and KPI performance

The graphs below demonstrate the Company's TSR performance and performance against relevant incentive KPIs over the last five financial periods. TSR performance is also shown over the last nine financial periods in-line with the disclosure regulations. TSR has been calculated as share price growth plus reinvested dividends and is shown 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.

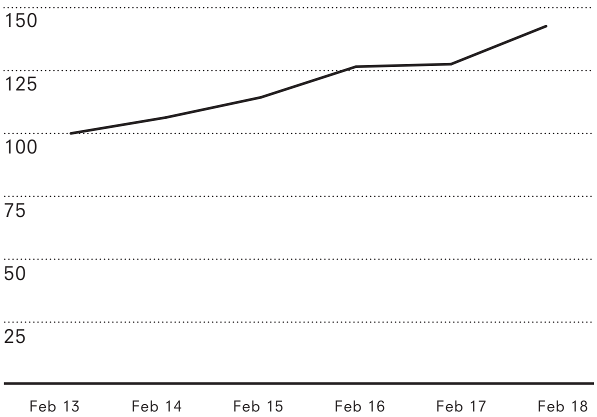
TSR (5 years)



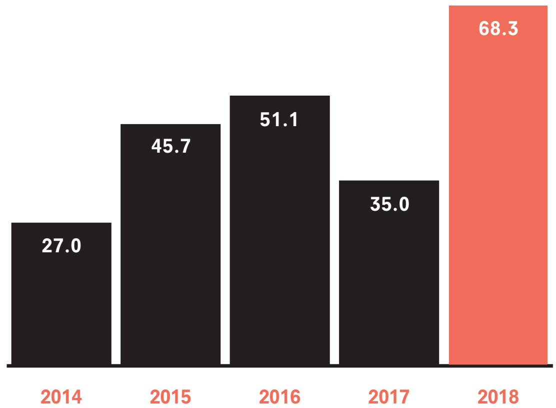
TSR (9 years)



Growth in NAV ps and dividends



Development and trading gains (£million)



Chief Executive's remuneration for previous nine years

The table below shows the total remuneration figure for the Chief Executive for the same nine-year period as the TSR chart on page 108. The annual bonus and LTIP percentages show the payout for each year as a percentage of the maximum opportunity.

	2009	2010	2012[1]	2013	2014	2015	2016		2017	2018
							M H Marx[2]	M S Weiner[3]		
Single total figure of remuneration (£'000)	767	865	714	487	882	1,002	257	1,633	1,723	**1,810**
Annual bonus (% of maximum)	80	63	21	0	67	86.7	–	59	26.8	**77.4**
LTIP vesting (% of maximum)	–	–	–	–	–	–	18	18	–	**38.1**

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 an 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	4.0
Taxable benefits	-0.17	-8.62
Annual bonus	189	35.4

Relative importance of spend on pay

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

	2018	2017	% change
Dividends[1]	**7,382**	7,381	0.01
Supplemental dividend[1,2]	**15,028**	3,506	329
Overall expenditure on pay[3]	**14,163**	13,525	4.7

1. These figures have been extracted from note 7 to the Consolidated financial statements on page 154
2. 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 net assets in 2017. A supplemental dividend of 12.0 pence per share, amounting to £15,041,000 for 2018, was declared post 2018 year end, and therefore not deducted from the net assets in 2018
3. These figures have been extracted from note 4 to the Consolidated financial statements on page 152

Role and constitution of the Committee

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

Advisors

The Committee sought professional advice from external remuneration 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 £37,600. 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 four times in the year under review.

Committee members	Joined the Committee	Considered independent Non-executive Director	Number of meetings attended/number of meetings possible	% attendance
N H Thomlinson (Chairman)	03.01.12	Yes	4/4	100
P W Williams	04.01.16	–[1]	4/4	100
L Krige	14.07.16	Yes	4/4	100
R Kerslake[2]	01.10.17	Yes	2/2	100

1. Chairman, independent on appointment
2. R Kerslake joined the Committee on her appointment to the Board on 1 September 2017

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 and the binding vote to approve the Remuneration Policy at the Company's AGM on 11 July 2017.

	Votes for	% of vote	Votes against	% of vote	Votes witheld
Approve Remuneration Report	90,188,835	93.48	6,293,491	6.52	1,727,968
Approve Remuneration Policy	92,018,752	95.34	401,030	4.66	1,690,512

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	28 February 2017 Number of shares	Granted	Lapsed	Exercised	28 February 2018 Number of shares	Final vesting date
M S Weiner	05.06.15	273.40	373,079	–	–	–	373,079	05.06.18/19
	09.06.16	191.10	588,697	–	–	–	588,697	09.06.19/20
	30.05.17	194.20	–	579,299	–	–	579,299	30.05.20/21
M O Shepherd	22.05.14	244.00	66,598	–	66,598	–	–	28.02.17
	05.06.15	273.40	89,155	–	–	–	89,155	05.06.18/19
	09.06.16	191.10	170,068	–	–	–	170,068	09.06.19/20
	30.05.17	194.20	–	167,353	–	–	167,353	30.05.20/21
R Upton	05.06.15	273.40	373,079	–	–	–	373,079	05.06.18/19
	09.06.16	191.10	549,450	–	–	–	549,450	09.06.19/20
	30.05.17	194.20	–	540,679	–	–	540,679	30.05.20/21

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

Save as You Earn (SAYE) (audited)

	28 February 2017 Number of shares	Granted	Lapsed	Exercised	28 February 2018 Number of shares	Exercise price Pence per share	Market price at exercise Pence per share[1]	Gain on exercise Pence per share	Date from which exercisable	Expiry date
M S Weiner										
2014	10,044	–	–	10,044	–	179.20	199.00	19.8	01.02.18	31.07.18
2017	–	11,815	–	–	11,815	152.00	–	–	01.02.21	31.07.21
M O Shepherd										
2014	10,044	–	–	10,044	–	179.20	199.00	19.8	01.02.18	31.07.18
2017	–	11,815	–	–	11,815	152.00	–	–	01.02.21	31.07.21

1. Closing share price on date of exercise 1 February 2018

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.

REMUNERATION POLICY

An updated Remuneration Policy (the Policy) was presented and approved by shareholders at the 2017 AGM and will operate until the AGM 2020. Since no changes to the Policy are proposed for the year ahead, this part of the report will not be subject to a shareholder vote at our 2018 AGM. We have included those changes to the Policy approved at the 2017 AGM and the policy tables for Executive Directors and Non-executive Directors below for reference. The full Policy can be found on our website at uandiplc.com/investors.

Changes to the application of the Remuneration Policy effective following the 2017 AGM
The key changes between the 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 is 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 introduced a minimum weighting for financial measures of 50% for the annual bonus.
- We 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.

Main components of the Remuneration Policy
Policy table for Executive Directors

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

Purpose of component and link to strategy	Operation	Maximum	Performance measures
Benefits To provide Executive Directors with market-competitive benefits consistent with the role.	Executive Directors currently receive the following benefits: – Cash in lieu of motor vehicle; – Private medical insurance; – Income protection insurance; and – Life assurance. Other benefits that are consistent with the role may be provided if the Committee considers it appropriate. Payments may be made to Executive Directors in lieu of any unutilised holiday allowance. The Committee may permit additional holiday in lieu of remuneration. Relocation and expatriate benefits may also be provided, if an existing or new Executive Director is required to relocate. The Executive Directors may participate in any all-employee share plans adopted by the Company on the same basis as other employees.	The cost of benefits may vary from year to year depending on an individual's circumstances and the varying cost of benefits premiums. There is no maximum benefits value.	None.
Annual bonus Incentivises and rewards Executive Directors for the successful delivery of financial and strategic objectives on an annual basis.	Payments are based on performance in the relevant financial year. Payments up to 50% of the maximum opportunity ('target' performance) are made in cash. 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. 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.	150% of salary per annum. Executive Directors, excluding the Chief Executive, will have a lower maximum opportunity than the percentage stated above. For the financial year ended 28 February 2018, Executive Directors, including the CEO, will have a maximum of 75% of salary.	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. The Committee reviews the basis of performance measurement under the annual bonus from time to time and may review and amend the measures as it considers appropriate. 50% of the maximum bonus opportunity will be payable for 'target' performance.

Purpose of component and link to strategy	Operation	Maximum	Performance measures
Long-Term Incentive Plan (LTIP) Incentivises and rewards Executive Directors for delivery of the Company's strategic plan of building shareholder value.	Awards of nil-cost options or conditional shares. The awards vest subject to the achievement of performance targets set by the Committee. 50% of the award is based on performance measured over three years, with the remaining 50% based on performance measured over four years. 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. Dividend equivalents may be paid on vested awards. 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. Malus provisions may also be applied in the event of serious reputational damage to the Company or a material failure of risk management.	300% of salary per annum.	The primary performance measure will be NAV 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. For threshold levels of performance, no more than 20% of the award vests with 100% of the award vesting for maximum performance.

Purpose of component and link to strategy	Operation	Maximum	Performance measures
Retirement benefits To provide Executive Directors with retirement benefits consistent with the role.	Defined contribution pension arrangements are provided. Pension benefits are provided through a Group Personal Pension Plan, non-pensionable cash supplement or contribution to a Personal Pension arrangement.	17.5% of salary per annum.	None.
Shareholding guidelines 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 were made under these plans, detail has been included on the Development Profit Plan as there are awards outstanding.

Purpose of component and link to strategy	Operation	Maximum	Performance measures
Development Profit Plan (DPP) Incentivises and rewards Executive Directors for the performance of their portfolio of projects.	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 28 February 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.

Policy table for Non-executive Directors

Component	The Company's approach
Chairman fees	Comprises an all-inclusive fee for all Board and Committee responsibilities. Determined by the Remuneration Committee and approved by the Board.
Non-executive Director fees	Comprises a basic fee in respect of their Board duties. Further fees may be paid in respect of additional Board or Committee duties. Recommended by the Chairman and Chief Executive and approved by the Board.

Approved by the Board and signed on its behalf by:

Nick Thomlinson
Chairman of the Remuneration Committee
26 April 2018

The Directors present their report and the audited Consolidated financial statements for the financial year ended 28 February 2018.

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 2 to 66.

Results and dividends

The profit for the financial year amounted to £40,256,000 (2017: £3,003,000 loss). An interim Ordinary dividend of £3,003,000 representing 2.40 pence per Ordinary share was paid on 24 November 2017 (25 November 2016: £3,003,000 representing 2.40 pence per Ordinary share). The Board recommends a final Ordinary dividend of 3.50 pence per Ordinary share amounting to £4,387,000 payable on 17 August 2018 to shareholders on the register at 20 July 2018 (17 August 2017: £4,379,000 representing 3.50 pence per Ordinary share). A further supplemental dividend of 12.0 pence per Ordinary share was announced to the market on 26 April 2018 amounting to £15,041,000 payable on 15 June 2018 to shareholders on the register at 11 May 2018. Subject to shareholder approval, this makes a total dividend declared of 17.9 pence per Ordinary share for the financial year (2017: 8.70 pence per Ordinary share). Further information on the Company's dividend policy can be found on page 59.

Group structure

Details of the Group's subsidiary undertakings are disclosed in note 41 to the Consolidated financial statements on pages 196 to 200.

Operations outside the UK

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

Share capital

The Company's issued share capital at 28 February 2018 consisted of 125,197,820 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 123,016 shares to members of staff in connection with the exercise of options under the SAYE. These shares were allotted from the block listing maintained in respect of these options. At the date of this report, 125,349,756 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 178 to 180.

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

Three resolutions relating to share capital will be proposed as Special Business at the forthcoming Annual General Meeting. The full text of the resolutions can be found in the Notice of 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 a 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 11 July 2017, members authorised the Company to make market purchases of up to 12,522,674 of its own Ordinary shares of 50 pence each. That authority expires at the forthcoming Annual General Meeting of the Company on 5 July 2018 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 11 July 2017 (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 99 to 111 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 72 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 19 December 2017, a grant was made under the Save As You Earn Option Plan 2005 for a total of 339,666 options over shares at 152 pence per share to 61 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
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
R Kerslake	Independent Non-executive Director (appointed 1 September 2017)

Biographical details of the Directors as at 28 February 2018 are shown on pages 70 and 71.

All Directors will retire at the 2018 Annual General Meeting and, being eligible, will offer themselves for election or re-election; see page 120. 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 2018 are disclosed in the Remuneration Policy and Remuneration Report on pages 96 and 116.

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 to the Consolidated financial statements on page 183.

Directors' and Officers' liability insurance

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

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

Articles of Association

The Articles of Association may be amended by a Special Resolution of the shareholders.

Annual General Meeting

The 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 Chairmen. More information regarding the 2018 AGM, including the resolutions being put to the meeting, can be found on pages 119 to 122. The Company's website (uandiplc.com) is updated at the same time as the Regulatory 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 2017 AGM were as follows:

Resolution		For % of votes cast[1,2]	Against % of votes cast[2]
1	Receive Annual Report and Accounts	100	0
2	Remuneration Report	93.48	6.52
3	Remuneration Policy	95.34	4.66
4-10	Appointment of Directors	94.2-99.98	0.02-5.58
11	Declare final dividend	100	0
12	Appointment of Auditor	99.92	0.08
13	Auditor's remuneration	99.97	0.03
14	Authority to purchase own shares	99.94	0.06
15	Authority to allot shares	99.85	0.15
16	Disapplication of pre-emption rights	99.95	0.05
17	Meetings on 14 days' notice	99.21	0.79
18	Political donations	99.15	0.85

1. Includes those votes for which discretion was given to the Chairman
2. Does not include votes withheld

The Annual General Meeting will be held on 5 July 2018 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 2018.

Resolutions 2 – To approve the Directors' Remuneration Report

In accordance with the directors' remuneration reporting regime as set out in Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), the Company's 2018 Directors' Remuneration Report comprises the Remuneration Committee Chairman's Annual Statement, the Annual Report on Remuneration (the Annual Remuneration Report), and a summary of the Directors' Remuneration Policy (the Policy).

The Directors' Remuneration Policy was approved by shareholders at the 2017 Annual General Meeting and took immediate effect. The Policy is subject to a shareholder vote at least once every three years and, subject to any proposed changes being required, will next be laid before shareholders for approval at the Annual General Meeting in 2020. The Company is not able to make remuneration or loss of office payments to a current or past Director, unless the payment is consistent with the approved Policy or has been otherwise approved by shareholders.

Resolution 2 seeks shareholder approval for the Annual Remuneration Report. This is set out on pages 99 to 111 of the Annual Report and sets out details on how our Directors were paid in the financial year ended 28 February 2018, and how their pay will be structured in the financial year ending 28 February 2019. The Annual Remuneration Report will be prepared on an annual basis and is subject to an advisory shareholder vote.

Ordinary Resolutions 3 to 10 – Election and Re-election of Directors

In line with the provisions of the Company's Articles of Association, Ros Kerslake, who was appointed by the Board since the date of the last Annual General Meeting will retire and submit herself for election by shareholders. Details of Ros' background and experience can be found on page 71.

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 2017 Annual General Meeting will voluntarily retire and those wishing to serve again shall submit themselves for re-election by the shareholders at the 2018 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 73 to 83. Biographical details of all the Directors appear on pages 70 and 71 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 20 July 2018.

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

Resolutions 12 and 13 propose the re-appointment of PwC 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 discussed the possibility of making market purchases of the Company's shares, and, should they believe such action would be in the best interests of shareholders and would enhance net assets or earnings per share, would consider exercising their authority during the year. As at 25 April 2018 (being the latest practicable date prior to publication of the Notice of Annual General Meeting), the Company has an unexpired authority to repurchase 12,522,674 Ordinary shares of which 12,522,674 Ordinary shares remain outstanding.

As at 25 April 2018 (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 331,396 (approximately 0.26% of the Company's issued share capital and approximately 0.28% 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 2019 (being the latest date by which the Company must hold an Annual General Meeting in 2019). 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 2017 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 2019 (being the latest date by which the Company must hold an Annual General Meeting in 2019).

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 £20,871,827 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 2018 (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 £20,871,827 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 2018 (being the last practicable date prior to publication of the Notice of the Annual General Meeting). As at 25 April 2018 (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 £3,133,744 (being equivalent to 5.0% of the total issued Ordinary share capital of the Company as at 25 April 2018 (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 11 July 2017, 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 commit 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 174 to 177.

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 page 174.

Charitable and political donations

Charitable donations during the year were £44,819 (2017: £56,244). 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 2018 (being the last practicable date prior to publication of the Annual Report), the following information had been received in accordance with DTR 5 from holders of notifiable interests in the Company's issued share capital.

The information provided below was correct at the date of notification; however, the date the notification was received may not be within the 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*
Fidelity Worldwide Investment Limited	14,883,732	12.17
Aberforth Partners LLP	13,957,291	11.16
J O Hambro Capital Management	13,908,148	11.12
Standard Life Aberdeen plc	8,678,641	6.93
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
The Wellcome Trust Limited	5,108,153	4.08

* % holding at the time of notification; see www.uandiplc.com/investors for more details

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 2018, 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 2018 can be found in the Sustainability Report on page 64.

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, PwC, have indicated their willingness to continue in office having been re-appointed following a retender process led by the Audit and Risk Committee. The Board, on the advice of the Audit and Risk Committee, recommends their re-appointment, and a resolution that they be re-appointed will be proposed at the forthcoming Annual General Meeting.

Post balance sheet events

Details of events which have occurred since 28 February 2018 and up to the date of this report are disclosed in note 27 to the Consolidated financial statements on page 185.

Other information – Listing Rules

For the purposes of LR9.8.4R, the information required to be disclosed by LR9.8.4R can be found on the pages set out below:

Section	Information	Page
1	Interest capitalised	153
2	Publication of unaudited financial information	Not applicable
4	Details of long-term incentive schemes	98-116
5	Waiver of emoluments by a director	Not applicable
6	Waiver of future emoluments by a director	Not applicable
7	Non pre-emptive issues of equity for cash	Not applicable
8	Non pre-emptive issues by a major subsidiary undertaking	Not applicable
9	Parent participant in a placing by a listed subsidiary	Not applicable
10	Contracts of significance	Not applicable
11	Provision of services by a controlling shareholder	Not applicable
12	Shareholder waiver of dividends	Not applicable
13	Shareholder waiver of future dividends	Not applicable
14	Agreements with controlling shareholders	Not applicable

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 2017 to 28 February 2018, 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 2017 for the financial year ended 28 February 2018 to calculate its GHG emissions.

Greenhouse Gas (GHG) Emissions Scope (tCO_2e)	Reporting year ended 28 February 2018	Reporting year ended 28 February 2017
Scope 1[a,b,d]	341	348
Scope 2[c,d]	1,107	1,340
Total	1,448	1,688

a. Scope 1 covers emissions from direct combustion of fuel from operation of properties and company-owned vehicles
b. Fugitive emissions data from use of air conditioning was not available for this report; in the absence of data it was considered that a reasonable estimation could not be calculated based on the limited information available
c. Scope 2 covers emission from electricity purchased for own use. There were no purchases of heat, steam and cooling for own use in the reporting period
d. Where gas/electricity consumption data was not available to cover all months of the reporting period, an estimation of the emissions 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_2e/sq.ft)	Reporting year ended 28 February 2018	Reporting year ended 28 February 2017
GHG emissions per square foot of property occupied	0.006	0.005
GHG emissions per square foot of investment property managed	0.001	0.002

Disclosure of information to auditors

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

- 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 2018

Statement of Directors' Responsibilities in Respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 102, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company 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.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in Chairman's Introduction to Corporate Governance confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- the Group financial statements, which have been 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
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

On behalf of the Board

Matthew Weiner
Chief Executive
26 April 2018

Marcus Shepherd
Chief Financial Officer

Report on the audit of the financial statements

Opinion

In our opinion:

- U and I Group PLC's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 28 February 2018 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 28 February 2018; the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the Notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

<u>Independence</u>

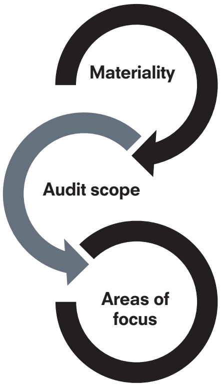
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 3 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 March 2017 to 28 February 2018.

Our audit approach

Overview



- Overall Group materiality: £6.7 million (2017: £4.4 million), based on 1% of total assets.
- Overall Company materiality: £6.0 million (2017: £4.4 million), based on 1% of total assets and capped at 90% of the Group materiality.

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

- Valuation of investment properties (Group).
- Valuation of development and trading properties (Group).
- Recoverability of financial assets (Group and Company).

<u>The scope of our audit</u>

As part of designing our audit, we determined materiality and assessed 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.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group and Company financial statements, including, but not limited to, Companies Act 2006, the Listing Rules, UK tax legislation and equivalent local laws and regulations. Our tests included, but were not limited to agreement of the financial statement disclosures to underlying supporting documentation, enquiries of management, review of minutes of those charged with governance and discussion with in-house legal counsel and tax specialists. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

<u>Key audit matters</u>

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties The Group's investment properties were valued at £139.5 million as at 28 February 2018 and a revaluation loss of £2.4 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. The majority of valuations are carried out by third party valuers in accordance with the RICS Valuation – Professional Standards and IFRSs as adopted by the European Union. A small element of the portfolio (£15.1 million) is valued internally by the Directors. There are significant judgements and estimates inherent in the valuation of the Group's investment properties. Where available, the valuations take into account evidence of market transactions for properties and locations comparable to those of the Group's properties. The most significant judgements and estimates affecting all the valuations include yields and estimated rental value ("ERV") growth (as described in note 9 of the Financial Statements). 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 1c and 9 to the financial statements, page 91 in the Audit and Risk Committee Report. *Group*	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 engagement for unusual terms or fee arrangements. Based on this work, we are satisfied that they remain independent and competent and that the scope of their work was appropriate. We tested the data in the investment property valuation for a sample of properties, including rental income, acquisitions and capital expenditure, by agreeing them to the underlying property records held by the Group. The underlying property records were themselves tested back to signed and approved lease contracts or sale/purchase contracts and approved third party invoices as applicable. We met with the external valuers independently of management and obtained their valuation reports. We read the valuation report and confirmed that the valuation approach for each property was in accordance with RICS Valuation – Professional Standards and IFRSs as adopted by the European Union and suitable for use in determining the carrying value for the purpose of the financial statements. We understood from the valuers which properties they had visited in the year and also performed our own site visits. 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. 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. Variances were predominantly due to property specific factors such as assets under offer. We verified the movements to supporting documentation including evidence of comparable market transactions where appropriate. We challenged the Directors on the movements in the valuations and found that they were able to provide explanations and refer to appropriate supporting evidence.

Key audit matter	How our audit addressed the key audit matter
Valuation of development and trading properties The Group's development and trading properties were valued at £216.4 million as at 28 February 2018. 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. It includes assets subject to significant judgements as a result of contractor and development risk and assets acquired during periods in which market values were higher than currently. A change in conditions for specific assets or a relatively small percentage change in either the property or construction markets could result in a material impact to the financial statements. Refer also to notes 1c and 14 to the financial statements, page 91 in the Audit and Risk Committee Report. *Group*	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 certain properties. 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 historical book values of assets to disposal proceeds following their sale. Based on this work we were satisfied with the evidence that development and trading properties were held at the lower of cost and net realisable value.
Recoverability of financial assets The Group and Company hold a number of loans with joint ventures, associates and other third parties that must be assessed for recoverability at each period end. At 28 February 2018, these totalled £31.3 million (£17.1 million for the Company), split £14.5 million in non-current assets and £16.8 million within current assets for the Group (£0.3 million in non-current assets and £16.8 million within current assets for the Company). We focused on this area as the recoverability of these 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 notes 1c, 17 and 28a to the financial statements and page 91 in the Audit and Risk Committee Report. *Group and Company*	We obtained management's assessment of the recoverability of the loans, which includes cash flow projections over the next five years. 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 through to bank statement. In relation to the loans to Northpoint Developments Limited, we held discussions with management and obtained the appraisals supporting the profitability of the underlying schemes, corroborating this to publically available market data and costs incurred to date. We also visited certain properties. 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 structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

As part of designing our audit, we determined materiality and assessed 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.

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 in aggregate on the financial statements as a whole.

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

	Group financial statements	Company financial statements
Overall materiality	£6.7 million (2017: £4.4 million).	£6.0 million (2017: £4.4 million).
How we determined it	1% of total assets.	1% of total assets, capped at 90% of the Group materiality.
Specific materiality	£2.9 million (2017: £1.0 million)	Not applicable
How we determined it	5% of adjusted profit before tax	Not applicable
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 property areas 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 believe that total assets is the primary measure used by the shareholders in assessing the position of the non-trading holding Company, and is an accepted auditing benchmark. We determined the overall materiality for the Company to be £6.0 million, being equal to the 90% of the Group overall materiality. The materiality which we would otherwise have calculated for our audit of the Company would have been higher than this.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £0.3 million (Group and Company audit) (2017: £0.2 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern
In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to going concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 28 February 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 67 to 125) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ("DTR") is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 67 to 125) with respect to the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Company. (CA06)

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group
We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 72 of the Annual Report 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.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 72 of the Annual Report 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 to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and 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 UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions
We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 72, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the 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 and Company obtained in the course of performing our audit.
- The section of the Annual Report on page 88 describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration
In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements
As explained more fully in the Statement of Directors' Responsibilities set out on page 125, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
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.

Other required reporting

Companies Act 2006 exception reporting

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
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company 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.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the members on 28 May 2008 to audit the financial statements for the year ended 31 December 2008 and subsequent financial periods. The period of total uninterrupted engagement is 10 years, covering the years ended 31 December 2008 to 28 February 2018. During the year a competitive tender process for the audit was undertaken for the year ending 28 February 2019 and the Audit and Risk Committee subsequently recommended the re-appointment of PwC as auditors.

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

26 April 2018

Consolidated Statement of Comprehensive Income

For the year ended 28 February 2018

	Notes	2018 Total £'000	2017 Total £'000
Revenue	2	**173,684**	123,931
Direct costs	2	**(117,477)**	(86,863)
Gross profit	2	**56,207**	37,068
Operating costs	2	**(24,235)**	(22,061)
Gain/(loss) on disposal of investment properties	2	**3,324**	(2,273)
Loss on revaluation of property portfolio	9	**(2,417)**	(9,506)
Operating profit before exceptional item	3	**32,879**	3,228
Exceptional impairment of operating segment		**–**	(2,150)
Operating profit after exceptional item	3	**32,879**	1,078
Other income		**2,089**	1,320
Share of post-tax profits of joint ventures and associates	13	**16,175**	6,134
Profit from sale of investments	13(a)	**6,713**	567
Gain/(loss) on sale of other plant and equipment		**5**	(25)
Profit before interest and income tax		**57,861**	9,074
Finance income	5(a)	**94**	711
Finance costs	5(b)	**(9,783)**	(11,495)
Profit/(loss) before income tax		**48,172**	(1,710)
Income tax	6	**(7,916)**	(1,293)
Profit/(loss) for the year		**40,256**	(3,003)
OTHER COMPREHENSIVE INCOME			
Profit/(loss) for the year		**40,256**	(3,003)
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		**292**	2,958
Revaluation of operating property	10	**35**	–
Deferred income tax credit	6/18	**–**	127
Total comprehensive income for the year		**40,583**	82
Basic earnings/(loss) per share attributable to the Parent*	8	**32.2p**	(2.4)p
Diluted earnings/(loss) per share attributable to the Parent*	8	**32.2p**	(2.4)p

* 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 138 to 185 are an integral part of these Consolidated financial statements.

Consolidated Balance Sheet

As at 28 February 2018

	Notes	**£'000**	**2018 £'000**	£'000	2017 £'000
NON-CURRENT ASSETS					
Direct real estate interests					
Investment properties	9	**139,506**		179,199	
Operating property	10	**775**		800	
Trade and other receivables	15(a)	**2,487**		2,858	
			142,768		182,857
Indirect real estate interests					
Investments in associates	13(a)	**–**		8,372	
Investments in joint ventures	13(b)	**92,806**		46,089	
Intangible assets – goodwill	11	**2,328**		2,328	
Loans to other real estate businesses	17(a)	**15,812**		19,859	
			110,946		76,648
Other non-current assets					
Other plant and equipment	12	**4,241**		5,770	
Derivative financial instruments	17(c)	**10**		257	
Deferred income tax assets	18	**1,225**		1,359	
			5,476		7,386
Total non-current assets			**259,190**		266,891
CURRENT ASSETS					
Inventory – development and trading properties	14	**216,393**		208,342	
Other financial assets	17(a)	**16,837**		18,524	
Trade and other receivables	15(b)	**119,629**		48,720	
Current income tax asset		**–**		16	
Monies held in restricted accounts and deposits		**11,473**		27,486	
Cash and cash equivalents		**40,626**		23,785	
			404,958		326,873
Total assets			**664,148**		593,764
CURRENT LIABILITIES					
Trade and other payables	16(b)	**(99,716)**		(53,369)	
Current income tax liabilities		**(7,748)**		–	
Borrowings	17(b)	**(63,209)**		(4,508)	
Provisions	16(c)	**(2,513)**		(1,394)	
			(173,186)		(59,271)
NON-CURRENT LIABILITIES					
Trade and other payables	16(a)	**–**		(14,395)	
Borrowings	17(b)	**(107,975)**		(167,617)	
Deferred income tax liabilities	18	**(3,290)**		(3,568)	
Provisions	16(c)	**(416)**		(1,288)	
			(111,681)		(186,868)
Total liabilities			**(284,867)**		(246,139)
Net assets			**379,281**		347,625
EQUITY					
Share capital	19	**62,671**		62,613	
Share premium	20	**104,475**		104,325	
Other reserves	20	**56,628**		54,551	
Retained earnings	20	**155,507**		126,136	
Total equity			**379,281**		347,625
Basic/diluted net assets per share attributable to the owners of the Parent	8		**303p/303p**		278p/277p

The notes on pages 138 to 185 are an integral part of these Consolidated financial statements.

Approved and authorised for issue by the Board of Directors on 26 April 2018 and signed on its behalf by:

M S Weiner
Director

Consolidated Statement of Changes in Equity

For the year ended 28 February 2018

	Notes	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 March 2016		62,537	104,113	51,861	144,814	363,325
Loss for the year ended 28 February 2017		–	–	–	(3,003)	(3,003)
Other comprehensive (expense)/income:						
– Revaluation of operating property		–	–	(1,073)	1,073	–
– Fair value adjustment realised		–	–	(630)	630	–
– Currency translation differences		–	–	2,958	–	2,958
– Deferred income tax credited directly to equity	6/18	–	–	127	–	127
Total comprehensive income/(expense) for the year ended 28 February 2017		–	–	1,382	(1,300)	82
Issue of Ordinary shares	20	76	212	–	–	288
Share-based payments	20	–	–	1,308	–	1,308
Final dividend 2016	7	–	–	–	(4,378)	(4,378)
Supplemental dividend 2016	7	–	–	–	(9,997)	(9,997)
Interim dividend 2017	7	–	–	–	(3,003)	(3,003)
Total contributions by and distributions to owners of the Company		76	212	1,308	(17,378)	(15,782)
Balance at 28 February 2017		62,613	104,325	54,551	126,136	347,625
Profit for the year ended 28 February 2018		–	–	–	40,256	40,256
Other comprehensive income:						
– Revaluation of operating property		–	–	35	–	35
– Currency translation differences		–	–	292	–	292
Total comprehensive income for the year ended 28 February 2018		**–**	**–**	**327**	**40,256**	**40,583**
Issue of Ordinary shares	20	58	150	–	–	208
Share-based payments	20	–	–	1,750	–	1,750
Final dividend 2017	7	–	–	–	(4,379)	(4,379)
Supplemental dividend 2017	7	–	–	–	(3,503)	(3,503)
Interim dividend 2018	7	–	–	–	(3,003)	(3,003)
Total contributions by and distributions to owners of the Company		58	150	1,750	(10,885)	(8,927)
Balance at 28 February 2018		**62,671**	**104,475**	**56,628**	**155,507**	**379,281**

The notes on pages 138 to 185 are an integral part of these Consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 28 February 2018

	Notes	2018 £'000	2017 £'000
CASH (USED IN)/GENERATED FROM OPERATIONS			
Cash flows (used in)/generated from operating activities	21	**(211)**	56,859
Interest paid		**(9,140)**	(7,774)
Income tax paid		**(296)**	(3,806)
Net cash (used in)/generated from operating activities		**(9,647)**	45,279
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**3,803**	443
Proceeds on disposal of other plant and equipment		**5**	11
Proceeds on disposal of investment properties		**39,253**	16,250
Purchase of other plant and equipment		**(822)**	(601)
Purchase of investment properties		**(2,432)**	(3,051)
Investment in joint ventures		**(31,535)**	(19,197)
Cash inflow from joint ventures and associates - fees and distributions		**11,454**	24,245
Cash outflow for financial asset loans		**(5,676)**	(518)
Cash inflow from financial assets - loans repaid by other real estate businesses		**10,455**	1,816
Net cash generated from investing activities		**24,505**	19,398
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(10,885)**	(17,378)
Issue of new shares		**208**	288
Repayments of borrowings		**(120,529)**	(81,677)
New bank loans raised		**118,110**	33,194
Transaction costs associated with borrowings		**(922)**	(339)
Cash released from restricted accounts		**27,434**	2,661
Cash retained by restricted accounts		**(11,421)**	(22,051)
Net cash generated from/(used in) financing activities		**1,995**	(85,302)
Net increase/(decrease) in cash and cash equivalents		**16,853**	(20,625)
Cash and cash equivalents at the beginning of the year		**23,785**	43,752
Exchange (loss)/gain on cash and cash equivalents		**(12)**	658
Cash and cash equivalents at the end of the year		**40,626**	23,785
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash at bank and in hand		**40,626**	23,785
Bank overdrafts	17(b)	**–**	–
Cash and cash equivalents at the end of the year		**40,626**	23,785
NET DEBT COMPRISES:			
Monies held in restricted accounts and deposits		**11,473**	27,486
Cash and cash equivalents		**40,626**	23,785
Financial liabilities:			
– Current borrowings	17(b)	**(63,209)**	(4,508)
– Non-current borrowings	17(b)	**(107,975)**	(167,617)
Net debt		**(119,085)**	(120,854)

An analysis of the movement in net debt is provided in note 21.

The notes on pages 138 to 185 are an integral part of these Consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 28 February 2018

1 Basis of preparation and accounting policies

a)

(i) General information

The Consolidated financial statements of the Group for the year ended 28 February 2018 comprise the results of U and I Group PLC and its subsidiaries and were authorised by the Board for issue on 25 April 2018.

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 meets its day to day working capital requirements through its cash reserves and bank facilities. The current economic conditions continue to create uncertainty. The Group produces regular forecasts and cash flow projections to confirm that it can continue to operate within the level of its existing banking facilities. The Group considers the risks and uncertainties highlighted in the Viability Statement when reviewing its projections. Following this review, the Directors consider it appropriate to adopt the going concern basis of accounting 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 (IFRSs) and IFRS Interpretations Committee (IFRSIC) interpretation as adopted by the European Union and with the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies which follow set out those policies which were applied consistently in preparing the financial statements for the years ended 28 February 2018 and 28 February 2017.

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, financial assets and liabilities 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 and use have demonstrably changed.

During the year the Group has reclassified two trading and development assets to investment properties. This reclassification is as a result of a change in strategy and use in respect of these assets whereby they are now being held for income and capital appreciation.

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).

<u>Estimates</u>
1.4 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 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.

1.5 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).

The Group continues to review the operations of its serviced office business as it looks to exit a number of the centres. Three will close during the year and the Group is looking at options of exiting two further centres. A further provision of £628,000 has been made during the year to cover closure costs.

1.6 Derivative financial instruments
The Group is party to a number of interest rate swap agreements which are accounted for as derivatives and measured at fair value. The estimation of this figure is based upon market assumptions about future movements in interest and exchange rates. The estimated fair values and the movements in the year are set out in note 17(c).

1 Basis of preparation and accounting policies continued

c) Critical accounting judgements and estimates continued

1.7 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

No new standards, amendments and interpretations, effective for annual periods beginning after 1 March 2017, have a significant impact on the Group's operations.

A number of new standards, amendments and interpretations are effective for accounting periods commencing after 1 March 2018 and have not been applied in preparing these financial statements. The Group does not expect any of the amendments to have a material impact on its financial statements of the Group or Company, except as stated below:

– 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 that where the fair value option is taken for financial liabilities, the part of the fair value change due to an entity's own credit risk is recorded in Other comprehensive income rather than the Income Statement, unless it creates an accounting mismatch. The Group will implement IFRS 9 for the accounting period commencing 1 March 2018 and anticipates that the classification and measurement basis for its financial assets and liabilities will largely unchanged. The main impact of adopting IFRS 9 will be the implementation of the expected loss model. The Group has reviewed all of its financial assets and liabilities as at 28 February 2018 and the expected impact of IFRS 9 is not materially different from the current position adopted.

– 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 direct the use and obtain the benefit from the goods or services. Variable consideration is included in the transaction price if it is highly probable and there would be no subsequent reversal of the revenue recognised once the uncertainly is resolved. 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 is implementing IFRS 15 for the current financial year and has carried out a review of its existing contractual arrangements. The Group will need to consider the certainty surrounding the payment of contingent or variable consideration which may result in the income being recognised earlier than currently under IAS 18. The Group does not consider that there will be any material change in the way the Group calculates 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, the key change is that most operating leases will be accounted for on balance sheet for lessees, with the exception of short-term and low-value leases. The accounting for lessors will not significantly change. The Group is reviewing its operating lease obligations and assessing the full impact of IFRS 16.

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 defacto 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 consider 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.

1 Basis of preparation and accounting policies continued

f) Associates and joint ventures continued

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, recognised in the Group income statement. 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 and/or capital contributions. Assets held within both the investment and development and trading segments earn rental income.
ii. Lease surrender payments from tenants are recognised in income when they are contractually agreed.
iii. Sales of property classified as Inventory are recognised when the risks and rewards of ownership have been transferred to the purchaser, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all of the significant conditions are satisfied.
iv. Licence fee income from serviced offices is recognised on a straight-line basis over the term of the licence. Other income from serviced offices is recognised when the service is provided. The income is classified within the operating segment.
v. Project management fee income is recognised on a straight-line basis over the contract term for which project management services are provided.

vi. Development revenue and profits are recognised in accordance with IAS 11, 'Construction Contracts', or IAS 18, 'Revenue', depending on whether all development risks, apart from the construction risk, have passed to the purchaser under the terms of the development agreement. The Group also reviews all contracts in accordance with IFRIC 15 'Agreements for the Construction of Real Estate'. Where only the construction risk remains, the revenue and profit on the development are 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. Management review each contract for classification and 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 are 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.

1 Basis of preparation and accounting policies continued

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 Highest and Best 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.

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.

1 Basis of preparation and accounting policies continued

n) Financial assets and financial liabilities continued

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 2018.

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 98 to 116. The Group recognises a liability when contractually obliged.

r) Foreign currencies

The Consolidated financial statements of the Group are presented in UK Sterling, the Company's functional and presentation currency. Transactions denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the dates of the transactions or valuation when items are re-measured.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Exchange movements are dealt with in the Income Statement, with exchange differences on borrowings taken to Finance income or Finance costs, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

The results and financial position of Group entities that have a functional currency different from the reporting currency are translated as follows:

- Assets and liabilities are translated at the rates ruling at the balance sheet date.
- Income and expenses are translated at average exchange rate for the period.
- All exchange differences are reported in Other comprehensive income.

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 Executive Committee.

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.

1 Basis of preparation and accounting policies continued

t) Share capital continued

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.

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.

No expense is recognised for awards that do not ultimately vest.

At each balance sheet date before vesting, the Group revises its estimate of the number of options that are expected to vest based on the non-market and service conditions. Any adjustment to original estimates is recognised in the income statement with a corresponding adjustment to equity.

When the options are exercised, the Company issues new Ordinary shares. The nominal value of the shares is credited to share capital with the balance credited to share premium.

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, non-recurring items of income or expense that have been shown separately due to the significance of their nature or amount.

x) Definitions

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

IPD Index and Total Portfolio Return: total return from the completed investment portfolio, comprising net rental income or expenditure, capital gains or losses from disposals and revaluation surpluses or deficits, divided by the average capital employed during the financial 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

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 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 £30,004,000 (2017: £30,193,000) which are located in the Republic of Ireland. All revenue arises from continuing operations.

2018	Investment £'000	Development and trading £'000	Operating £'000	Total £'000
Segment revenue	12,086	157,481	4,117	173,684
Direct costs	(3,656)	(109,037)	(4,784)	(117,477)
Segment result	8,430	48,444	(667)	56,207
Operating costs	(3,579)	(20,656)	–	(24,235)
Gain on disposal of investment properties	3,324	–	–	3,324
Loss on revaluation of property portfolio	(2,417)	–	–	(2,417)
Operating profit	5,758	27,788	(667)	32,879
Other income	483	1,606	–	2,089
Share of post-tax profits of joint ventures and associates	3,142	13,033	–	16,175
(Loss)/profit on sale of investment	(99)	6,812	–	6,713
Unallocated gain on sale of other plant and equipment				5
Profit before interest and income tax				57,861
Finance income	35	59	–	94
Finance costs	(4,942)	(4,841)	–	(9,783)
Profit before income tax				48,172
Income tax				(7,916)
Profit for the year				40,256
ASSETS AND LIABILITIES				
Segment assets	175,388	444,763	2,402	622,553
Unallocated assets				41,595
Total assets				664,148
Segment liabilities	(74,243)	(192,548)	(3,965)	(270,756)
Unallocated liabilities				(14,111)
Total liabilities				(284,867)

A summary of unallocated assets and liabilities is shown on page 151.

2 Segmental analysis continued

2018	Investment £'000	Development and trading £'000	Operating £'000	Total £'000
OTHER SEGMENT INFORMATION				
Capital expenditure	**3,038**	**–**	**22**	**3,060**
Unallocated capital expenditure				**194**
Impairment of assets	**–**	**(9,415)**	**–**	**(9,415)**
Depreciation	**173**	**–**	**63**	**236**
Unallocated depreciation				**724**
REVENUE				
Rental income	**12,012**	**2,069**	**–**	**14,081**
Serviced office income	**–**	**–**	**4,117**	**4,117**
Project management fees	**–**	**358**	**–**	**358**
Trading property sales	**–**	**20,985**	**–**	**20,985**
Other trading property income	**–**	**2,695**	**–**	**2,695**
Development proceeds	**–**	**131,374**	**–**	**131,374**
Other	**74**	**–**	**–**	**74**
	12,086	**157,481**	**4,117**	**173,684**

In the year ended 28 February 2018, one project with turnover totalling £23,250,000 generated in excess of 10.0% of total revenue and fell within the development and trading segment.

2017	Investment £'000	Development and trading £'000	Operating £'000	Total £'000
Segment revenue	12,934	106,939	4,058	123,931
Direct costs	(3,449)	(78,467)	(4,947)	(86,863)
Segment result	9,485	28,472	(889)	37,068
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)
Operating (loss)/profit before exceptional item	(7,325)	11,442	(889)	3,228
Exceptional impairment of operating segment	–	–	(2,150)	(2,150)
Operating (loss)/profit after exceptional item	(7,325)	11,442	(3,039)	1,078
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)
Profit before interest and income tax				9,074
Finance income	532	179	–	711
Finance costs	(6,714)	(4,781)	–	(11,495)
Loss before income tax				(1,710)
Income tax				(1,293)
Loss for the year				(3,003)
ASSETS AND LIABILITIES				
Segment assets	226,016	334,609	2,361	562,986
Unallocated assets				30,778
Total assets				593,764
Segment liabilities	(104,059)	(132,358)	(3,796)	(240,213)
Unallocated liabilities				(5,926)
Total liabilities				(246,139)

2017	Investment £'000	Development and trading £'000	Operating £'000	Total £'000
OTHER SEGMENT INFORMATION				
Capital expenditure	3,746	119	83	3,948
Unallocated capital expenditure				380
Exceptional impairment of operating segment	–	–	(1,173)	(1,173)
Impairment of assets	–	(155)	–	(155)
Depreciation	(6)	–	(347)	(353)
Unallocated depreciation				(663)
REVENUE				
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.

	2018 £'000	2017 £'000
UNALLOCATED ASSETS CAN BE ANALYSED AS FOLLOWS:		
Other plant and equipment	**4,087**	4,616
Deferred income tax asset	**1,225**	1,359
Derivative financial instruments	**10**	257
Trade and other receivables	**5,596**	5,014
Cash and cash equivalents	**30,677**	19,532
	41,595	30,778

UNALLOCATED LIABILITIES CAN BE ANALYSED AS FOLLOWS:		
Current borrowings	**(17)**	(17)
Trade and other payables	**(10,804)**	(2,341)
Deferred income tax liability	**(3,290)**	(3,568)
	(14,111)	(5,926)

3 Operating profit

		2018 £'000	2017 £'000
OPERATING PROFIT IS STATED AFTER CHARGING:			
Share-based payments charge		**1,750**	1,308
Exceptional impairment of operating segment		**–**	2,150
Write down of development and trading properties to net realisable value		**8,415**	155
Write down of financial assets to net realisable value		**1,000**	–
Depreciation:	– Operating property	**60**	60
	– Other plant and equipment	**900**	956
Impairment of trade receivables recognised in direct costs		**1,155**	1,318

	2018 £'000	2017 £'000
AUDITORS' REMUNERATION		
Fees payable to the Company's auditors and their associates for the audit of Company and Group financial statements	**241**	237
Fees payable to the Company's auditors and their associates for other services:		
– The audit of the Company's subsidiaries	**348**	366
– Fees in respect of conversion to FRS 102	**–**	41
– Half year review	**45**	44
– Tax services	**–**	14
– All other services	**8**	42
	642	744

4 Employees

Employee benefit expense	2018 £'000	2017 £'000
Wages and salaries	**10,130**	9,741
Social security costs	**1,505**	1,668
Cost of employee share option schemes	**1,750**	1,308
Other pension costs – defined contribution plans	**778**	808
	14,163	13,525

Average monthly number of employees, including Directors	2018 Number	2017 Number
Property development and investment	**83**	83
Operating property activities	**36**	43
	119	126

The Directors are considered to be the only key management personnel. Their remuneration is shown in the Remuneration Report on pages 98 to 116.

5 Finance income and costs

a) Finance income

	2018 £'000	2017 £'000
Interest receivable on loans and deposits	**94**	711

b) Finance costs

	2018 £'000	2017 £'000
Interest on bank loans and other borrowings	**(8,488)**	(9,091)
Amortisation of transaction costs	**(1,405)**	(1,114)
Provision: unwinding of discount	**(7)**	(14)
Fair value loss on financial instruments – interest rate swaps, caps and collars	**(247)**	(58)
Net foreign currency differences arising on retranslation of cash and cash equivalents	**(1,376)**	(3,398)
	(11,523)	(13,675)
Capitalised interest on development and trading properties	**1,740**	2,180
Total finance costs	**(9,783)**	(11,495)
Net finance costs	**(9,689)**	(10,784)
Net finance costs before foreign currency differences	**(8,313)**	(7,386)

Interest was capitalised at an average rate of 5.84%. No capitalised interest (2017: £1,195,000) was written off in the year. The tax treatment of capitalised interest follows the accounting treatment.

6 Taxation

	2018 £'000	2017 £'000
Current tax	**6,549**	1,939
Adjustment in respect of prior years	**1,511**	(657)
Total current tax charge	**8,060**	1,282
Deferred tax (credit)/charge	**(144)**	11
Income tax charge	**7,916**	1,293

	2018 £'000	2017 £'000
Tax on items credited to equity:		
Deferred tax credit on other revaluations	**–**	(127)
Total credit in the income statement	**–**	(127)

6 Taxation continued

Tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2018 £'000	2017 £'000
Profit/(loss) before tax	**48,172**	(1,710)
Tax on profit/(loss) on ordinary activities at 19.1% (2017: 20.0%)	**9,191**	(342)
Tax effects of:		
Amounts not deductible for tax purposes	**103**	713
Non-taxable capital gains	**(347)**	1,688
Non-taxable income	**(3,322)**	–
Adjustment in respect of prior years	**1,494**	(496)
Impact on change in UK tax rate	**40**	(415)
Income tax at lower rates	**142**	(178)
Recognition of tax losses	**55**	(340)
Brought forward losses utilised	**560**	663
Total tax charge	**7,916**	1,293

Deferred income tax is calculated on the temporary differences under the liability method using a tax rate of 17.0% (2017: 19.0%).

7 Dividends

	2018 £'000	2017 £'000
DECLARED AND PAID DURING THE YEAR		
Equity dividends on Ordinary shares:		
Final dividend for 2017: 3.50 pence per share (2016: 3.50 pence per share)	**4,379**	4,378
Interim dividend for 2018: 2.40 pence per share (2017: 2.40 pence per share)	**3,003**	3,003
Supplemental dividend for 2017: 2.80 pence per share (2016: 8.00 pence per share)	**3,503**	9,997
	10,885	17,378
DIVIDEND DECLARED BUT NOT PAID SINCE 28 FEBRUARY 2018		
Supplemental dividend for 2018: 12.00 pence per share (2017: 2.80 pence per share)	**15,041**	3,506
PROPOSED FOR APPROVAL BY SHAREHOLDERS AT THE ANNUAL GENERAL MEETING		
Final dividend for 2018: 3.50 pence per share (2017: 3.50 pence per share)	**4,387**	4,379

On 25 April 2018, the Board approved the payment of a supplemental dividend of 12.00 pence per share, which will be paid on 15 June 2018 to Ordinary shareholders on the register at the close of business on 11 May 2018 and will be recognised in the year ending 28 February 2019.

Subject to approval by shareholders, the final dividend of 3.50 pence was approved by the Board on 25 April 2018 and has not been included as a liability or deducted from retained earnings as at 28 February 2018. The final dividend is payable on 17 August 2018 to Ordinary shareholders on the register at the close of business on 20 July 2018 and will be recognised in the year ending 28 February 2019.

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:

	2018 £'000	2017 £'000
PROFIT		
Profit/(loss) for the purpose of basic and diluted earnings per share	**40,256**	(3,003)
Revaluation (surplus)/deficit (including share of joint venture revaluation surplus)	**(13,454)**	6,812
(Gain)/loss on disposal of investment properties	**(3,324)**	2,273
Impairment of development and trading properties	**8,415**	155
Impairment of financial assets	**1,000**	–
Exceptional impairment of operating segment	**–**	2,150
Mark-to-market adjustment on interest rate swaps (including share of joint venture mark-to-market adjustment)	**140**	(23)
EPRA adjusted profit from continuing activities attributable to owners of the Company	**33,033**	8,364

8 Earnings per share and net assets per share continued

	2018 '000	2017 '000
NUMBER OF SHARES		
Weighted average number of Ordinary shares for the purpose of earnings per share	**125,218**	125,072
Effect of dilutive potential Ordinary shares:		
Share options	**57**	1
Weighted average number of Ordinary shares for the purpose of diluted earnings per share	**128,275**	125,073
Basic earnings/(loss) per share (pence)	**32.2p**	(2.4)p
Diluted earnings/(loss) per share (pence)	**32.2p**	(2.4)p
EPRA adjusted earnings per share (pence)	**26.4p**	6.7p
EPRA adjusted diluted earnings per share (pence)	**26.4p**	6.7p

The Directors consider the acquisition and disposal of trading assets to be part of the core business of the Group and therefore have not adjusted profit for the gain on disposal when calculating EPRA adjusted earnings per share.

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

	Net assets £'000	No. of shares '000	2018 Net assets per share Pence	Net assets £'000	No. of shares '000	2017 Net assets per share Pence
Basic net assets per share attributable to the owners	**379,281**	**125,343**	**303**	347,625	125,227	278
Fair value of development and trading assets (see below)	**–**			15,486		
Fair value of joint venture assets (see below)	**–**			(2,416)		
Cumulative mark-to-market adjustment on interest rate swaps	**(19)**			126		
EPRA adjusted net assets per share	**379,262**	**125,343**	**303**	360,821	125,227	288
Cumulative mark-to-market adjustment on interest rate swaps	**19**			(126)		
Fair value of debt	**(9,514)**			(14,345)		
EPRA adjusted triple net assets per share	**369,767**	**125,343**	**295**	346,350	125,227	277
Effect of dilutive potential Ordinary shares	**625**	**447**		475	228	
Diluted net assets per share	**379,906**	**125,790**	**303**	348,100	125,455	277
EPRA diluted net assets per share	**379,887**	**125,790**	**303**	361,296	125,455	288
EPRA diluted triple net assets per share	**370,392**	**125,790**	**295**	346,825	125,455	276

In 2017, the Group engaged CBRE Ltd to provide valuation services for the development and trading portfolio in order to report an EPRA triple NAV per share calculation. In carrying out this exercise, a large proportion of the property portfolio did not qualify for valuation, as it fell outside of the criteria for calculation. For example, the Group often has conditional land options in place to purchase land at a future point in time, rather than during the project assembly and planning phases. As a result, only 42.9% of the portfolio qualified to be measured at fair value.

The Board has debated whether to carry out a valuation for the 2018 financial year and has engaged key stakeholders' opinion in reaching their conclusion. The Board has therefore concluded that there is no benefit to stakeholders to continue with the project and has not provided an EPRA adjusted NAV per share calculation for 2018.

9 Investment properties

	Freehold £'000	Long leasehold £'000	Total £'000
At valuation 1 March 2016	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)
At valuation 28 February 2017	136,873	42,326	179,199
Additions:			
– acquisitions	–	1,627	1,627
– capital expenditure	528	277	805
Transfer from development and trading assets	13,000	471	13,471
Disposals	(51,688)	(1,491)	(53,179)
Deficit on revaluation	(1,322)	(1,095)	(2,417)
At valuation 28 February 2018	**97,391**	**42,115**	**139,506**

Direct costs of £3,656,000 (2017: £3,449,000) arose as a result of ownership of investment properties.

Two development and trading assets were transferred to investment properties during the year following a change in strategy and use of the assets. The Group intends to hold the properties for the foreseeable future for capital appreciation and rental income.

a) Reconciliation of market value of investment properties to the net book amount

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

	2018 £'000	2017 £'000
Market value as assessed by the independent valuers or Directors	**142,092**	182,359
Amount included in prepayments and accrued income in respect of lease incentives	**(2,586)**	(3,160)
Net book amount of Investment properties – non-current assets	**139,506**	179,199

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 2018, completed investment properties have been valued by CBRE Ltd at a value of £124,329,000 (2017: £164,106,000). The current value equates to the Highest and Best Use Value of the asset.

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

Included within Investment properties are freehold land and buildings representing investment properties under development, amounting to £15,177,000 (2017: £15,093,000), 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.

9 Investment properties continued

Reconciliation of market value of investment properties to the net book amount continued

Investment properties under development include £8,075,000 (2017: £8,075,000) of landholdings adjacent to retail properties within the Group's portfolio, acquired for the purpose of extending the existing shopping centres. The fair value of these properties rests in the planned extensions, and is difficult to estimate pending confirmation of designs and planning permission, and hence has been estimated by the Directors at cost as an approximation to fair value.

£122,059,000 (2017: £167,205,000) of total investment properties are charged as security against the Group's borrowings.

b) Valuation methodology

Our valuers are engaged as external valuers, as defined in the current edition of 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.

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 5.50% and an independent/sole trader could be capitalised at a rate of 8.25% 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 or Level 2 assets and there have been no transfers between levels during the years ended 28 February 2018 or 28 February 2017.

Analysis of Level 3 Investment properties

Class of property: Level 3	**Market value 28 February 2018 £'000**	Market value 28 February 2017 £'000	Valuation technique	Key unobservable inputs	Equivalent yield range 28 February 2018	50 basis point yield contraction £'000	50 basis point yield expansion £'000
Shopping centres	**84,295**	131,036	Income capitalisation	Equivalent yields	6.75%–9.93%	5,810	(5,185)
Retail/commercial space	**25,520**	32,000	Income capitalisation	Equivalent yields	5.10%–8.20%	1,750	(2,080)
Office	**17,100**	4,230	Income capitalisation	Equivalent yields	7.50%–8.01%	1,240	(1,150)
Land held for development	**6,667**	6,583	Residual development method	Price per acre/ development margin	£0.45 million per acre/ 15.0%–20.0%	–	–
Buildings held for development	**8,510**	8,510	Residual development method	Estimated profit margin	15.0%–20.0%	–	–
	142,092	182,359					

Further information relating to the Group's investment portfolio is set out in the Portfolio Review on pages 36 to 51.

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
VALUATION	
At 1 March 2016 and 28 February 2017	1,712
Surplus on revaluation	35
At 28 February 2018	**1,747**
ACCUMULATED DEPRECIATION	
At 1 March 2016	852
Charge for the year	60
At 28 February 2017	912
Charge for the year	60
At 28 February 2018	**972**
Net book amount 28 February 2018	**775**
Net book amount 28 February 2017	800
Net book amount 1 March 2016	860
Original cost of operating property at 28 February 2018 and 28 February 2017	**1,583**

The operating property is charged as security against the Group's borrowings.

10 Operating property – serviced office continued

Depreciation expense of £60,000 (2017: £60,000) is included within operating costs.

The surplus on revaluation of long leasehold property for the year ended 28 February 2018 is £35,000 (2017: £nil). If the operating property was measured using the cost model, the carrying value would be £611,000 (2017: £671,000).

The Group's operating property has been valued at market value as at 28 February 2018 and 28 February 2017 by independent professional valuers CBRE Ltd, on the basis of Highest and Best Use Value in accordance with 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 valuers have consented to the use of their name in the financial statements.

11 Intangible assets

	£'000
GOODWILL	
At 1 March 2016, 28 February 2017 and 28 February 2018	2,328

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% (2017: 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
COST			
At 1 March 2016	15,837	181	16,018
Additions	915	3	918
Disposals	(219)	(5)	(224)
Impairment of fixed assets	(8,458)	(71)	(8,529)
At 28 February 2017	8,075	108	8,183
Additions	812	10	822
Disposals	(2,359)	–	(2,359)
At 28 February 2018	**6,528**	**118**	**6,646**
ACCUMULATED DEPRECIATION			
At 1 March 2016	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)
At 28 February 2017	2,328	85	2,413
Charge for the year	882	18	900
Disposals	(908)	–	(908)
At 28 February 2018	**2,302**	**103**	**2,405**
Net book amount 28 February 2018	**4,226**	**15**	**4,241**
Net book amount 28 February 2017	5,747	23	5,770
Net book amount 1 March 2016	6,969	48	7,017

Depreciation expense of £723,000 (2017: £663,000) is included within operating costs and £177,000 (2017: £293,000) is included within direct costs.

13 Investments

	Investments in associates £'000	Investments in joint ventures £'000
At 1 March 2016	4,309	46,782
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)
At 28 February 2017	8,372	46,089
Additions	–	31,535
Share of profit/(loss)	7	(609)
Share of revaluation surplus	–	16,670
Share of mark-to-market adjustment on interest rate swaps	–	107
Share of results	7	16,168
Transfer to subsidiaries	(1,500)	–
Disposal of associate/joint venture	(2,500)	–
Capital distributions	(4,379)	(986)
At 28 February 2018	**–**	**92,806**

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
Cannock Designer Outlet Limited Partnership	12.5	United Kingdom	Property development	Development and trading	December 2017	
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

1. The investment in the associate has been fully provided against

In October 2017, the Group disposed of its 40.0% holding in Barwood Development Securities Limited realising a gain on disposal of £4,982,000.

In December 2017, the Wessex Property Fund was terminated.

In December 2017, the Group acquired a 12.5% holding in Cannock Designer Outlet Limited Partnership. The partnership is registered and incorporated in the United Kingdom.

In January 2018, the Group acquired the additional 75.0% of Barwood Land and Estates Limited. Accordingly, the company is now accounted for as a subsidiary.

2018	Cannock Designer Outlet Limited Partnership £'000	CDSR Burlington House Developments Limited £'000	Northpoint Developments Limited £'000	Total £'000
SUMMARISED BALANCE SHEETS:				
Non-current assets	**17,503**	–	**579**	**18,082**
Current assets	–	**6,215**	**7,870**	**14,085**
Current liabilities	**(17,503)**	**(3,770)**	**(744)**	**(22,017)**
Non-current liabilities	–	–	**(24,955)**	**(24,955)**
Net assets/(liabilities)	–	**2,445**	**(17,250)**	**(14,805)**
Share of net assets/(liabilities)	–	**489**	**(7,245)**	**(6,756)**
Net (assets)/liabilities not recognised	–	**(489)**	**7,245**	**6,756**
Group's share of net assets	–	–	–	–
SUMMARISED INCOME STATEMENTS:				
Revenue	–	–	**81**	**81**
Post-tax losses of associates	–	**(2)**	**(603)**	**(605)**
Share of profits/(losses)	–	**7**	**(253)**	**(246)**
Share of losses not recognised	–	–	**253**	**253**
Share of profits recognised	–	**7**	–	**7**

Any contingent liabilities in relation to our associate investment partners are disclosed in note 23.

2017	Barwood Development Securities Limited £'000	Barwood Land and Estates Limited £'000	CDSR Burlington House Developments Limited £'000	Northpoint Developments Limited £'000	Wessex Property Fund £'000	Total £'000
SUMMARISED BALANCE SHEETS:						
Non-current assets	185	440	–	579	–	1,204
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)
Net assets/(liabilities)	3,447	1,208	22,003	(16,453)	(10,936)	(731)
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
Group's share of net assets	2,500	1,500	4,372	–	–	8,372
SUMMARISED INCOME STATEMENTS:						
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

13 Investments continued

b) Investment in joint ventures

As at 28 February 2018, the Group has the following interests in joint ventures:

	% of holding	Country of incorporation	Principal activity	Reporting segment	Acquisition date	Accounting reference date
Becket House Unit Trust	15	Jersey	Investment property	Investment	March 2014	31 December
Bryn Blaen Wind Farm Limited	50	United Kingdom	Property development	Development and trading	May 2011	28 February
Circus Street Developments Limited	49	United Kingdom	Property development	Development and trading	August 2017	28 February
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
Mayfield Development (General Partner) Limited	50	United Kingdom	Property development	Development and trading	December 2016	31 May
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
Triangle London Developments LLP	50	United Kingdom	Property development	Development and trading	May 2016	31 May
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

In December 2016, the Group acquired 50% of the share capital in Mayfield Development (General Partner) Limited with its partner, Mayfield Partnership LP, holding the remaining 50%. The Company is registered and incorporated in the United Kingdom.

In August 2017, the Group acquired 50% of the share capital in Circus Street Developments Limited with its partner, GCP, holding the remaining 50%. The Company is registered and incorporated in the United Kingdom.

Triangle London Developments LLP was incorporated in May 2016 with the designated members being U and I Group PLC and Notting Hill Home Ownership Limited. The partnership is registered and incorporated in Jersey.

Bryn Blaen Wind Farm Ltd was incorporated in May 2011. The Group holds 50% of the share capital with its partner, Mr Steven Radford, holding the remaining 50%. The Company is registered and incorporated in the United Kingdom.

Accrue Student Housing GP Limited was dissolved on 20 February 2018 and Development Equity Partners Limited is in the process of being dissolved as at 28 February 2018.

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.

13 Investments continued

b) Investment in joint ventures continued

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:

2018	Harwell Oxford Developments Limited £'000	DSP Piano Investments BV £'000	Luxembourg Investment Company 112 Sarl £'000	Notting Hill (Guernsey Holdco Limited £'000
SUMMARISED BALANCE SHEETS:				
Non-current assets	**–**	**51,339**	**–**	**–**
Current assets	**129,197**	**1,953**	**92,024**	**62,261**
Current liabilities	**–**	**(313)**	**(3,914)**	**(2,995)**
Non-current liabilities	**(31,771)**	**(10,991)**	**(58,157)**	**(25,137)**
Net assets/(liabilities)	**97,426**	**41,988**	**29,953**	**34,129**
Net (assets)/liabilities not recognised	**–**	**–**	**–**	**–**
Share of net assets recognised	**24,357**	**14,276**	**15,330**	**8,321**
SUMMARISED INCOME STATEMENTS:				
Revenue	**2,071**	**1,052**	**137**	**1,362**
Direct costs	**(1,145)**	**(505)**	**(232)**	**(1,041)**
Interest costs	**(859)**	**(819)**	**(1,999)**	**(1,851)**
Gain on revaluation/sale	**39,065**	**21,603**	**–**	**–**
Profit/(loss) before and after tax	**39,132**	**21,331**	**(2,094)**	**(1,530)**
Share of profit/(loss) before and after tax	**10,376**	**7,461**	**(344)**	**(373)**

£21,325,000 of cash balances are included within current net asset balances of joint ventures. These include £7,039,000 in the accounts of Luxembourg Investment Company 112 Sarl and £9,429,000 in the accounts of Harwell Oxford Developments Limited.

2017	Harwell Oxford Developments Limited £'000	DSP Piano Investments BV £'000	Luxembourg Investment Company 112 Sarl £'000	Notting Hill (Guernsey Holdco Limited £'000
SUMMARISED BALANCE SHEETS:				
Non-current assets	–	29,690	–	–
Current assets	52,603	1,499	57,204	61,298
Current liabilities	(3,469)	(524)	(17,418)	(4,584)
Non-current liabilities	(12,538)	(10,882)	(16,746)	(25,905)
Net assets/(liabilities)	36,596	19,783	23,040	30,809
Net (assets)/liabilities not recognised	–	–	–	–
Share of net assets recognised	12,881	6,772	11,520	7,486
SUMMARISED INCOME STATEMENTS:				
Revenue	1,903	859	–	1,420
Direct costs	(1,248)	(514)	(1,044)	(615)
Interest costs	(420)	(400)	(249)	(1,848)
Gain on revaluation	7,578	2,351	–	–
Profit/(loss) before and after tax	7,813	2,296	(1,293)	(1,043)
Share of profit/(loss) before and after tax	2,479	781	(488)	(252)

Any contingent liabilities in relation to our joint ventures are disclosed in note 23.

Curzon Park Limited £'000	UAIP (Drum) BV £'000	OSB (Holdco 1) Limited £'000	DSP Tirol Limited £'000	UAIH Yorkshire Limited £'000	Bryn Blaen Wind Farm Limited £'000	Circus Street Developments Limited £'000	Mayfield Development (General Partner) Limited £'000	Other £'000	Total £'000
–	**11,012**	**–**	**16,727**	**–**	**–**	**–**	**–**	**–**	**79,078**
35,812	**679**	**35,136**	**4,786**	**5,225**	**45,984**	**15,624**	**25,481**	**2,823**	**456,985**
–	**(58)**	**(1,350)**	**(2,430)**	**(95)**	**(22,909)**	**(2,526)**	**(345)**	**(207)**	**(37,142)**
(10,505)	**(5,307)**	**(40,823)**	**(13,819)**	**(4,882)**	**–**	**(2,886)**	**(14,866)**	**(118)**	**(219,262)**
25,307	**6,326**	**(7,037)**	**5,264**	**248**	**23,075**	**10,212**	**10,270**	**2,498**	**279,659**
(24,787)	**–**	**7,037**	**–**	**–**	**–**	**–**	**–**	**–**	**(17,750)**
260	**1,263**	**–**	**4,212**	**124**	**11,537**	**5,106**	**6,269**	**1,751**	**92,806**
306	**549**	**1,165**	**8,493**	**222**	**–**	**–**	**–**	**19**	**15,376**
(206)	**(167)**	**(588)**	**(7,682)**	**(42)**	**–**	**–**	**–**	**(74)**	**(11,682)**
–	**(419)**	**(4,275)**	**(893)**	**(584)**	**–**	**–**	**–**	**–**	**(11,699)**
–	**92**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**60,760**
100	**55**	**(3,698)**	**(82)**	**(404)**	**–**	**–**	**–**	**(55)**	**52,755**
50	**44**	**(519)**	**(296)**	**(202)**	**–**	**–**	**–**	**(29)**	**16,168**

Curzon Park Limited £'000	UAIP (Drum) BV £'000	OSB (Holdco 1) Limited £'000	DSP Tirol Limited £'000	UAIH Yorkshire Limited £'000	Other £'000	Total £'000
–	10,867	–	16,847	–	–	57,404
35,556	406	34,369	4,394	5,001	3,659	255,989
(54)	(79)	(465)	(6,694)	(25)	(496)	(33,808)
(10,505)	(5,383)	(36,959)	(10,580)	(4,817)	–	(134,315)
24,997	5,811	(3,055)	3,967	159	3,163	145,270
(24,997)	–	3,055	–	–	–	(21,942)
–	1,201	–	4,535	15	1,679	46,089
304	264	1,299	8,408	172	524	15,153
(290)	(321)	(711)	(7,092)	(41)	(659)	(12,535)
–	(52)	(3,570)	(890)	(473)	(245)	(8,147)
–	–	–	–	–	562	10,491
14	(109)	(2,982)	426	(342)	182	4,962
7	(31)	(1,399)	(62)	(171)	930	1,794

13 Investments continued

c) Principal subsidiaries

The Group's principal subsidiaries at 28 February 2018 are set out below. They have share capital consisting solely of Ordinary share capital that is 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
U and I (Projects) Limited	100	United Kingdom	Development and investment holding company

A full list of subsidiaries is disclosed in note 41.

14 Inventory

	Development properties £'000	Trading properties £'000	Total £'000
DEVELOPMENT AND TRADING PROPERTIES			
At 1 March 2016	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)
At 28 February 2017	165,588	42,754	208,342
Additions:			
– acquisitions	3,131	–	3,131
– development expenditure	132,101	2,110	134,211
Transfer to investment assets (refer note 9)	(471)	(13,000)	(13,471)
Disposals	(90,428)	(18,616)	(109,044)
Foreign currency differences	–	580	580
Net write down of development properties to net realisable value	(7,356)	–	(7,356)
At 28 February 2018	**202,565**	**13,828**	**216,393**

Included in the above amounts are projects stated at net realisable value of £79,565,000 (2017: £5,486,000).

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 £1,740,000 (2017: £2,180,000) 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 £5,354,000 (2017: £3,614,000).

In 2017, the Group engaged CBRE Ltd to provide valuations in respect of its development and trading assets. A large proportion (57.1%) of the Group's development and trading portfolio fell outside of the criteria for a reliable fair value exercise. The Board has therefore decided, in consultation with its stakeholders, not to fair value the development and trading assets in 2018.

Further information in respect of EPRA can be found on page 59 of the Finance review.

15 Trade and other receivables

a) Non-current	2018 £'000	2017 £'000
Prepayments	**2,487**	2,858

b) Current	2018 £'000	2017 £'000
Trade receivables	**45,216**	7,278
Other receivables	**23,556**	34,996
Other tax and social security	**1,556**	1,738
Prepayments	**3,339**	2,132
Accrued income	**45,962**	2,576
	119,629	48,720

The Group has provided £1,092,000 (2017: £1,318,000) 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

a) Non-current	2018 £'000	2017 £'000
Trade payables	**–**	14,395

b) Current	2018 £'000	2017 £'000
Trade payables	**27,286**	7,088
Other payables	**14,521**	10,889
Other tax and social security	**12,198**	3,604
Accruals	**36,326**	28,716
Deferred income	**9,385**	3,072
	99,716	53,369

c) Provisions	Onerous leases £'000	Other provisions £'000	Total £'000
At 1 March 2017	426	2,256	2,682
Charged to the income statement	–	1,068	1,068
Utilised during the year	(17)	(162)	(179)
Provisions released	–	(649)	(649)
Unwind of discount	7	–	7
At 28 February 2018	**416**	**2,513**	**2,929**

Analysis of total provisions	2018 £'000	2017 £'000
Non-current	**416**	1,288
Current	**2,513**	1,394
	2,929	2,682

Two provisions of £172,000 (2017: £183,000) and £244,000 (2017: £243,000) 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:

	2018 £'000	2017 £'000
NON-CURRENT ASSETS		
Available-for-sale financial assets	**15,812**	19,859
Derivative financial instruments not used for hedging at fair value through profit or loss	**10**	257
	15,822	20,116
CURRENT ASSETS		
Loan notes at amortised cost less impairment	**8,888**	8,813
Loans and receivables	**7,949**	9,711
Trade and other receivables at amortised cost less impairment	**114,734**	44,850
Monies held in restricted accounts and deposits	**11,473**	27,486
Cash and cash equivalents	**40,626**	23,785
	183,670	114,645
Total financial assets	**199,492**	134,761
CURRENT LIABILITIES		
Trade and other payables at amortised cost	**(78,133)**	(46,693)
Borrowings at amortised cost	**(63,209)**	(4,508)
	(141,342)	(51,201)
NON-CURRENT LIABILITIES		
Trade and other payables at amortised cost	–	(14,395)
Borrowings at amortised cost	**(107,975)**	(167,617)
	(107,975)	(182,012)
Total financial liabilities	**(249,317)**	(233,213)

a) Other financial assets	2018 £'000	2017 £'000
NON-CURRENT		
Available-for-sale financial assets - development loans	**14,527**	19,859
Available-for-sale financial assets - LaSalle investment	**1,285**	–
	15,812	19,859

The Group provided a loan of £10,505,000 (2017: £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 £3,678,000 (2017: £8,727,000), in respect of projects in partnership. Funding of £344,000 (2017: £627,000) has been provided to Henry Davidson Developments Limited in respect of one project. Interest of 12.5% is charged in respect of this funding.

During the year the Group acquired a 5.0% holding in LaSalle Land Limited Partnership which has been classified as an available-for-sale financial asset.

	2018 £'000	2017 £'000
CURRENT		
Loan notes at amortised cost less impairment	**8,888**	8,813
Loans and receivables – Northpoint Developments Limited	**7,949**	8,211
Loans and receivables – Property Alliance Group	**–**	1,500
	16,837	18,524

The Group holds loan notes with a carrying value of £8,888,000 (2017: £8,813,000), issued by Northpoint Developments Limited, with a fixed coupon rate of 4.25%. These loan notes are repayable on a rolling one-year basis and are currently being restructured. As at 28 February 2018, the Group has made a provision of £1,363,000 (2017: £973,000) against interest receivable in respect of these loan notes and a £1,000,000 provision against the recoverability of the loans.

Development loans include a number of working capital and project-specific loans of £7,949,000 (2017: £8,211,000) 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 (2017: £408,000). As at 28 February 2018, the Group has made a provision of £1,609,000 (2017: £1,223,000) against interest receivable in respect of these loans.

The short-term, non-interest bearing loan of £1,500,000 to Property Alliance Group was repaid in December 2017.

b) Borrowings	2018 £'000	2017 £'000
CURRENT		
Bank overdrafts	**–**	–
Current instalments due on bank loans	**1,034**	2,630
Current loans maturing	**62,550**	2,579
Unamortised transaction costs	**(375)**	(701)
	63,209	4,508

	2018 £'000	2017 £'000
NON-CURRENT		
Bank loans and loan notes	**109,143**	168,940
Unamortised transaction costs	**(1,168)**	(1,323)
	107,975	167,617

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

17 Financial assets and financial liabilities continued

b) Borrowings continued

	2018 £'000	2017 £'000
BORROWINGS		
€20,000,000 variable rate loan 2017	–	2,562
£10,167,000 variable rate loan 2019	**10,167**	12,276
£4,539,000 variable rate loan 2018	–	1,310
£2,751,000 variable rate loan 2018	–	153
€24,307,000 variable rate loan 2018	–	3,075
£30,750,000 fixed rate loan 2018	**20,398**	4,053
£28,000,000 variable rate loan 2018	–	28,000
£12,000,000 variable rate loan 2019	**6,276**	11,839
£26,000,000 fixed rate loan 2019	**25,692**	–
£2,795,000 variable rate loan 2020	**2,105**	2,312
€47,000,000 variable rate loan notes 2021	**41,483**	40,133
£57,565,000 fixed rate loan 2025	–	49,135
£22,470,000 fixed rate loan 2025	–	19,284
£66,666,000 fixed rate loan 2032	**66,589**	–
£16,500 variable rate loan notes 1999	**17**	17
	172,727	174,149
Less: current instalments due on bank loans	**(1,034)**	(2,630)
Current loans maturing	**(62,550)**	(2,579)
	109,143	168,940

€20,000,000 variable rate loan
This loan was repaid in May 2017.

£10,167,000 variable rate loan
This is a £9,500,000 secured development facility on which interest can be rolled up. The loan has been extended and is now repayable in one instalment on 31 January 2019. The current balance outstanding on the facility is £10,167,000, including £667,000 of rolled up interest.

£4,539,000 variable rate loan
This loan was repaid in November 2017.

£2,751,000 variable rate loan
This loan was repaid in January 2018.

€24,307,000 variable rate loan
This loan was repaid in July 2017.

£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 £20,398,000.

£28,000,000 variable rate loan
This loan was repaid in December 2017.

£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 £6,276,000.

£26,000,000 variable rate loan
This loan is repayable in one instalment on the earlier of 31 January 2019 or practical completion of the development. The current balance outstanding on the facility is £25,692,000.

£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 id £2,105,000.

€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
This loan facility was refinanced during the year.

£22,470,000 fixed rate loan
This loan facility was refinanced during the year.

£66,666,000 fixed rate loan facility
£16,431,000 loan capital amortises over the term of the loan. The remaining £50,235,000 is repayable in one instalment on 5 December 2032. The current balance outstanding on the facility is £66,589,000.

£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 52 to 59.

c) Derivative financial instruments

Assets	**2018 £'000**	2017 £'000
Derivative financial instruments at fair value through profit or loss:		
Interest rate swaps, caps and collars	**10**	36
Foreign exchange contracts	**–**	221
Derivative financial assets	**10**	257

As at 28 February 2018, 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 £47,759,000 (2017: £51,972,000). The fair value of the derivatives amounting to £10,000 (2017: £36,000) are recorded as financial assets as at 28 February 2018.

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.

17 Financial assets and financial liabilities continued

c) Derivative financial 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	2018 Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	2017 Total £'000
ASSETS								
Available-for-sale financial assets	–	–	**15,812**	**15,812**	–	–	19,859	19,859
Derivative financial instruments:								
Derivative financial instruments at fair value through profit or loss	–	**10**	–	**10**	–	36	–	36
Foreign exchange contracts through profit or loss	–	–	–	–	–	221	–	221
Total assets	–	**10**	**15,812**	**15,822**	–	257	19,859	20,116

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 52 to 59 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.

(i) 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:

2018	Within one year £'000	One to two years £'000	Two to three years £'000	Three to four years £'000	Four to five years £'000	More than five years £'000	Total £'000
Fixed rate borrowings	**46,090**	–	–	–	–	**66,589**	**112,679**
Variable rate borrowings	**10,184**	–	**2,105**	–	–	–	**12,289**
Variable rate borrowings with interest rate caps or swaps	**6,276**	–	–	–	**41,483**	–	**47,759**
	62,550	–	**2,105**	–	**41,483**	**66,589**	**172,727**

2017	Within one year £'000	One to two years £'000	Two to three years £'000	Three to four years £'000	Four to five years £'000	More than five years £'000	Total £'000
Fixed rate borrowings	–	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
	2,579	60,706	–	2,312	40,133	68,419	174,149

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.

(ii) 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 2018, the Group was exposed to foreign currency risk from €47,000,000 (2017: €47,000,000) loan notes denominated in Euros. The Group repaid its other Euro-denominated loan facilities during the year (2017: the Group had two facilities totalling €44,307,000 with £5,637,000 drawn).

During the year to 28 February 2018, the movement of Sterling against the Euro was less volatile than in the previous twelve-month period. Management consider 10.0% to be a prudent measure of sensitivity while negotiations continue regarding exit from the EU.

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
2018		
Sterling against Euro	**+10%**	**3,771**
	-10%	**(4,609)**
2017		
Sterling against Euro	+10%	4,160
	-10%	(5,086)

(iii) 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.

17 Financial assets and financial liabilities continued

d) Financial risk management continued

As at 28 February 2018, 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
2018		
Sterling borrowings	**+50**	**(229)**
	–50	**229**
2017		
Sterling borrowings	+50	(382)
	–50	382

(iv) Price risk

The Group is not exposed to commodity or security price risk.

(v) Liquidity risk

The table below summarises the maturity profile of the Group's financial liabilities at 28 February 2018 and 28 February 2017 on a contractual undiscounted payments basis:

2018	**On demand £'000**	**Less than three months £'000**	**Three to twelve months £'000**	**One to five years £'000**	**More than five years £'000**	**Total £'000**
MATURITY PROFILE OF FINANCIAL LIABILITIES						
Interest-bearing loans and borrowings	**17**	**2,049**	**68,249**	**60,207**	**106,842**	**237,364**
Trade and other payables	–	**44,255**	**33,878**	–	–	**78,133**
	17	**46,304**	**102,127**	**60,207**	**106,842**	**315,497**

2017	On demand £'000	Less than three months £'000	Three to twelve months £'000	One to five years £'000	More than five years £'000	Total £'000
MATURITY PROFILE OF FINANCIAL LIABILITIES						
Interest-bearing loans and borrowings	17	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

(vi) Market risk

A summary of market risk and its effect on the Group is set out in the Risk Review on page 29 and further discussed in the market review on pages 18 and 19 and in the Portfolio Review on pages 36 to 51.

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 2018 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 2018, 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 2018 and 28 February 2017 is analysed below:

	Book value 2018 £'000	**Fair value 2018 £'000**	Book value 2017 £'000	Fair value 2017 £'000
Fixed rate term loan due 2025	**–**	**–**	49,135	60,055
Fixed rate term loan due 2025	**–**	**–**	19,284	22,709
Fixed rate term loan due 2032	**66,589**	**76,103**	–	–
Total fixed rate financial liabilities	**66,589**	**76,103**	68,419	82,764

The fair value difference of £9,514,000 at 28 February 2018 (2017: £14,345,000) represents approximately 14.3% of gross, fixed rate borrowings (2017: 21.0%). The effect on net assets per share after tax of this adjustment would be a decrease of 6.1 pence after tax (2017: 9.2 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 is 19% (2017: 19%). Deferred income tax is calculated on the temporary differences under the liability method using a tax rate of 17% (2017: 19%).

	2018 £'000	2017 £'000
(Credit)/charge for the year in the income statement (refer note 6)	**(144)**	11
Credited directly to equity	**–**	(127)
	(144)	(116)

	Decelerated capital allowances £'000	Provisions £'000	Profit on disposal £'000	Property revaluations £'000	Tax losses £'000	Net fair value adjustments £'000	Total £'000
DEFERRED INCOME TAX (ASSETS)/ LIABILITIES RECOGNISED:							
At 1 March 2016	(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)
At 28 February 2017	(60)	(475)	545	–	(824)	3,023	2,209
(Credited)/charged to the income statement	(163)	86	(545)	1,660	211	(1,393)	(144)
At 28 February 2018	**(223)**	**(389)**	**–**	**1,660**	**(613)**	**1,630**	**2,065**

18 Deferred income tax continued

	2018 £'000
Deferred income tax assets	**1,225**
Deferred income tax liabilities	**(3,290)**
NET DEFERRED INCOME TAX LIABILITIES	**2,065**

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 as assessed by management forecasts. The Group has not recognised deferred income tax assets of £6,818,000 (2017: £4,909,000) in respect of losses amounting to £40,105,000 (2017: £24,549,000) 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

	2018 £'000	2017 £'000
Issued, called up and fully paid		
125,342,726 Ordinary shares of 50 pence (2017: 125,226,740 Ordinary shares of 50 pence)	**62,671**	62,613

	Number of shares
Shares in issue at the date of this report	**125,349,756**

The Company has one class of Ordinary shares which carry no right to fixed income.

The number of treasury shares held by the Company as at 28 February 2018 is 118,792 shares. The Company has the right to re-issue these shares at a later date. All shares are fully paid.

a) Share option schemes

As at 28 February 2018, 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 98 to 116.

SAYE option plan 2005:

Date of grant	28.02.18 Number	26.04.18 Number	Exercise dates	Price
22 December 2014	107,164	100,134	1 February 2018 to 31 July 2018	179.2
19 December 2017	339,666	331,396	1 February 2021 to 31 July 2021	152.0

b) Share-based payments

The following table illustrates the number and weighted average exercise prices of, and movements in, share options during the year:

	Number	2018 Weighted average exercise price Pence	Number	2017 Weighted average exercise price Pence
At 1 March 2017 and 1 March 2016	**228,172**	**179.2**	303,197	179.2
Options granted	**339,666**	**152.0**	–	–
Options exercised	**(115,986)**	**179.2**	–	–
Options cancelled	**(5,022)**	**179.2**	(75,025)	179.2
At 28 February 2018 and 28 February 2017	**446,830**	**158.5**	228,172	179.2

The options outstanding at 28 February 2018 are exercisable at 152.0 and 179.2 pence per share and have a weighted average remaining contractual life of 2.6 years (2017: 1.4 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	19.12.17	22.12.14
Exercise price (pence)	152.0	179.2
Term (years)	3	3
Expected volatility	21%	24%
Expected dividend yield p.a.	3.0%	2.3%
Risk-free rate	1.5%	0.9%
Expected forfeiture p.a.	£nil	£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.

c) Conditional awards under the Long-Term Incentive Plan (LTIP)

The LTIP commenced on 1 March 2015 and the first award vests in June 2018. The terms of these plans are set out in the Remuneration Report on pages 98 to 116.

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.

19 Share capital continued

The principal assumptions for calculating the fair value of the Ordinary shares conditionally awarded are:

	LTIP 2018	LTIP 2017	LTIP 2016
Ordinary shares conditionally awarded (no. of shares)	**2,446,632**	2,319,839	1,481,203
Date of award	**30 May 2017**	9 June 2016	5 June 2015
Share price (pence)	**194.2**	191.1	273.4
Vesting period (months)	**33**	33	33

The expense recognised for equity-settled share-based payments in respect of employee services received during the year is a £1,750,000 charge (2017: £1,308,000 charge).

The charge recognised for cash-settled share-based payments during the year is £nil (2017: £nil).

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
At 1 March 2016	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	–	–	–	–	–
At 28 February 2017	62,613	104,325	2,133	2,039	1,631	44,188	4,725	(165)
Employee share option scheme	58	150	–	–	–	–	–	–
Share-based payments	–	–	–	1,750	–	–	–	–
Revaluation of operating property realised on sale	–	–	35	–	–	–	–	–
Currency translation differences – Group	–	–	292	–	–	–	–	–
At 28 February 2018	**62,671**	**104,475**	**2,460**	**3,789**	**1,631**	**44,188**	**4,725**	**(165)**

The capital redemption reserve arose from business combinations in prior financial years. This reserve is not distributable.

The merger reserve comprises the premium on shares following the share issue to acquire Cathedral Group. No share premium is recorded in the Company's financial statements through the operation of the Merger Relief provisions of the Companies Act 2006.

Retained earnings

	£'000
At 1 March 2016	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)
At 28 February 2017	126,136
Profit for the year	40,256
Final dividend 2017	(4,379)
Supplemental dividend 2017	(3,503)
Interim dividend 2018	(3,003)
At 28 February 2018	**155,507**

21 Note to the cash flow statement

Reconciliation of profit/(loss) before income tax to net cash outflow from operating activities:

	2018 £'000	2017 £'000
Profit/(loss) before income tax	**48,172**	(1,710)
Adjustments for:		
(Gain)/loss on disposal of investment properties	**(3,324)**	2,273
Loss on revaluation of property portfolio	**2,417**	9,506
Other income	**(2,089)**	(1,320)
Share of post-tax profits of joint ventures and associates	**(16,175)**	(6,134)
Profit from sale of investment	**(6,713)**	(567)
(Profit)/loss on sale of other plant and equipment	**(5)**	25
Exceptional impairment of operating segment	–	2,150
Finance income	**(94)**	(711)
Finance cost	**9,783**	11,495
Depreciation of property, plant and equipment	**960**	1,016
Operating cash flows before movements in working capital	**32,932**	16,023
Increase in development and trading properties	**(10,037)**	(3,590)
(Increase)/decrease in receivables	**(57,042)**	36,991
Increase in payables	**33,696**	7,490
Increase/(decrease) in provisions	**240**	(55)
Cash flows (used in)/generated from operating activities	**(211)**	56,859

Analysis of movement in net debt

			2018			2017
	Cash and deposits £'000	**Borrowings £'000**	**Net debt £'000**	Cash and deposits £'000	Borrowings £'000	Net debt £'000
At 1 March	**51,271**	**(172,125)**	**(120,854)**	51,848	(213,289)	(161,441)
Cash flow	**840**	**2,419**	**3,259**	(1,235)	48,483	47,248
Foreign currency exchange movements	**(12)**	**(1,497)**	**(1,509)**	658	(5,130)	(4,472)
Non-cash movements	–	**19**	**19**	–	(2,189)	(2,189)
At 28 February	**52,099**	**(171,184)**	**(119,085)**	51,271	(172,125)	(120,854)

22 Financial commitments and operating lease arrangements

Capital commitments

At 28 February 2018, the Group had no contracted capital expenditure (2017: £nil). The Group has no commitments for loans to its associates (2017: £nil).

Operating lease arrangements

Operating lease arrangements in respect of land and buildings where the Group is lessee:

	2018 £'000	2017 £'000
Minimum lease payments under operating leases recognised for the year	**4,363**	4,466

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:

	2018 £'000	2017 £'000
Within one year	**4,397**	4,363
In the second to fifth years inclusive	**11,778**	14,451
After five years	**4,694**	7,778
	20,869	26,592

Operating lease payments represent rentals payable by the Group for some of its leasehold properties. Leases were negotiated for an average term of 13.4 years (2017: 12.8 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:

	2018 £'000	2017 £'000
Within one year	**7,856**	15,140
In the second to fifth years inclusive	**23,639**	47,846
After five years	**24,739**	88,446
	56,234	151,432

Property investment income earned during the year was £12,086,000 (2017: £12,934,000).

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. As at 28 February 2018, such guarantees amounted to £5,543,000 (2017: £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 (2017: £7,000) with an average unexpired lease period of 68 years (2017: 70 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 2018 and 28 February 2017 with related parties are set out below. Only Directors are considered to be key management personnel.

Richard Upton owed a total of £55,000 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 98 to 116.

	Finance income from related parties £'000	Amounts owed by related parties (before provision) £'000
JOINT VENTURES		
2018	**2,089**	**61,989**
2017	1,320	43,202
ASSOCIATES		
2018	**–**	**19,878**
2017	–	20,065

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	2018 £'000	2017 £'000
Barwood Development Securities Limited	Strategic land investment	Investment in associates	**–**	2,500
Barwood Land and Estates Limited	Strategic land investment	Investment in associates	**–**	1,500
CDSR Burlington House Developments Limited	Property development	Investment in associates	**–**	4,372
Cathedral (Movement, Greenwich) LLP	Property development	Financial assets	**100**	127
Northpoint Developments Limited	Property development	Financial assets	**16,837**	17,024
Curzon Park Limited	Property development	Investment in joint ventures	**260**	–
Curzon Park Limited	Property development	Financial assets	**10,505**	10,505
Deeley Freed Limited	Property development	Financial assets	**–**	8,600
Henry Davidson Developments Limited	Property development	Financial assets	**344**	627
LaSalle Land LP	Strategic land investment	Financial assets	**1,285**	–
Property Alliance Group	Property development	Financial assets	**–**	1,500
Quinn Estates Brokehill Limited	Property development	Financial assets	**3,578**	–
Becket House Unit Trust	Investment property	Investment in joint ventures	**–**	–
Circus Street Developments Limited	Property development	Investment in joint ventures	**5,106**	–
Development Equity Partners Limited	Property development	Investment in joint ventures	**269**	269
DSP Piano Investments BV	Investment property	Investment in joint ventures	**14,276**	6,772
DSP Tirol Limited	Investment property	Investment in joint ventures	**4,212**	4,535
DS Renewables LLP	Property development	Investment in joint ventures	**11,537**	–
Harwell Oxford Developments Limited	Property development	Investment in joint ventures	**24,356**	12,881
Kensington & Edinburgh Estates (South Woodham Ferrers) Limited	Property development	Investment in joint ventures	**311**	929
Luxembourg Investment Company 112 Sarl	Property development	Investment in joint ventures	**15,330**	11,520
Manchester Arena Complex LP	Investment property	Investment in joint ventures	**156**	169
Mayfield Development (General Partner)Limited	Property development	Investment in joint ventures	**6,269**	–
Notting Hill (Guernsey Holdco) Limited	Property development	Investment in joint ventures	**8,321**	7,486
Opportunities for Sittingbourne Limited	Property development	Investment in joint ventures	**128**	128
OSB (Holdco 1) Limited	Property development	Investment in joint ventures	**–**	–
Triangle London Developments LLP	Property development	Investment in joint ventures	**306**	–
UAI (G) Limited	Property development	Investment in joint ventures	**504**	141
UAIH Yorkshire Limited	Property development	Investment in joint ventures	**124**	15
UAIP (Drum) BV	Property development	Investment in joint ventures	**1,263**	1,201
Winnebago Holdings Sarl	Investment property	Investment in joint ventures	**78**	43
			125,455	92,844

The aggregate amounts included within each relevant balance sheet account are as follows:

	2018 £'000	2017 £'000
Investment in associates	**–**	8,372
Investment in joint ventures	**92,806**	46,089
Financial assets – current	**16,837**	18,524
Financial assets – non-current	**15,812**	19,859
	125,455	92,844

27 Post balance sheet events
As at 28 February 2018, 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.

In April 2018, the Group exchanged contracts to sell land held in joint venture. This sale will be recognised in the year ending 28 February 2019.

Company Balance Sheet

As at 28 February 2018

	Notes	£'000	2018 £'000	£'000	2017 £'000
FIXED ASSETS					
Tangible assets	31	**4,087**		4,615	
Debtors – loans and receivables	34	**344**		9,227	
Derivative financial instruments	35(d)	**10**		257	
Deferred income tax asset	36	**678**		798	
Investments	32	**104,257**		104,258	
			109,376		119,155
CURRENT ASSETS					
Debtors – loans and receivables	34	**16,837**		18,524	
Debtors	33	**525,334**		399,785	
Cash at bank and in hand		**37,935**		44,285	
			580,106	462,594	
CREDITORS					
Amounts falling due within one year	35(a)	**(310,331)**		(185,639)	
Net current assets			**269,775**		276,955
Total assets less current liabilities			**379,151**		396,110
CREDITORS					
Amounts falling due after more than one year:					
Bank loans	35(b)	**(106,158)**		(105,172)	
Deferred income tax liabilities	36	**(83)**		(109)	
Provisions for liabilities	35(c)	**(172)**		(183)	
			(106,413)		(105,464)
Net assets			**272,738**		290,646
CAPITAL AND RESERVES					
Called up share capital	37	**62,671**		62,613	
Share premium account	38	**104,475**		104,325	
Other reserves	38	**9,980**		8,230	
Profit and loss account	38	**95,612**		115,478	
Total shareholders' funds			**272,738**		290,646

The loss after tax for the year was £8,981,000 (2017: £3,738,000 profit).

The notes on pages 188 to 200 are an integral part of these financial statements.

Approved by the Board of Directors on 26 April 2018 and signed on its behalf by:

M S Weiner
Director

Company Statement of Changes in Equity

For the year ended 28 February 2018

	Notes	Called up share capital £'000	Share premium account £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 1 March 2016		62,537	104,113	6,922	129,118	302,690
Profit and total comprehensive income for the year ended 28 February 2017		–	–	–	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)
Total contributions by and distributions to owners of the Company		76	212	1,308	(17,378)	(15,782)
Balance at 28 February 2017		62,613	104,325	8,230	115,478	290,646
Loss and total comprehensive income for the year ended 28 February 2018		–	–	–	(8,981)	(8,981)
Issue of Ordinary shares		58	150	–	–	208
Share-based payments		–	–	1,750	–	1,750
Final dividend 2017		–	–	–	(4,379)	(4,379)
Supplemental dividend 2017		–	–	–	(3,503)	(3,503)
Interim dividend 2018		–	–	–	(3,003)	(3,003)
Total contributions by and distributions to owners of the Company		58	150	1,750	(10,885)	(8,927)
Balance at 28 February 2018		**62,671**	**104,475**	**9,980**	**95,612**	**272,738**

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 25 April 2018.

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 Consolidated financial statements.

1.2 Group Long-Term Incentive Plan (LTIP)

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 Company 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 Company.

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.

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.

The Company has used a Black-Scholes option pricing 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 and staff numbers can be found in note 4 to the Consolidated financial statements. Further information relating to Directors' remuneration is shown in the Remuneration Report on pages 98 to 116.

Auditors' remuneration in respect of the audit for the Company was £15,000 (2017: £15,000).

30 Operating lease arrangements

	2018 £'000	2017 £'000
The Company as lessee:		
Minimum lease payments under operating leases recognised for the year	**2,571**	2,571

Annual commitments under non-cancellable operating leases are as follows:

	2018 £'000	2017 £'000
Operating leases which expire:		
Within one year	**2,250**	2,571
In the second to fifth years inclusive	**9,961**	10,282
After five years	**4,250**	6,821
	16,461	19,674

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 (2017: 11.4 years).

31 Tangible assets

	Fixtures, fittings and computer equipment £'000	Motor vehicles £'000	Total £'000
COST			
At 1 March 2017	6,155	119	6,274
Additions	195	–	195
At 28 February 2018	**6,350**	**119**	**6,469**
ACCUMULATED DEPRECIATION			
At 1 March 2017	1,563	96	1,659
Charge for the year	715	8	723
At 28 February 2018	**2,278**	**104**	**2,382**
Net book amount 28 February 2018	**4,072**	**15**	**4,087**
Net book amount 28 February 2017	4,592	23	4,615

32 Investments

	Shares in subsidiary undertakings £'000	Interest in associated undertakings £'000	Interest in joint ventures £'000	Total £'000
COST				
At 1 March 2017	162,867	997	454	164,318
Disposals	(1)	–	–	(1)
At 28 February 2018	**162,866**	**997**	**454**	**164,317**
AMOUNTS PROVIDED				
At 1 March 2017 and 28 February 2018	(59,063)	(997)	–	(60,060)
Net book amount 28 February 2018	**103,803**	–	**454**	**104,257**
Net book amount 28 February 2017	103,804	–	454	104,258

The full list of subsidiaries of the Company is set out in note 41.

33 Debtors

Amounts falling due within one year

	2018 £'000	2017 £'000
Trade debtors	**83**	13
Amounts owed by subsidiary undertakings	**516,904**	391,861
Other debtors	**4,983**	4,882
Current income tax asset	**598**	1,680
Other taxation recoverable	**1,201**	724
Prepayments and accrued income	**1,565**	625
	525,334	399,785

Amounts owed by subsidiary undertakings are unsecured, interest free and repayable on demand.

34 Debtors – loans and receivables

Amounts falling due after more than one year

	2018 £'000	2017 £'000
FIXED ASSETS		
Development loans	**344**	9,227

Amounts falling due within one year

	2018 £'000	2017 £'000
CURRENT ASSETS		
Loans and receivables	**7,949**	9,711
Loans notes receivable	**8,888**	8,813
	16,837	18,524

Funding of £344,000 (2017: £627,000) has been provided to Henry Davidson Developments Limited in respect of one development project. Interest of 12.5% is charged in respect of this funding.

Loans and receivables include a number of working capital and project-specific loans of £7,949,000 (2017: £8,211,000) 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 (2017: £408,000). As at 28 February 2018, the Company has made a provision of £1,609,000 (2017: £1,223,000) against interest receivable in respect of these loans and a £1,000,000 provision against the recoverability of the loans.

35 Creditors

a) Amounts falling due within one year

	2018 £'000	2017 £'000
Bank loans and overdrafts	**17**	17
Bank loans	**545**	4,643
Trade creditors	**354**	176
Amounts owed to subsidiary undertakings	**299,465**	172,159
Amounts owed to associated undertakings	**1,932**	1,932
Other creditors	**2,064**	991
Accruals and deferred income	**5,954**	5,721
	310,331	185,639

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

	2018 £'000	2017 £'000
Bank loans	**106,158**	105,172

Information regarding loan balances is shown below:

€47,000,000 variable EURIBOR loan notes
These unsecured, Euro-denominated loan notes are repayable on 24 April 2021.

£66,666,000 fixed rate loan facility
£16,431,000 loan capital amortises over the term of the loan. The remaining £50,235,000 is repayable in one instalment on 5 December 2032. The current balance outstanding on the facility is £66,589,000.

£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.

Loans are shown net of transaction costs in the Balance Sheet.

c) Amounts falling due after more than one year

	2018 £'000	2017 £'000
Provisions for liabilities	**172**	183

The provision of £172,000 (2017: £183,000) relates to an onerous lease obligation entered into in 2009.

d) Derivative financial instruments

	2018 £'000	2017 £'000
ASSETS		
Derivative financial instruments at fair value through profit and loss:		
Interest rate swaps	**10**	36
Foreign exchange contracts	–	221
Derivative financial assets	**10**	257

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 17.0%.

	Accelerated capital allowances £'000	Provisions £'000	Tax losses £'000	Net fair value adjustments £'000	Total £'000
Deferred income tax liabilities/(assets) recognised:					
At 1 March 2017	(61)	475	323	(48)	689
(Charged)/credited to the income statement	(20)	(86)	(34)	46	(94)
At 28 February 2018	**(81)**	**389**	**289**	**(2)**	**595**

	2018 £'000	2017 £'000
Deferred income tax assets	**678**	798
Deferred income tax liabilities	**(83)**	(109)
Net deferred income tax assets	**595**	689

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

	2018 £'000	2017 £'000
Issued, called up and fully paid		
125,342,726 Ordinary shares of 50 pence (2017: 125,226,740 Ordinary shares of 50 pence)	**62,671**	62,613

	Number of shares
Shares in issue at the date of this report	**125,349,756**

The Company has one class of Ordinary shares which carry no right to fixed income.

The number of treasury shares held by the Company as at 28 February 2017 is 118,792 shares. The Company has the right to re-issue these shares at a later date. All shares are fully paid.

Share option schemes

As at 28 February 2018, 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 98 to 116.

SAYE option plan 2005:

Date of grant	28.02.18 Number	26.04.18 Number	Exercise dates	Price
22 December 2014	107,164	100,134	1 February 2018 to 31 July 2018	179.2
19 December 2017	339,666	331,396	1 February 2021 to 31 July 2021	152.0

Details relating to share-based payments is 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
At 1 March 2017	62,613	104,325	2,039	1,631	4,725	(165)
Employee share option scheme	58	150	–	–	–	–
Share-based payments	–	–	1,750	–	–	–
At 28 February 2018	**62,671**	**104,475**	**3,789**	**1,631**	**4,725**	**(165)**

	£'000
PROFIT AND LOSS ACCOUNT	
At 1 March 2016	129,118
Profit for the financial year	3,738
Final dividend 2016	(4,378)
Supplemental dividend 2016	(9,997)
Interim dividend 2017	(3,003)
At 28 February 2017	115,478
Loss for the financial year	(8,981)
Final dividend 2017	(4,379)
Supplemental dividend 2017	(3,503)
Interim dividend 2018	(3,003)
At 28 February 2018	**95,612**

The loss after tax of the Company was £8,981,000 (2017: £3,738,000 profit).

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 £64,638,000 (2017: £63,018,000). 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 2018 is disclosed below. Unless otherwise stated, the Group's shareholding represents ordinary shares held 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.

Entities where the Group holds 100% of the equity but the registered office is held elsewhere are detailed below:

Wholly-owned subsidiaries	
399 Edgware Road Management Company Limited	Cathedral (Goswell) Limited
48 Goldhawk Road Limited	Cathedral (Greenwich Beach) Limited
Airport House Business Centre Limited	Cathedral (Moss) Limited
Barrack Close Limited	Cathedral (Preston Barracks) Limited
Becket House Asset Management Limited	Cathedral (Sittingbourne) Limited
Beyond Green Developments (Broadland) Limited	Cathedral Special Projects (H) Limited
Beyond Green Developments (Thame) Limited	Central Research Laboratory (Hayes) Ltd
Birmingham International Park (2000) Limited	CM (Winchester) Limited
Birmingham International Park Limited	D S Property Developments Limited
Barwood Land and Estates Limited	Development Securities Limited
Barwood Land Investments Limited	Development Securities (Abbey Wood) Limited
Blue Living (Pincents Hill) Limited	Development Securities (Armagh) Limited
Bruform Limited	Development Securities (Bicester) Ltd
Bryn Blaen Wind Farm Limited	Development Securities (Blackpool Developments) Limited
Buckshaw Village Commercial Centre Management Company Limited	Development Securities (Cannock) Limited
Burghfield Bolt Limited	Development Securities (Curzon Park) Limited
Cambourne Business Park Limited	Development Securities (Furlong) Limited
Cambourne Business Park Management Limited	Development Securities (Greenwich Beach) Limited

Wholly-owned subsidiaries

Cathedral (Brighton) Limited
Cathedral (Bromley 2) Limited
Cathedral (Bromley Esco) Limited
Cathedral (Bromley) Limited
Development Securities (Ilford) Limited
Development Securities (Investment Ventures) Limited
Development Securities (Investments) PLC
Development Securities (Launceston) Limited
Development Securities (Lichfield) Limited
Development Securities (Maidstone) Limited
Development Securities (Moreton Woods) Limited
Development Securities (Nailsea) Limited
Development Securities (No.19) Limited
Development Securities (No. 22) Limited
Development Securities (No.26) Limited
Development Securities (No.28) Limited
Development Securities (No.43) Limited
Development Securities (No.69) Limited
Development Securities (No.9) Limited
Development Securities (Romford) Limited
Development Securities (Sevenoaks) Limited
Development Securities (Slough) Limited
Development Securities (Southwark) Limited
Development Securities (Woking) Limited
Development Securities Estates PLC
DS Investment Properties 2 LLP
DS Investment Properties LLP
DS Renewables LLP
ECC Investments PLC
Elvidean Limited
Elystan Developments Limited
EPD Buckshaw Village Limited
Executive Communication Centres (Birmingham) Limited
Executive Communication Centres (Cardiff) Limited
Development Securities (Greenwich) Limited
Development Securities (Hale Barns) Limited
Development Securities (Hammersmith) Limited
Development Securities (HDD) Limited
HDD Burghfield Common Limited
HDD Didcot Limited
HDD Lawley Village Limited
HDD Lichfield Limited
HDD Llanelli Limited
HDD Newcastle Under Lyme Limited
HDD Newton Leys Limited
HDD Oxley Units Limited
HDD RAF Watton Limited
HDD Stanground Limited
Hendy Wind Farm Limited
I AM PRS Limited
Kingsland Shopping Centre Limited
Landpack Limited
Luneside East Limited
Moss Works Limited
Njord Wind Developments Limited
Public Private Partnership (H) Limited
R.D.B.P. Management Limited
RHD (Dartmouth) Limited
Rhoscrowther Wind Farm Limited
Rivella Properties Bicester Limited
The Deptford Project 2 Limited
The Deptford Project Limited
The Royals Business Park Limited
The Telegraph Works Limited
Triangle Developments Limited
Triangle London Limited
U and I (8AE) Limited
U and I (Ashford) Limited

41 Details of related undertakings of U and I Group PLC continued

Wholly-owned subsidiaries	
Executive Communication Centres (London City) Limited	U and I (Bromley Commercial) Ltd
Executive Communication Centres (Milton Keynes) Limited	U and I (Projects) Limited
Executive Communication Centres Limited	U and I Finance PLC
Executive Communication Centres (London West End) Limited	U and I PPP Limited
Extreme Cool Limited	U and I Property Limited
Furlong Shopping Centre Limited	UAIH Yorkshire Limited
Goswell Works Limited	U and I Investments (UK) Limited
Greenwitch Limited	United + Industrious Limited
Griffe Grange Wind Farm Limited	Wallis Court Buckshaw Limited
Group U+I Limited	Wassand Wind Farm Limited
HDD Ashford Limited	Waterfront Wakefield (Hebble Wharf) Limited

Registered office	Company
6th Floor, 2 Grand Canal Square, Dublin 2, Ireland	Development Securities Properties (Dublin) Limited Percy Place DS (Ireland) Limited
c/o Ashby Capital, 33 Welbeck Street, London, W1G 8EX	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.18) 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
Circus Street Developments Limited	50
CTP (Wakefield) Limited	42
Curzon Park Limited	50
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	50
HSIC GP2 Limited	50
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
MEN Arena GP Limited	51
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

	% owned
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	50
The Harwell Science and Innovation Campus General Partner Limited	50
The Harwell Science and Innovation Campus Limited Partnership	50
The Harwell Science and Innovation Campus Nominee Limited	50
The Harwell Science and Innovation Campus Nominee No.2 Limited	50
TLD (Landmark Court) Limited	99
Tower Wharf Estate Management Limited	42
Triangle London Developments LLP	50
UAIH Yorkshire	50
Waterfront Wakefield (Navigation Place) Limited	42
Waterfront Wakefield Management Limited	42
WPG Investment LLP	50

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
Bruce Kenrick House, 2 Killick Street, London, N1 9FL	TLD Kidbrooke LLP	1

Financial Calendar and Advisors

Annual General Meeting	5 July 2018
Payment of Ordinary dividend	17 August 2018
Announcement of Interim Results to 31 August 2018	October 2018

Company Secretary
C Barton ACIS

Registered office
7A Howick Place
London SW1P 1DZ
Telephone: +44 (0)20 7828 4777

Website address
www.uandiplc.com

Registered number
1528784

Incorporation
U and I Group PLC is incorporated in Great Britain and registered in England and Wales

Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Principal bankers
Aviva Commercial Finance Limited
Barclays Bank PLC
Santander Group
The Royal Bank of Scotland plc

Corporate solicitors
Linklaters LLP

Financial advisors
Rothschild

Corporate stockbrokers
Peel Hunt LLP
Liberum Capital Limited

Registrars and transfer office
Link Asset Services
34 Beckenham Road
Beckenham
Kent
BR3 4TU

By phone - UK – 0871 664 0300, from overseas call +44 (0) 371 664 0300 calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales

By email - enquiries@linkgroup.co.uk

Notes

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Consultancy, design and production
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This report is a moment in our story, follow the rest of it online: uandiplc.com

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