19 October 2016

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2016

Encouraging progress despite challenging environment

Financial performance

- £11.5 million development and trading gains in the first half, ahead of guidance of £8 million (HY2015: £12.5 million).
- £11.0 million additional development and trading gains secured since August taking total gains year to date to £22.5 million.
- EPRA NAV per share of 272 pence (FY2016: 291 pence) after payment of 11.5 pence per share FY2016 supplemental and final dividends; incorporating a 6.3 pence per share reduction in the value of investment properties.
- Investment portfolio performance impacted by uncertainty following the UK’s decision to leave the European Union (EU) in June 2016, however market conditions have stabilised in recent weeks. Our H1 relative capital value decline of -5.2% compares to the decrease in the IPD Shopping Centre Monthly Index of -6.6% and that of the IPD All Property Monthly Index of -4.1%.
- Interim dividend maintained at 2.4 pence per share.

Outlook

- Notwithstanding challenging market backdrop, FY2017 development and trading gains expected to be in the range of £35-40 million.
- Medium-term target remains delivering annual development and trading gains in excess of £50 million and achieving a 12% (post tax) total return through a mix of both trading and larger regeneration projects.
- Over £1.5 billion GDV added to the development and trading pipeline with significant project wins in the London City Region and Manchester; potential to realise profits in excess of £90 million beyond FY2020 in line with the Group’s stated return on equity metrics.
- Targeting a contribution of £2 million in FY2018 through a reduction in recurring overhead and from net management fees from specialist platforms.

Update on strategic initiatives

- **Fewer, larger projects**: U+I appointed to deliver mixed-use regeneration projects at Cockpit Yard, 8 Albert Embankment and the Westminster Industrial Estate, Charlton in the London City Region and, as development partner at Mayfield in Manchester.
- **Investment portfolio**: Management continues to reposition the investment portfolio to better align to the Group’s focus on regeneration, including the disposal of assets in the period for £17.0 million.
- **Specialist platforms**: recently signed a £200 million joint venture with Proprium Capital Partners to secure income generating assets in the London City Region; continue to evaluate other opportunities to create platforms for growth and efficiency, including the development of a Build to Rent platform.

Matthew Weiner, Chief Executive, commented:

“We are two years into our business plan, post our merger, and have achieved some considerable momentum. The success that we’ve had in securing larger regeneration projects in the London City Region and Manchester adds significantly to our development pipeline; this reflects both U+I’s focus on fewer, larger projects and our expertise in partnering with the public sector to create new mixed-use projects for the communities in which we work.

We continue to explore the opportunity to create a specialist platform to meet the growing need for affordable rental housing across our portfolio of sites in key regions and are advancing other partnerships to leverage the expertise we have in specific sectors of the market. These platforms should, alongside our targeted reduction in overheads, lead to cost savings and productivity gains.

These results reaffirm our commitment to the strategic initiatives we announced a year ago and, alongside our strengthened management team, we are encouraged by the progress that we’ve made and confident that we will maintain positive momentum into 2017.”

Financial summary (unaudited for the six months ended 31 August 2016)

	31 Aug 2016	31 Aug 2015	29 Feb 2016
Development and trading gains	**£11.5 million**	£12.5 million	£51.1 million
EPRA net asset value (NAV)[2]	**£340.8 million[1]**	£342.7 million	£363.5 million
Basic NAV	**£340.5 million[1]**	£342.9 million	£363.3 million
EPRA NAV per share	**272p**	274p	291p
Basic NAV per share	**272p**	274p	291p
(Loss)/profit before tax	**(£11.7) million**	£1.4 million	£25.8 million
EPRA (loss)/earnings per share	**(1.8)p**	0.4p	17.1p
Basic (loss)/earnings per share	**(9.9)p**	1.2p	17.5p
Dividend per share (in respect of period reported)	**2.4p**	2.4p	5.9p
Supplemental dividend per share declared	**-**	-	8.0p
Net debt	**£128.0 million**	£203.3 million	£161.4 million
Gearing	**37.6%**	59.2%	44.4%

1. *After payment of supplemental dividend (£10.0 million) – declared for FY2016 and paid in June 2016*
2. *The development portfolio is reported at the lower of cost and net realisable value at the end of August; a full EPRA NAV will be reported at the end of the financial year to value the development and trading assets at fair value.*

Conference call for analysts and investors

U+I's management team will host a conference call for investors and analysts at 9:15am (UK) today. The live audio webcast and presentation slides can be accessed via http://www.uandiplc.com/investors (from 9am) with conference call details as below. A recording of the conference call and archive version will be made available later in the day.

Conference call:
Participant dial in number: +44 (0)20 3059 8125
Participant password: Please quote U+I to the operator

Replay dial in number: +44 (0)121 260 4861
PIN: 4411771#

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This announcement contains inside information as defined in Article 7 of the Market Abuse Regulation No. 596/2014 and is disclosed in accordance with the Company's obligations under Article 17 of those Regulations.

Chief Executive's Statement

Overview

I am encouraged by the progress that we have made in the first half of our 2017 financial year and to date, a period which has been subject to unusual levels of economic and political uncertainty both in the UK and global markets.

We have reinforced our position as a leading regeneration developer and the public sector's preferred partner, winning significant Public Private Partnership (PPP) projects in the current financial year, strengthening our position in our core markets and sustaining our pipeline of projects that will be developed over the medium-term.

Following the EU referendum, we have reassessed our development and trading portfolio and therefore restate our full year guidance to be within a range of £35-40 million (from £42 million) in FY2017 to allow for the increased uncertainty in project delivery. Guidance in FY2018 is restated to between £65-70 million (from £72 million) and £55-65 million (from £63 million) in FY2019.

Shareholder funds decreased to £340.5 million equivalent to 272 pence per share (FY2016: £363.3 million, 291 pence per share) after payment of 11.5 pence per share FY2016 supplemental and final dividends and, a £7.9 million (including share of JVs) reduction in the valuation of the investment portfolio. The development and trading portfolio is reported at the lower of cost and net realisable value at the end of August, a full EPRA NAV will be reported at the end of the financial year to reflect the market valuations of these assets. A loss before tax is reported of £11.7 million (HY2016: £1.4 million profit).

The Board has declared an interim dividend of 2.4 pence per share payable on 25 November 2016 to shareholders on the register on 28 October 2016.

Development and trading portfolio

We realised £11.5 million of development and trading gains in the period reported, ahead of our interim guidance of £8 million (HY2015: £12.5 million). These gains were principally generated from the sale of the former Powergen site in Ashford and the disposal of our mixed-use development at Percy Place in Dublin.

Since the period end, we have delivered a further £11.0 million of development and trading gains from the sale of sites at Birmingham International Park, Maidstone (Kent) and Beacon and Nutgrove (Dublin). U+I secured planning permission for up to 310,000 sq. ft. of development at Birmingham International Park earlier this year; today we confirm that contracts have been exchanged for the sale of the 26.5-acre site, realising a profit of £8m (in excess of previous guidance).

Gains in the year to date total £22.5 million. We have good visibility on trading in the months ahead and remain confident that we will maintain positive momentum through into 2017.

Strategic initiatives

We continue to progress the strategic initiatives we outlined a year ago. These initiatives are designed to deliver over £50 million in development and trading gains per annum as well as an improved performance from the investment portfolio to deliver a target post-tax total return of 12% within the next three to five years.

Fewer, larger projects

In March 2016, U+I was appointed to deliver a £100 million mixed-use project at Cockpit Yard in Holborn and a £380 million regeneration project in partnership with the London Fire and Emergency Planning Authority at 8 Albert Embankment. In September, U+I was selected by the Mayfield Partnership to develop a £850 million urban regeneration project in Manchester that will leave a lasting legacy for the city. We were most recently selected by Royal London, in conjunction with Galliard Homes, to develop a £175 million GDV project on part of the Westminster Industrial Estate, in Charlton. These wins are a testament to our focus on quality of place, design and vision to create and deliver financial, economic and social benefit.

Investment portfolio

During the period, the investment portfolio decreased to £180.1 million as at 31 August (FY2016: 203.3 million) due to both disposals of £17.0 million and a reduced valuation of £8.6 million (excluding share of JVs); the initial yield was maintained at c7%. The reduction in valuation is mainly a reflection of the outward yield movement across the portfolio in line with market conditions following the EU referendum and, the 1% increase in SDLT in March. In certain cases, we have also seen a decline in estimated rental values. These reductions do not affect our intention to transition the portfolio to more closely reflect the core regeneration themes of the business.

Specialist platforms

U+I is well positioned, given our diverse pipeline of opportunities, to aggregate product across our sites within specific asset classes from within our development and trading portfolio. To this end, a £200 million joint venture has been signed with Proprium Capital Partners to secure income generating assets in the London City Region. We have the expertise to create further specialist platforms, including a Build to Rent platform to meet the growing need for affordable rental housing, and are currently evaluating how best to work with potential capital partners. We have also identified opportunities in the office refurbishment space where we can leverage our expertise to deliver a quality product where there are limited options for new build development.

Management team

Peter Williams succeeded David Jenkins as Chairman at the Annual General Meeting (AGM) in July 2016 and Lynn Krige replaced Sarah Bates as Chair of the Audit and Risk Committee.

Mark Richardson joined the Executive Committee in September to oversee the delivery of our regeneration portfolio and manage engagement with key stakeholders. Mark was most recently the Pre-Construction Director at Laing O'Rourke and has worked on some of the capital's most recognisable projects, including One Hyde Park, The Francis Crick Institute and, the Ascot Grandstand.

Outlook

We have made significant progress this year in a challenging environment and are firmly positioned as a leading regeneration developer, achieving four major project wins in the past eight months to add over £1.5 billion GDV to our development pipeline. We are forecast to deliver development and trading profits in a range of £155-175 million in the next three financial years with the potential to realise a further £90 million to our existing pipeline beyond this period as a result of these project wins (in line with the company's stated return on equity metrics).

I am confident that U+I's transactional activity will continue to improve in the months ahead and that we will retain the focus of advancing our strategic initiatives within a context of continuing widespread economic, social and cultural change. We are committed to creating sustainable value for all of our stakeholders, from shareholders, to local authorities, to our capital partners, tenants and suppliers, and ultimately, the communities in which we develop.

Matthew Weiner, Chief Executive

19 October 2016

Financial review

Net assets attributable to shareholders decreased by £22.8 million to £340.5 million (29 February 2016: £363.3 million) reflecting the result for the period and the payment of £14.4 million of dividends declared in the previous financial year (£10.0 million supplemental dividend and £4.4 million final dividend).

The result for the six months to 31 August 2016 was a loss before tax of £11.7 million (31 August 2015: £1.4 million profit). In the period, the Group delivered development and trading gains of £11.5 million, slightly ahead of previous guidance, however this was offset by a reduction in the valuation of our investment portfolio of £8.6 million, reflecting an outward yield movement across the market post the result of the EU referendum in June 2016 and also changes to rates of SDLT.

The principal gains in the period arose from the disposal of our scheme at the former Powergen site in Ashford (£3.9 million) and the disposal of our mixed-use development at Percy Place, Dublin (£2.8 million). Since 31 August 2016 we have realised further gains of £11.0 million from disposals at Birmingham International Park, Maidstone (Kent) and Beacon and Nutgrove (Dublin).

Our guidance for development and trading gains for the financial year has been amended to a range of £35-40 million as a result of a slowdown in business investment decision making by tenants and investors impacting upon transaction levels post May 2016. As ever, we have a number of other projects where we are seeking to realise profits in the second half of the financial year to ensure we meet the revised guidance range.

As at 31 August 2016 our net debt stood at £128.0 million representing gearing of 37.6% (29 February 2016: £161.4 million and 44.4%). Gearing has reduced in the period following the disposal of the Deptford and Percy Place developments and the subsequent repayment of associated debt.

Of our gross borrowings of £177.3 million, £38.3 million is repayable within one year (29 February 2016; £213.3 million, £65.5 million). Of the £38.3 million repayable, £27.9 million relates to the debt facility charged against our shopping centres at Ringwood and Thatcham which expires in December 2016. Terms have been agreed for the refinancing of this facility which will be completed prior to the existing expiry.

Overall the weighted average maturity of our debt is 4.8 years with a weighted average interest rate of 5.0%, excluding joint ventures.

In respect of our Euro denominated exposure, we maintain a policy of hedging the majority of our foreign exchange exposure by the use of currency hedging instruments and seeking to match Euro denominated assets and liabilities. During the period, the value of Sterling against the Euro fell significantly as a result of the outcome of the EU referendum in June 2016. The impact on net asset value during the period was a reduction of £0.5 million, which is the net result of a loss of £3.4 million recorded in finance costs in the profit and loss account and a gain through reserves of £2.9 million.

The Group presents a number of key performance indicators in accordance with the guidance criteria issued by the European Public Real Estate Association ('EPRA') in order to provide a consistent reporting platform across the property sector. A reconciliation from IFRS to EPRA is disclosed in note 6 of these condensed consolidated financial statements.

As has previously been disclosed, the Group intends to publish an EPRA NAV for February 2017 which includes a fair value estimate of development and trading assets carried at the lower of cost and net realisable value in the Balance Sheet. This project is now underway in conjunction with our valuers.

The Group considers its risk profile to have changed since February 2016. The result of the EU referendum in June 2016 has in particular increased the Group's principal external risks being market risk, scarcity of viable business opportunities, counterparty and bank funding risk. The main business risks are construction and planning risk. The Risk Management Committee continually reviews the Group's risk profile, reporting to the Audit and Risk Committee and the Board. Principal risks are categorised either as external risks, whose occurrence is beyond the control of the Group, or business risks which the Board manage as part of the Group's operations. Further details can be found in the U and I Group PLC 2016 Annual Report.

Portfolio analysis

Tenant profile – gross rental income		
1	FTSE 100	3.9%
2	Government	1.5%
3	PLC/Nationals	61.5%
4	Regional Multiples	6.5%
5	Local Traders	26.6%

Location profile – capital value		
1	London	3.3%
2	South East	42.5%
3	South West	25.0%
4	Midlands	2.5%
5	North	17.7%
6	Wales	4.5%
7	Ireland	4.5%

Lease profile – gross rental income		
1	0-5 years	47.5%
2	5-10 years	29.1%
3	10-15 years	10.5%
4	15-20 years	1.6%
5	20 years+	11.3%

Analysis by sector – capital value		
1	Food store anchored retail	82.1%
2	Other retail	6.3%
3	Office	2.5%
4	Leisure	9.1%

Income generating properties as at 31 August 2016

Top five occupiers		**31 August 2016**
	Annual rent £'m	% of contracted rent
Waitrose	1.6	12.6
Matalan	0.7	5.6
J Sainsbury Plc	0.5	3.8
Ricardo-Aea Ltd	0.4	3.1
Springhealth Leisure	0.3	2.4

Top five occupiers		29 February 2016
	Annual rent £'m	% of contracted rent
Waitrose	1.4	10.6
Matalan	0.7	5.3
J Sainsbury Plc	0.5	3.6
Sports Direct	0.3	2.3
Wilkinson	0.3	1.9

Income generating properties – Like-for-like rental income received				**31 August 2016**
	Properties owned throughout the period £ million	Acquisitions £ million	Disposals £ million	Total net rental income £ million
Investment properties	5.1	1.0	0.3	6.4
Development and trading properties	1.5	0.4	–	1.9
Joint ventures	0.7	0.2	–	0.9
	7.3	**1.6**	**0.3**	**9.2**

				31 August 2015
	Properties owned throughout the period £ million	Acquisitions £ million	Disposals £ million	Total net rental income £ million
Investment properties	5.3	1.0	0.8	7.1
Development and trading properties	1.6	0.2	0.6	2.4
Joint ventures	0.8	–	0.8	1.6
	7.7	1.2	2.2	11.1

Investment property – key statistics

	Portfolio value £ million	Contracted rent £ million	Number of assets held No.	New lettings in period £ million/ '000 sq.ft.	Initial yield in period* %	Equivalent yield* %	Voids* %	Rate of rent collections within 30 days %
31 August 2016	**180.1**	**12.8**	**17**	**£0.4m/25 sq.ft.**	**7.0**	**7.3**	**5.1**	**96.3**
29 February 2016	203.3	13.6	20	£0.4m/43 sq.ft.	6.8	7.2	4.5	97.6
31 August 2015	207.7	14.6	22	£0.1m/8 sq.ft.	6.7	7.2	4.2	99.4

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

Consolidated statement of comprehensive income unaudited for the six months ended 31 August 2016

	Notes	**Six months to 31 August 2016 unaudited £ million**	Six months to 31 August 2015 unaudited £ million	Year ended 29 February 2016 audited £ million
Revenue	2	**54.9**	75.6	242.3
Direct costs	2	**(38.8)**	(61.5)	(192.4)
Gross profit	2	**16.1**	14.1	49.9
Operating costs	2	**(10.7)**	(9.7)	(21.8)
(Loss)/gain on disposal of investment properties	2	**(2.3)**	0.1	0.4
(Deficit)/gain on revaluation of property portfolio	2	**(8.6)**	0.1	0.2
Operating (loss)/profit		**(5.5)**	4.6	28.7
Other income	2	**0.4**	0.2	0.7
Share of post-tax profits of joint ventures	10	**–**	2.2	7.1
Profit on sale of investment	2	**–**	–	2.2
Loss on sale of other plant and equipment	2	**–**	–	(0.1)
(Loss)/profit before interest and income tax	2	**(5.1)**	7.0	38.6
Finance income	3	**1.0**	1.2	2.5
Finance costs	3	**(7.6)**	(6.8)	(15.3)
(Loss)/profit before income tax		**(11.7)**	1.4	25.8
Income tax	4	**(0.6)**	–	(2.5)
(Loss)/profit after income tax for the period		**(12.3)**	1.4	23.3
(Loss)/profit attributable to:				
Owners of the Parent		**(12.3)**	1.4	21.8
Non-controlling interest		**–**	–	1.5
		(12.3)	1.4	23.3
Other comprehensive income:				
(Loss)/profit for the period		**(12.3)**	1.4	23.3
Items that will be reclassified subsequently to profit or loss:				
Gain on valuation of operating property		**–**	0.1	0.1
Fair value adjustment of available-for-sale asset realised		**–**	–	(0.1)
Currency translation differences		**2.9**	0.1	2.4
Deferred income tax credit		**–**	–	0.1
Total comprehensive income for the period		**(9.4)**	1.6	25.8
Attributable to:				
Owners of the Parent		**(9.4)**	1.6	24.3
Non-controlling interest		**–**	–	1.5
		(9.4)	1.6	25.8
Basic (loss)/earnings per share	6	**(9.9)p**	1.2p	17.5p
Diluted (loss)/earnings per share	6	**(9.9)p**	1.2p	17.5p

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

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

Consolidated balance sheet unaudited as at 31 August 2016

	Notes	31 August 2016 unaudited £ million	31 August 2015 unaudited £ million	29 February 2016 audited £ million
Non-current assets				
Direct real estate interests				
Investment properties	7	**180.1**	207.7	203.3
Operating property		**0.8**	0.9	0.8
Trade and other receivables		**4.0**	4.0	3.5
		184.9	212.6	207.6
Indirect real estate interests				
Investments in associates	10	**4.4**	4.3	4.3
Investments in joint ventures	10	**32.2**	44.2	46.8
Intangible assets – goodwill	8	**2.3**	2.3	2.3
Loans to joint operations and other real estate businesses		**37.5**	38.6	37.4
		76.4	89.4	90.8
Other non-current assets				
Other plant and equipment		**7.2**	3.9	7.0
Derivative financial instruments		**0.5**	–	0.3
Deferred income tax assets		**1.0**	2.1	1.2
		8.7	6.0	8.5
Total non-current assets		**270.0**	308.0	306.9
Current assets				
Inventory – development and trading properties	9	**213.3**	260.9	199.8
Other financial assets		**1.7**	1.7	1.7
Trade and other receivables		**46.2**	55.5	86.4
Current income tax assets		**0.3**	–	–
Monies held in restricted accounts and deposits		**20.5**	13.7	8.1
Cash and cash equivalents		**28.8**	21.1	43.8
		310.8	352.9	339.8
Total assets		**580.8**	660.9	646.7
Current liabilities				
Trade and other payables		**(46.8)**	(63.1)	(55.1)
Current income tax liabilities		**–**	(0.4)	(2.5)
Borrowings	11	**(38.3)**	(75.8)	(65.5)
Provisions for other liabilities and charges	12	**–**	(0.1)	–
		(85.1)	(139.4)	(123.1)
Non-current liabilities				
Trade and other payables		**(10.9)**	(10.0)	(7.2)
Borrowings	11	**(139.0)**	(162.3)	(147.8)
Derivative financial instruments		**–**	(0.1)	–
Deferred income tax liabilities		**(3.6)**	(3.8)	(3.6)
Provisions for other liabilities and charges	12	**(1.7)**	(1.7)	(1.7)
		(155.2)	(177.9)	(160.3)
Total liabilities		**(240.3)**	(317.3)	(283.4)
Net assets		**340.5**	343.6	363.3
Equity				
Share capital	13	**62.6**	62.5	62.5
Other reserves		**159.8**	152.9	156.0
Retained earnings		**118.1**	127.5	144.8
Equity attributable to the owners of the Parent		**340.5**	342.9	363.3
Non-controlling interests		**–**	0.7	–
Total equity		**340.5**	343.6	363.3
Basic/diluted net assets per share attributable to owners of the Parent	6	**272p/272p**	274p/274p	291p/290p

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

Consolidated statement of changes in equity unaudited as at 31 August 2016

	Share capital £ million	Other reserves £ million	Retained earnings £ million	Total £ million	Non-controlling interest £ million	Total £ million
Balance at 1 March 2015	62.5	152.8	130.4	345.7	0.7	346.4
Profit for the six months ended 31 August 2015	–	–	1.4	1.4	–	1.4
Other comprehensive income:						
Realisation of gain on available-for-sale financial asset	–	(0.1)	0.1	–	–	–
Gain on valuation of operating property	–	0.1	–	0.1	–	0.1
Currency translation differences - Group	–	0.1	–	0.1	–	0.1
Total comprehensive income for the six month period ended 31 August 2015	–	0.1	1.5	1.6	–	1.6
Final dividend relating to 2015	–	–	(4.4)	(4.4)	–	(4.4)
Total contributions by and distributions to owners of the Company	–	–	(4.4)	(4.4)	–	(4.4)
Balance at 31 August 2015	**62.5**	**152.9**	**127.5**	**342.9**	**0.7**	**343.6**
Profit for the six months ended 29 February 2016	–	–	20.4	20.4	1.5	21.9
Other comprehensive income:						
Fair value adjustment realised	–	–	(0.1)	(0.1)	–	(0.1)
Currency translation differences - Group	–	2.4	–	2.4	–	2.4
Total comprehensive income for the six month period ended 29 February 2016	–	2.4	20.3	22.7	1.5	24.2
Share based payments	–	0.7	–	0.7	–	0.7
Interim dividend relating to 2016	–	–	(3.0)	(3.0)	–	(3.0)
Total contributions by and distributions to owners of the Company	–	0.7	(3.0)	(2.3)	–	(2.3)
Transactions with non-controlling interests	–	–	–	–	(2.2)	(2.2)
Balance at 29 February 2016	**62.5**	**156.0**	**144.8**	**363.3**	**–**	**363.3**
Loss for the six months ended 31 August 2016	–	–	(12.3)	(12.3)	–	(12.3)
Other comprehensive income:						
Currency translation differences - Group	–	2.9	–	2.9	–	2.9
Total comprehensive income for the six month period ended 31 August 2016	–	2.9	(12.3)	(9.4)	–	(9.4)
Issue of Ordinary shares	0.1	0.2	–	0.3	–	0.3
Share based payments	–	0.7	–	0.7	–	0.7
Final dividend relating to 2016	–	–	(4.4)	(4.4)	–	(4.4)
Supplemental dividend 2016	–	–	(10.0)	(10.0)	–	(10.0)
Total contributions by and distributions to owners of the Company	0.1	0.9	(14.4)	(13.4)	–	(13.4)
Balance at 31 August 2016	**62.6**	**159.8**	**118.1**	**340.5**	**–**	**340.5**

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

Consolidated cash flow statement
unaudited for the six months ended 31 August 2016

	Notes	Six months to 31 August 2016 unaudited £ million	Six months to 31 August 2015 unaudited £ million	Year ended 29 February 2016 audited £ million
Cash flows from operations				
Cash flows generated from/(used in) operating activities	14	**30.3**	(40.5)	8.0
Interest paid		**(4.0)**	(5.5)	(11.4)
Income tax paid		**(3.3)**	(2.6)	(2.8)
Net cash generated from/(used in) operating activities		**23.0**	(48.6)	(6.2)
Cash flows from investing activities:				
Interest received		**0.3**	0.4	2.9
Proceeds on disposal of investment properties		**15.1**	1.1	11.1
Purchase of other plant and equipment		**(0.2)**	(1.8)	(5.4)
Purchase of investment properties		**(0.7)**	(5.6)	(7.1)
Acquisition of subsidiaries net of cash acquired		**–**	(4.2)	(4.2)
Cash outflow to joint ventures and associates		**(5.0)**	(6.8)	(9.0)
Cash inflow from joint ventures and associates		**20.0**	4.5	9.6
Investment in financial assets		**–**	(3.5)	(3.6)
Cash inflow from financial assets		**0.5**	2.8	3.2
Net cash generated from/(used in) investing activities		**30.0**	(13.1)	(2.5)
Cash flows from financing activities:				
Dividends paid		**(14.4)**	(14.4)	(17.4)
Issue of new shares		**0.3**	–	–
Repayments of borrowings		**(42.4)**	(5.1)	(59.8)
New bank loans raised (net of transaction costs)		**0.3**	36.4	60.4
Equity repayment to non-controlling interest		**–**	–	(2.2)
(Increase)/decrease in monies held in restricted accounts and deposits		**(12.4)**	5.7	11.3
Net cash (used in)/generated from financing activities		**(68.6)**	22.6	(7.7)
Net decrease in cash and cash equivalents		**(15.6)**	(39.1)	(16.4)
Cash and cash equivalents at the beginning of the period		**43.8**	59.9	59.9
Exchange gains on cash and cash equivalents		**0.6**	0.3	0.3
Cash and cash equivalents at the end of the period		**28.8**	21.1	43.8
Cash and cash equivalents comprise:				
Cash at bank and in hand		**28.8**	21.1	43.8
Cash and cash equivalents at the end of the period		**28.8**	21.1	43.8

	Notes	Six months to 31 August 2016 unaudited £ million	Six months to 31 August 2015 unaudited £ million	Year ended 29 February 2016 audited £ million
Net debt comprises:				
Monies held in restricted accounts and deposits		**20.5**	13.7	8.1
Cash and cash equivalents		**28.8**	21.1	43.8
Financial liabilities:				
Current borrowings	11	**(38.3)**	(75.8)	(65.5)
Non-current borrowings	11	**(139.0)**	(162.3)	(147.8)
Net debt		**(128.0)**	(203.3)	(161.4)

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

Notes to the interim financial information
unaudited for the six months ended 31 August 2016

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

a) General information

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

The condensed consolidated financial statements for the six months ended 31 August 2016 comprise the results of the Company and its subsidiaries and were authorised by the Board for issue on 19 October 2016.

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

The condensed consolidated financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 29 February 2016, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, were approved by the Board of Directors on 28 April 2016 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

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

b) Basis of preparation of half-year report

These condensed consolidated financial statements for the six months ended 31 August 2016 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim financial reporting'. The condensed consolidated financial statements should be read in conjunction with the Group's financial statements for the year ended 29 February 2016, which have been prepared in accordance with IFRS, as adopted by the European Union.

Going concern basis

The Group has considerable financial resources. Rental income continues to be robust, with the risk of significant default assessed by the Directors as low. Development and trading activities are well diversified across regions and sectors. Debt finance is secured for appropriate periods and the Group is comfortable with its covenant positions. As a result the Directors believe that the Group is well placed to manage its business risks successfully. The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the interim financial statements.

c) Judgements and key sources of estimation uncertainty

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

In preparing the condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 29 February 2016.

d) Accounting policies

The accounting policies applied in these condensed consolidated financial statements are consistent with those of the Group's financial statements for the year ended 29 February 2016, as described in those financial statements.

New and amended standards and interpretations need to be adopted in the first interim financial statements issued after their effective date (or date of early adoption). There are no additional standards or interpretations, other than those disclosed in the Group's financial statements for the year ended 29 February 2016, which are expected to have a material impact on the Group.

The accounting policies adopted are consistent with those of the previous financial year.

e) Financial risk management

Financial risk factors

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

The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial statements as at 29 February 2016.

There have been no changes in risk management or in any risk management policies since the year end.

Liquidity risk

Compared to the year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

Currency risk

During the period the Group has continued to invest in the Republic of Ireland. Following the UK's vote to exit from the European Union and the subsequent weakening of Sterling, the Directors have continued to closely monitor its exposure to its Euro denominated assets and liabilities. The Group continues to operate its policy to manage currency exposure whereby any assets acquired in Euros will have associated borrowing also denominated in Euros to limit the exposure. In addition the Board will also require the foreign exchange risk to be hedged if appropriate.

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:
- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 August 2016:

	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total £ million
Assets				
Investment properties	–	–	180.1	180.1
Derivative financial instruments:				
Foreign exchange contracts through profit or loss	–	0.6	–	0.6
Derivative financial instruments at fair value through profit or loss	–	–	–	–
Available-for-sale financial assets	–	–	30.4	30.4
Total assets	**–**	**0.6**	**210.5**	**211.1**
Liabilities				
Derivative financial instruments:	–	–	–	–
Cross-currency interest rate swap	–	–	–	–
Derivative financial instruments at fair value through profit or loss	–	(0.1)	–	(0.1)
Total liabilities	**–**	**(0.1)**	**–**	**(0.1)**

The following table presents the Group's assets and liabilities that are measured at fair value at 31 August 2015:

	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total £ million
Assets				
Investment properties	–	–	207.7	207.7
Derivative financial instruments:				
Foreign exchange contracts through profit or loss	–	0.2	–	0.2
Derivative financial instruments at fair value through profit or loss	–	0.1	–	0.1
Available-for-sale financial assets	–	–	31.5	31.5
Total assets	–	0.3	239.2	239.5
Liabilities				
Derivative financial instruments:	–	–	–	–
Cross-currency interest rate swap	–	–	–	–
Derivative financial instruments at fair value through profit or loss	–	(0.4)	–	(0.4)
Total liabilities	–	(0.4)	–	(0.4)

The following table presents the Group's assets and liabilities that are measured at fair value at 29 February 2016:

	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total £ million
Assets				
Investment properties	–	–	203.3	203.3
Derivative financial instruments:				
Foreign exchange contracts through profit or loss	–	0.5	–	0.5
Derivative financial instruments at fair value through profit or loss	–	0.1	–	0.1
Available-for-sale financial assets	–	–	30.2	30.2
Total assets	–	0.6	233.5	234.1
Liabilities				
Derivative financial instruments:				
Cross-currency interest rate swap	–	–	–	–
Derivative financial instruments at fair value through profit or loss	–	(0.3)	–	(0.3)
Total liabilities	–	(0.3)	–	(0.3)

Derivative financial instruments at fair value through profit or loss of £0.2 million gain (31 August 2015: loss of £0.1 million and 29 February 2016: gain of £0.3 million) are recorded in Finance income or Finance costs as appropriate in the condensed consolidated financial statements.

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

Level 2 derivative financial instruments comprise of a number of interest rate swaps and caps and a forward foreign exchange contract. Interest rate swaps and caps are valued using forward interest rates extracted from observable yield curves taking account of the risk of default of either counterparty to the financial instrument. The effects of discounting are generally insignificant for level 2 derivatives.

Fair value measurement using significant unobservable inputs (level 3)

	Financial assets at fair value through profit and loss £ million
At 1 March 2015	30.1
Loans advanced	4.2
Settlements	(2.8)
At 31 August 2015	31.5
Loans advanced	0.8
Settlements	(2.1)
At 29 February 2016	30.2
Loans advanced	0.8
Settlements	(0.6)
At 31 August 2016	**30.4**

Total unrealised losses for the period included in profit or loss for assets held at 31 August 2016	–
Total unrealised losses for the period included in profit or loss for assets held at 29 February 2016	–
Total unrealised losses for the period included in profit or loss for assets held at 31 August 2015	–

A review of the fair value of financial assets is performed at each reporting date with any significant changes in value reported to the Board and Audit and Risk Committee. Level 3 assets consist of loans to associates or joint ventures. Each receivable is reviewed as to its recoverability. If recoverability is in doubt an appropriate provision for impairment would be made based on the best estimate of the loan recoverable. The Board have concluded that there are no financial assets recognised where the loan amount is not the best evidence of fair value.

Contingent consideration in a business combination

The Group had no contingent consideration liabilities at 31 August 2016, 31 August 2015 or 29 February 2016.

Group's valuation processes

The Group engages external, independent and qualified valuers to determine the fair value of Level 3 investment property assets (refer note 7). The valuation process involves the Investment Team, our asset service provider and valuers. Every six months, prior to the valuation date, full tenancy information, verified by both the Investment Team and asset service provider is provided to the valuers. New lettings, completed and pending lease events and asset management proposals are provided by the Investment Team on an asset by asset basis. The valuers assimilated income information is checked by the Investment Team before the valuers report numbers.

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

The key unobservable assumptions used in the valuations are:

Valuation technique	Key unobservable input	Range
Income capitalisation	Equivalent yields	3.35% - 9.41%
Residual development method	Price per acre/ development margin	£0.45m per acre, 15.0% - 20.0%
Residual development method	Estimated profit margin	15.0% - 20.0%

More information relating to valuation methodology is contained within the Group's financial statements as at 29 February 2016.

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

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

2. SEGMENTAL ANALYSIS

For management purposes, the Group is organised into three operating divisions, whose principal activities are as follows:

Investment	– management of the Group's investment property portfolio, generating rental income and valuation surpluses from property management;
Development and trading	– managing the Group's development and trading properties. Revenue is received from rental income, project management fees, development profits and the disposal of inventory; and
Operating	– serviced office operations. Revenue is principally received from short-term licence fee income.

These divisions are the basis on which the Group reports its primary segmental information. All operations occur and all assets are located in the United Kingdom or the Republic of Ireland. All revenue arises from continuing operations.

				Six months to 31 August 2016 (unaudited)
	Investment £ million	Development and trading £ million	Operating £ million	Total £ million
Segment revenue	**6.6**	**46.3**	**2.0**	**54.9**
Direct costs	**(1.3)**	**(34.9)**	**(2.6)**	**(38.8)**
Segment result	**5.3**	**11.4**	**(0.6)**	**16.1**
Operating costs	**(1.8)**	**(8.9)**	**–**	**(10.7)**
Loss on disposal of investment properties	**(2.3)**	**–**	**–**	**(2.3)**
Deficit on revaluation of investment property portfolio	**(8.6)**	**–**	**–**	**(8.6)**
Operating (loss)/profit	**(7.4)**	**2.5**	**(0.6)**	**(5.5)**
Other income	**0.3**	**0.1**	**–**	**0.4**
Share of post-tax profit/(loss)of joint ventures	**0.8**	**(0.8)**	**–**	**–**
Loss before interest and income tax				**(5.1)**
Finance income	**0.2**	**0.8**	**–**	**1.0**
Finance costs	**(1.4)**	**(6.2)**	**–**	**(7.6)**
Loss before income tax				**(11.7)**
Income tax				**(0.6)**
Loss after income tax				**(12.3)**
Assets and liabilities				
Segment assets	**216.4**	**332.0**	**3.7**	**552.1**
Unallocated assets				**28.7**
Total assets				**580.8**
Segment liabilities	**(106.5)**	**(125.5)**	**(2.9)**	**(234.9)**
Unallocated liabilities				**(5.4)**
Total liabilities				**(240.3)**
Revenue				
Rental income	**6.4**	**1.9**	**–**	**8.3**
Serviced office income	**–**	**–**	**2.0**	**2.0**
Project management fees	**–**	**0.5**	**–**	**0.5**
Trading property sales	**–**	**14.3**	**–**	**14.3**
Other trading property income	**–**	**1.3**	**–**	**1.3**
Development proceeds	**–**	**28.3**	**–**	**28.3**
Other	**0.2**	**–**	**–**	**0.2**
	6.6	**46.3**	**2.0**	**54.9**

				Six months to 31 August 2015 (unaudited)
	Investment £ million	Development and trading £ million	Operating £ million	Total £ million
Segment revenue	7.2	66.3	2.1	75.6
Direct costs	(1.3)	(57.5)	(2.7)	(61.5)
Segment result	5.9	8.8	(0.6)	14.1
Operating costs	(1.6)	(8.1)	–	(9.7)
Gain on disposal of investment properties	0.1	–	–	0.1
Gain on revaluation of investment property portfolio	0.1	–	–	0.1
Operating profit/(loss)	4.5	0.7	(0.6)	4.6
Other income	0.1	0.1	–	0.2
Share of post-tax profit/(loss) of joint ventures	2.5	(0.3)	–	2.2
Profit before interest and income tax				7.0
Finance income	0.2	1.0	–	1.2
Finance costs	(2.8)	(4.0)	–	(6.8)
Profit before income tax				1.4
Income tax				–
Profit after income tax				1.4
Assets and liabilities				
Segment assets	246.7	384.1	4.7	635.5
Unallocated assets				25.4
Total assets				660.9
Segment liabilities	(126.3)	(175.6)	(3.6)	(305.5)
Unallocated liabilities				(11.8)
Total liabilities				(317.3)

Revenue				
Rental income	7.1	2.4	–	9.5
Serviced office income	–	–	2.1	2.1
Project management fees	–	0.5	–	0.5
Trading property sales	–	39.1	–	39.1
Other trading property income	–	1.7	–	1.7
Development proceeds	–	22.6	–	22.6
Other	0.1	–	–	0.1
	7.2	66.3	2.1	75.6

	Year ended 29 February 2016 (audited)			
	Investment £ million	Development and trading £ million	Operating £ million	Total £ million
Segment revenue	14.4	223.7	4.2	242.3
Direct costs	(2.4)	(184.7)	(5.3)	(192.4)
Segment result	12.0	39.0	(1.1)	49.9
Operating costs	(3.6)	(18.2)	–	(21.8)
Gain on disposal of investment properties	0.4	–	–	0.4
Gain on revaluation of property portfolio	0.2	–	–	0.2
Operating profit/(loss)	9.0	20.8	(1.1)	28.7
Other income	0.5	0.2	–	0.7
Share of post-tax profit/(loss) of joint ventures	7.4	(0.3)	–	7.1
Profit on sale of investment	–	2.2	–	2.2
Loss on sale of other plant and equipment				(0.1)
Profit before interest and income tax				38.6
Finance income	0.8	1.7	–	2.5
Finance costs	(6.3)	(9.0)	–	(15.3)
Profit before income tax				25.8
Income tax				(2.5)
Profit after income tax				23.3
Assets and liabilities				
Segment assets	243.2	356.2	4.4	603.8
Unallocated assets				42.9
Total assets				646.7
Segment liabilities	(105.5)	(160.1)	(3.4)	(269.0)
Unallocated liabilities				(14.4)
Total liabilities				(283.4)
Revenue				
Rental income	14.2	4.7	–	18.9
Serviced office income	–	–	4.2	4.2
Project management fees	–	0.9	–	0.9
Trading property sales	–	87.8	–	87.8
Other trading property income	–	2.7	–	2.7
Development proceeds	–	127.6	–	127.6
Other income	0.2	–	–	0.2
	14.4	223.7	4.2	242.3

3. FINANCE INCOME AND COSTS

	Six months to 31 August 2016 unaudited £ million	Six months to 31 August 2015 unaudited £ million	Year ended 29 February 2016 audited £ million
Finance income			
Interest receivable	**0.8**	1.2	2.2
Fair value gain on financial instruments – interest rate swaps, caps and collars	**0.2**	–	0.3
Total finance income	**1.0**	1.2	2.5
Finance costs			
Interest on bank loans and other borrowings	**(4.7)**	(5.7)	(11.9)
Interest on debenture	–	(1.1)	(1.8)
Fair value loss on financial instruments – interest rate swaps, caps and collars	–	(0.1)	–
Amortisation of transaction costs	**(0.5)**	(0.5)	(1.1)
Provision: unwinding of discount	–	(0.2)	(0.2)
Net foreign currency differences arising on retranslation of cash and cash equivalents	**(3.4)**	(0.4)	(3.2)
	(8.6)	(8.0)	(18.2)
Capitalised interest on development and trading properties	**1.0**	1.2	2.9
Total finance costs	**(7.6)**	(6.8)	(15.3)
Net finance costs	**(6.6)**	(5.6)	(12.8)
Net finance costs before foreign currency differences	**(3.2)**	(5.2)	(9.6)

4. INCOME TAX

Income tax charge is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 28 February 2017 is 20.0% (the estimated tax rate for 29 February 2016 was 20.1%).

	Six months to 31 August 2016 unaudited £ million	Six months to 31 August 2015 unaudited £ million	Year ended 29 February 2016 audited £ million
Current tax charge	**0.4**	0.5	2.8
Deferred tax charge/(credit)	**0.2**	(0.5)	(0.3)
Total income tax	**0.6**	–	2.5

5. DIVIDENDS

	Six months to 31 August 2016 unaudited £ million	Six months to 31 August 2015 unaudited £ million	Year ended 29 February 2016 audited £ million
Amounts recognised as distributions to equity holders in the period	**14.4**	4.4	7.4
Proposed dividend	**3.0**	3.0	4.4
Supplemental dividend declared	–	–	10.0
	Pence	Pence	Pence
Interim dividend per share	**2.40**	2.40	2.40
Final dividend per share	–	–	3.50
Supplemental dividend	–	–	8.00

The £10.0 million supplemental dividend, approved on 27 April 2016, was paid on 17 June 2016. The final dividend of £4.4 million for the year to 29 February 2016 was paid on 19 August 2016.

An interim dividend was declared by the Board on 18 October 2016 and has not been included as a liability or deducted from retained earnings as at 31 August 2016. The interim dividend is payable on 25 November 2016 to Ordinary shareholders on the register at the close of business on 28 October 2016. The interim dividend in respect of the six month period to 31 August 2016 will be recorded in the financial statements for the year ending 28 February 2017.

6. (LOSS)/EARNINGS PER SHARE AND NET ASSETS PER SHARE

Management has chosen to disclose the European Public Real Estate Association (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.

The calculation of basic and diluted (loss)/earnings per share and EPRA adjusted (loss)/earnings per share is based on the following data:

	Six months to 31 August 2016 unaudited	Six months to 31 August 2015 unaudited	Year ended 29 February 2016 audited
(Loss)/profit			
(Loss)/profit for the purposes of basic and diluted earnings per share (£ million)	**(12.3)**	1.4	21.8
Revaluation deficit/(surplus) (including share of joint venture revaluation surplus)	**7.9**	(1.5)	(1.7)
Loss/(gain) on disposal of investment properties	**2.3**	(0.1)	(0.4)
Net impairment of development and trading properties	**–**	0.6	1.8
Mark-to-market adjustment on interest rate swaps, caps and collars (including share of joint venture mark-to-market adjustment)	**(0.2)**	0.1	(0.2)
EPRA adjusted earnings from continuing activities attributable to owners of the Company	**(2.3)**	0.5	21.3
Number of shares (million)			
Weighted average number of Ordinary shares for the purposes of basic earnings per share	**125.0**	125.0	124.9
Effect of dilutive potential Ordinary shares:			
– Share options	**–**	0.1	0.1
Weighted average number of Ordinary shares for the purpose of diluted earnings per share	**125.0**	125.1	125.0
Basic (loss)/earnings per share (pence)	**(9.9)p**	1.2p	17.5p
Diluted (loss)/earnings per share (pence)	**(9.9)p**	1.2p	17.5p
EPRA adjusted (loss)/earnings per share (pence)	**(1.8)p**	0.4p	17.1p
EPRA adjusted diluted (loss)/earnings per share (pence)	**(1.8)p**	0.4p	17.1p

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

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

	Six months to 31 August 2016 unaudited	Six months to 31 August 2015 unaudited	Year ended 29 February 2016 audited
Net assets (£ million):			
Basic net assets per share attributable to the owners	**340.5**	342.9	363.3
Cumulative mark-to-market adjustment on interest rate swaps	**0.3**	(0.2)	0.2
EPRA adjusted net assets	**340.8**	342.7	363.5
Cumulative mark-to-market adjustment on interest rate swaps	**(0.3)**	0.2	(0.2)
Fair value of debt	**(17.5)**	(12.9)	(14.7)
EPRA adjusted triple net assets	**323.0**	330.0	348.6
Effect of dilutive potential Ordinary shares	**0.5**	0.6	0.6
Diluted net assets	**341.0**	343.5	363.9
EPRA adjusted diluted net assets	**341.3**	343.3	364.1
EPRA adjusted diluted triple net assets	**323.5**	330.6	349.2
Number of shares (million):			
Number of shares in issue at the balance sheet date	**125.2**	125.1	125.1
Effect of dilutive potential Ordinary shares	**0.3**	0.3	0.3
Diluted number of shares in issue at the balance sheet date	**125.5**	125.4	125.4
Basic net assets per share (pence)	**272p**	274p	291p
Diluted net assets per share (pence)	**272p**	274p	290p
EPRA adjusted net assets per share (pence)	**272p**	274p	291p
EPRA adjusted diluted net assets per share (pence)	**272p**	274p	290p
EPRA adjusted triple net assets per share (pence)	**258p**	264p	279p
EPRA diluted triple net assets per share (pence)*	**258p**	264p	279p

*In calculating EPRA adjusted net assets per share the Directors have not included an estimate of the fair value of the development and trading portfolio, however, with effect from 28 February 2017 the Group will be issuing an EPRA NAV to include an external valuation of properties held at cost.

7. INVESTMENT PROPERTIES

	Freehold £ million	Long leasehold £ million	Total £ million
At valuation 1 March 2015	163.1	40.2	203.3
Additions:			
– acquisitions	–	4.5	4.5
– capital expenditure	0.7	0.1	0.8
Disposals	(1.0)	–	(1.0)
Surplus on revaluation	–	0.1	0.1
At valuation 31 August 2015	162.8	44.9	207.7
– capital expenditure	1.5	–	1.5
Disposals	(8.8)	(0.9)	(9.7)
Transfer from inventory	3.6	–	3.6
Surplus on revaluation	0.2	–	0.2
At valuation 29 February 2016	159.3	44.0	203.3
Additions:			
– capital expenditure	1.9	0.5	2.4
Disposals	(17.0)	–	(17.0)
Deficit on revaluation	(6.8)	(1.8)	(8.6)
At valuation 31 August 2016	**137.4**	**42.7**	**180.1**

The Group's investment properties have been valued at 31 August 2016 by independent valuers and by the Directors on the basis of market value in accordance with the Appraisal and Valuation Standards of the Royal Institute of Chartered Surveyors. Completed investment properties have been valued by CBRE Ltd at a value of £164.4 million (31 August 2015: £184.6 million, 29 February 2016: £180.9 million).

On 23 June 2016 the UK electorate voted to leave the European Union. This decision commences a process that is likely to take a minimum of two years to complete, and during this time the UK remains a member of the European Union. There will be a resulting period of uncertainty for the UK economy and real estate markets, with increased volatility expected in financial markets. This does not have significant impact on the fair value of assets and liabilities, including investment property, reported at the balance sheet date of 31 August 2016.

Also included within investment properties are freehold land and buildings representing investment properties under development, amounting to £15.7 million (31 August 2015: £23.1 million, 29 February 2016: £18.8 million), which have been valued by the Directors. These properties comprise buildings and land holdings for current or future development as investment properties. This approach has been taken because the value of these properties is dependent on a detailed knowledge of the planning status, the competitive position of these assets and a range of complex project development appraisals.

Investment properties under development include £8.1 million (31 August 2015: £8.0 million, 29 February 2016: £8.1 million) 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.

8. INTANGIBLE ASSETS - GOODWILL

Reconciliation of the carrying amount of goodwill:

	£ million
Goodwill	
At 1 March 2015	2.0
Additions	0.3
At 31 August 2015, 29 February 2016 and 31 August 2016	**2.3**

In May 2014, the Group acquired Cathedral Group, a property development group specialising in mixed-use regeneration schemes in the South East. The goodwill of £2.3 million 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.

9. INVENTORY – DEVELOPMENT AND TRADING PROPERTIES

	Development properties £ million	Trading properties £ million	Total £ million
At 1 March 2015	139.2	78.3	217.5
Additions:			
– acquisitions	14.3	4.5	18.8
– development expenditure	37.3	30.5	67.8
– transfer from joint venture including fair value adjustment	9.4	–	9.4
Disposals	(19.2)	(32.9)	(52.1)
Foreign currency differences	–	0.1	0.1
Reversal of previous write-down	1.1	–	1.1
Write-down of trading properties to net realisable value	(1.7)	–	(1.7)
At 31 August 2015	180.4	80.5	260.9
Additions:			
– acquisitions	8.1	0.2	8.3
– development expenditure	55.4	0.4	55.8
Disposals	(93.7)	(31.1)	(124.8)
Foreign currency differences	1.0	1.8	2.8
Transfer from development to investment properties	(3.6)	–	(3.6)
Fair value uplift on transfer of inventory to investment properties	0.5	–	0.5
Write-down of trading properties to net realisable value	(0.1)	–	(0.1)
At 29 February 2016	148.0	51.8	199.8
Additions:			
– acquisitions	4.6	0.5	5.1
– development expenditure	24.9	0.8	25.7
Disposals	(19.4)	(0.8)	(20.2)
Foreign currency differences	1.0	1.9	2.9
At 31 August 2016	**159.1**	**54.2**	**213.3**

Included in the above amounts are projects stated at net realisable value, being development and trading properties of £4.7 million (31 August 2015: £20.8 million, 29 February 2016: £7.6 million).

10. INVESTMENTS

	Investments in associates £ million	Investments in joint ventures £ million
At 1 March 2015	8.3	40.5
Additions	0.8	6.0
Share of profit of joint venture	–	0.8
Share of revaluation surplus of joint venture	–	1.4
Share of results of joint ventures	–	2.2
Disposal of joint venture	–	(4.5)
Foreign currency differences	(0.5)	–
Capital distribution	(4.3)	–
At 31 August 2015	4.3	44.2
Additions	–	2.3
Share of profit of joint venture	–	4.9
Share of revaluation surplus of joint venture	–	0.1
Share of mark-to-market adjustment on interest rate swap	–	(0.1)
Share of results of joint ventures	–	4.9
Foreign currency differences	–	0.1
Capital distribution	–	(4.7)
At 29 February 2016	4.3	46.8
Additions	0.1	4.8
Share of profit of joint venture	–	(0.7)
Share of revaluation surplus of joint venture	–	0.7
Share of results of joint ventures	–	–
Foreign currency differences	–	0.1
Capital distribution	–	(19.5)
At 31 August 2016	**4.4**	**32.2**

In April 2016, the Group acquired 50% of the share capital in UAIH Yorkshire Limited with its partner, R Horton, holding the remaining 50%. The Company is registered and incorporated in the United Kingdom.

11. BORROWINGS

	31 August 2016 unaudited £ million	31 August 2015 unaudited £ million	29 February 2016 audited £ million
Non – current	**139.0**	162.3	147.8
Current	**38.3**	75.8	65.5
	177.3	238.1	213.3

Movements in loans and borrowings are analysed as follows:	£ million
At 1 March 2015	205.0
New borrowings drawn down	37.6
Repayment of borrowings	(5.1)
Foreign currency movement of Euro denominated loans	0.3
Movement in unamortised transaction costs	0.3
At 31 August 2015	238.1
New borrowings drawn down	26.1
Repayment of borrowings	(54.7)
Foreign currency movement of Euro denominated loans	3.8
At 29 February 2016	213.3
New borrowings drawn down	1.1
Repayment of borrowings	(42.4)
Foreign currency movement of Euro denominated loans	4.8
Movement in unamortised transaction costs	0.5
At 31 August 2016	**177.3**

Bank loans, loan notes and overdrafts comprise:

	Maturity	31 August 2016 unaudited £ million	31 August 2015 unaudited £ million	29 February 2016 audited £ million
£3.0 million variable rate loan	On demand	**–**	3.0	–
£3.3 million variable rate loan	31 Oct 2015	**–**	3.3	–
£5.0 million variable rate loan	18 Dec 2015	**–**	3.8	–
£6.0 million variable rate loan	28 Dec 2015	**–**	5.0	–
£1.6 million variable rate loan	31 Dec 2015	**–**	1.4	–
£20.0 million first mortgage debenture	6 Jan 2016	**–**	20.0	–
£7.8 million variable rate loan	31 Mar 2016	**–**	7.8	–
£25.1 million variable rate loan	19 Jun 2016	**–**	15.1	20.9
€5.4 million variable rate loan	30 Jun 2016	**–**	3.2	4.2
£38.0 million variable rate loan	16 Dec 2016	**27.9**	28.7	28.3
€20.0 million variable rate loan	20 Apr 2017	**8.3**	11.0	7.6
£11.8 million variable rate loan	31 Mar 2018	**11.8**	11.0	11.4
£6.3 million variable rate loan	31 Mar 2018	**–**	6.0	6.3
€24.3 million variable rate loan	1 Aug 2018	**5.5**	13.0	11.0
£30.8 million fixed rate loan	25 Nov 2018	**5.4**	–	5.2
£12.0 million variable rate loan	5 Jan 2019	**8.7**	–	11.4
£2.8 million variable rate loan	22 May 2020	**2.5**	2.7	2.6
€47.0 million variable rate loan notes	24 Apr 2021	**40.0**	34.2	36.6
£57.6 million fixed rate loan	12 Mar 2025	**49.9**	51.5	50.7
£22.5 million fixed rate loan	12 Mar 2025	**19.6**	20.2	19.9
		179.6	240.9	216.1
Unamortised transaction costs		**(2.3)**	(2.8)	(2.8)
		177.3	238.1	213.3

The Group remains in compliance with its various banking covenants as at 31 August 2016.

a) Cash balances shown on the Balance sheet at 31 August 2016 include £20.5 million (31 August 2015: £13.7 million, 29 February 2016: £8.1 million) of cash held as security against borrowings.

b) At 31 August 2016, an external valuation, undertaken by J C Rathbone Associates Limited, appraised the market value of the Group's fixed rate debt on a replacement basis, taking into account the difference between fixed interest rates for the Group's borrowings and the market value and prevailing interest rates of appropriate debt instruments. Whilst the replacement basis provides a consistent method for valuation of fixed rate debt, such financing facilities are in place to provide continuing funding for the Group's activities. The valuation is therefore only an indication of a notional effect on the net asset value of the Group as at 31 August 2016 and may be subject to daily fluctuations in line with money market movements.

The fair value compared to the carrying amounts of the Group's fixed rate financial liabilities as at 31 August 2016 is analysed below:

	31 August 2016		31 August 2015		29 February 2016	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
	£ million	£ million	£ million	£ million	£ million	£ million
First Mortgage Debenture 11% due 2016	**–**	**–**	20.0	20.7	–	–
Fixed rate term loan due 2025	**49.9**	**63.2**	51.5	61.0	50.7	62.0
Fixed rate term loan due 2025	**19.6**	**23.8**	20.2	22.9	19.9	23.3
	69.5	**87.0**	91.7	104.6	70.6	85.3

The fair value difference of £17.5 million (31 August 2015: £12.9 million, 29 February 2016: £14.7 million) represents approximately 25.1% of gross, fixed rate borrowings (31 August 2015: 14.1%, 29 February 2016: 20.8%). The effect on net assets per share after tax of this adjustment would be a decrease of 11.0 pence after tax (31 August 2015: 8.1 pence, 29 February 2016: 9.4 pence).

A further £76.6 million of borrowings have appropriate swaps or caps in place providing certainty over future interest obligations. These instruments are marked to market at each balance sheet date with any gain or loss reflected in profit or loss.

12. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	£ million
At 1 March 2015	2.6
Credited to profit or loss in the period	(0.9)
Utilised during the period	(0.1)
Amortisation of discount	0.2
At 31 August 2015	1.8
Credited to profit or loss in the period	(0.1)
At 29 February 2016 and 31 August 2016	**1.7**

	31 August 2016 unaudited £ million	31 August 2015 unaudited £ million	29 February 2016 audited £ million
Analysis of provisions:			
Non-current	**1.7**	1.7	1.7
Current	**–**	0.1	–
	1.7	1.8	1.7

Provisions relate to properties and to onerous leases where Group companies act as a guarantor. Onerous lease provisions have been calculated by making assumptions about future lettings, the outcome of which is uncertain. These assumptions are reviewed at the end of each period and the provisions adjusted accordingly.

Further information relating to provisions can be found in the Group's financial statements as at 29 February 2016.

13. SHARE CAPITAL

	31 August 2016 unaudited £ million	31 August 2015 unaudited £ million	29 February 2016 audited £ million
Issued, called up and fully paid:			
125,226,740 Ordinary shares of 50 pence (31 August 2015 125,071,211 and 29 February 2016: 125,074,280 Ordinary shares of 50 pence)	**62.6**	62.5	62.5

The Company currently holds 118,792 Treasury shares and has the right to re-issue these shares at a later date. All shares are fully paid.

The Company issued 152,460 Ordinary shares on 26 May 2016 following the vesting of the Group's 2013 Performance Share Plan.

14. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

	Six months to 31 August 2016 unaudited £ million	Six months to 31 August 2015 unaudited £ million	Year ended 29 February 2016 audited £ million
(Loss)/profit before income tax	**(11.7)**	1.4	25.8
Adjustments for:			
Loss/(gain) on disposal of investment properties	**2.3**	(0.1)	(0.4)
Net deficit/(gain) on revaluation of property portfolio	**8.6**	(0.1)	(0.2)
Other income	**(0.4)**	(0.2)	(0.7)
Share of post-tax profits of joint ventures and associates	**–**	(2.2)	(7.1)
Profit on sale of investment	**–**	–	(2.2)
Loss on sale of other plant and equipment	**–**	–	0.1
Finance income	**(1.0)**	(1.2)	(2.5)
Finance costs	**7.6**	6.8	15.3
Depreciation of property, plant and equipment	**0.5**	0.4	1.0
Operating cash flows before movements in working capital	**5.9**	4.8	29.1
(Increase)/decrease in development and trading properties	**(9.6)**	(32.7)	32.1
Decrease/(increase) in receivables	**39.1**	(10.1)	(41.0)
Decrease in payables	**(5.1)**	(1.4)	(11.0)
Decrease in provisions	**–**	(1.1)	(1.2)
Cash flow generated from/(used in) operating activities	**30.3**	(40.5)	8.0

15. CONTINGENT LIABILITIES

Performance bonds given on behalf of Group companies are guaranteed by banks in favour of third parties for a total of £6.9 million (31 August 2015: £6.1 million, 29 February 2016: £6.9 million). The performance of obligations under various leases guaranteed by Group companies amount to £0.1 million per annum (31 August 2015: £0.3 million, 29 February 2016: £0.2 million).

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

16. RELATED PARTIES

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

Transactions entered into and balances outstanding at 31 August 2016, 31 August 2015 and 29 February 2016 with related parties are set out below. Only Directors are considered to be key management personnel. There were no transactions with Directors other than remuneration. Details of remuneration for the year ended 29 February 2016 are set out in the Remuneration report on pages 93 to 113 of the 2016 Annual Report.

	Finance income from related parties £ million	Amounts owed by related parties £ million
Joint ventures		
31 August 2016	**0.4**	**32.2**
31 August 2015	0.2	34.3
29 February 2016	0.7	34.6
Associates		
31 August 2016	**–**	**20.3**
31 August 2015	0.4	24.1
29 February 2016	–	20.3

17. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Details of the interim dividend proposed are given in note 5.

Since 31 August 2016, the Group has exchanged contracts to sell two development sites located in Birmingham and Maidstone. The Group has also sold its 50.0% share in a joint venture operation in Ireland to its partner.

18. GLOSSARY

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

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

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

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

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

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

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

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

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

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

EPRA: European Public Real Estate Association.

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

EPRA adjusted net assets (EPRA NAV): Balance Sheet net assets excluding the 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: EPRA NAV divided by the number of Ordinary shares at the balance sheet date.

EPRA adjusted triple net assets: EPRA NAV adjusted to reflect the fair value of debt and derivatives and to include deferred taxation on revaluations.

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The Directors of U and I Group PLC are listed in the U and I Group PLC Annual Report of 29 February 2016. A list of the current Directors is maintained on the U and I Group PLC website: www.uandiplc.com.

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

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

M S Weiner
Chief Executive
19 October 2016

INDEPENDENT REVIEW REPORT TO U AND I GROUP PLC

REPORT ON THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Our conclusion

We have reviewed U and I Group PLC's condensed consolidated financial statements (the "interim financial statements") in the Interim Results of U and I Group PLC for the six month period ended 31 August 2016. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Consolidated balance sheet as at 31 August 2016;
- the Consolidated statement of comprehensive income for the period then ended;
- the Consolidated statement of changes in equity for the period then ended;
- the Consolidated cash flow statement for the period then ended; and
- the explanatory notes to the interim financial statements.

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

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

RESPONSIBILITIES FOR THE INTERIM FINANCIAL STATEMENTS AND THE REVIEW

Our responsibilities and those of the Directors

The Interim Results, including the interim financial statements, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Results for the six months ended 31 August 2016 in accordance with the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Results for the six months ended 31 August 2016 based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

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

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

We have read the other information contained in the Interim Results for the six months ended 31 August 2016 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim condensed consolidated financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
19 October 2016