U and I Group PLC
("U+I" or "the Company" or "the Group")

PRELIMINARY RESULTS FOR THE YEAR ENDED 29th FEBRUARY 2016

U+I today reports a second consecutive year of record development and trading gains driving further growth in net asset value

Financial highlights

- Record level of development and trading gains - increased 11.8% to £51.1 million (2015: £45.7 million)
- Continued NAV growth – EPRA NAV per share increased by 5.4% to 291p (2015: 276p)
- Total dividends of 13.9 pence per share declared in respect of FY2016 including a supplemental dividend of 8.0 pence per share to be paid on 17 June 2016 (2015: 13.9 pence per share)
- New dividend policy to align shareholders better with U+I's value creation strategy of delivering gains through regeneration and to provide greater visibility on returns

Delivering strategic initiatives and well-positioned to deliver target returns

- Good visibility on pipeline of total gains Aggregate expectations for development and trading gains unchanged over the next two years at £114.0 million. Revised guidance for the individual years – FY2017: £42.0 million from £53.0 million; FY2018: £72.0 million from £61.0 million
- Targeting 12% post-tax total returns and over £50m of development and trading gains per annum within a 3 – 5 year period
- Building pipeline of large mixed-use regeneration opportunities in core markets
    - Two significant new Public Private Partnership (PPP) projects recently won with a combined GDV of £480m: Cockpit Yard, WC1 and 8 Albert Embankment, SE11
    - Appointed preferred developer for TfL's 10-year development platform providing access to significant pipeline of potential opportunities
- On track with 3-5 year plan to build a more dynamic investment portfolio that better supports the overall returns target of the business
- Heads of terms signed with a major UK-based capital partner to create a Build to Rent platform
- Executive Committee established with clear responsibility for day-to-day implementation of business plan

Commenting on the results, Matthew Weiner, Chief Executive, said:

"I am proud to report on a successful year for the business, our first as U+I and under a new management team. We have delivered a second year of record-level development and trading gains and made progress on our journey in positioning the company to be able to deliver its 12% post-tax total returns target.

"As a result of this positive performance and the level of development and trading gains achieved, the Board intends to pay a supplemental dividend to shareholders, the second that we have declared in the last two financial years paid in accordance with a new policy announced today.

"We are implementing the new strategic initiatives we announced last October in particular building a portfolio of larger regeneration opportunities and a more dynamic investment portfolio that better suits our core skills as a regeneration developer. In addition, we are delighted to be establishing our first specialist platform having signed heads of terms to create a Build to Rent (BTR) platform.

"With a clear strategy and an exceptional team, U+I is set for growth, with the projects, people and pipeline to deliver a sustained level of performance in the years ahead. Despite dampened wider economic conditions, we remain focused on our vision: to deliver sustainable returns to shareholders as we create long-lasting social and economic change in the places we develop."

Financial summary:

	29th Feb 2016	28th Feb 2015
Development and trading gains	**£51.1 million**	£45.7 million
EPRA Net assets	**£363.5 million***	£345.6 million
EPRA Net assets per share	**291p***	276p
Basic Net assets	**£363.3 million***	£346.4 million
Basic Net assets per share	**291p***	276p
Total declared dividends per share	**13.9p**	13.9p
Profit before tax	**£25.8 million**	£34.8 million
Basic earnings per share	**17.5p**	26.8p
EPRA Earnings per share	**17.1p**	23.9p
Investment portfolio valuation	**£203.3 million**	£203.3 million
Net debt	**£161.4 million**	£125.7 million
Gearing	**44.4%**	36.3%

*before payment of supplemental dividend - to be paid in June 2016

U+I will host an analyst presentation this morning at 9.30am. To join the conference call, please use the details:

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

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Chief Executive's Statement

Our performance

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

After paying £7.4 million of dividends, shareholder funds grew by £16.9 million to £363.3 million (2015: £346.4 million). Net assets per share grew by 5.4% to 291 pence per share compared to 276 pence per share as at 28th February 2015. Our Balance Sheet is strong with net debt levels at 44.4% (2015: 36.3%), within our target gearing range of up to 50.0%.

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

Dividend and changes to dividend policy

As a result of our positive performance and the strength of our Balance Sheet, the Board of U+I has recommended the payment of a final dividend of 3.5 pence per share, payable on 19th August 2016 to all shareholders on the register on 22nd July 2016. In addition to this, we will pay a supplemental dividend of 8.0 pence per share on 17th June 2016 to all shareholders on the register on 13th May 2016. This is the second supplemental dividend that we have declared in the last two financial years, taking the total dividends declared in respect of the financial year ended 29th February 2016 to 13.9 pence per share (2015: 13.9 pence per share), paid from the strong cash flow generated from our regeneration activities.

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

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

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

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

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

Strategic initiatives

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

Fewer, larger projects

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

Improving performance of our investment portfolios

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

Specialist platforms

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

Executive Committee

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

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

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

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

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

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

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

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

Matthew Weiner, Chief Executive
28th April 2016

Risk review

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.

EXTERNAL RISKS

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

BUSINESS RISKS:

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

VIABILITY STATEMENT

Introduction

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

The key drivers in delivering the model are:

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

Assessment period

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

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

have an average duration of between three and five years from acquisition to exit. Therefore from any starting point, over a five-year period the vast majority of projects will have moved through to exit. To plan for a period any 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 pisks

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

Assumptions

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

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

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

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

Conclusion

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

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

Portfolio review

Our integrated approach

Within the following section you will find stories about places – mixed-use places that reflect real people's mixed-use lives. Our portfolio is focussed on overlooked sites across the London City Region, Manchester and Dublin, all of them bristling with individuality, hidden history and untapped potential. Their stories may not interest our competitors, with plots too complex or long-term to grasp, but these sites are perfectly suited to us: with low upfront costs and huge upside potential, we are able to apply our creativity, our attention to quality and design, our vast experience of community engagement and placemaking and our development and asset management expertise to add value from start to finish.

We do this through unique mixed-use strategies that are too granular and detailed for a REIT, too varied for a volume house builder, and too large-scale and complex for a smaller developer. The mixed-use nature of the U+I portfolio is our biggest advantage: we are not yoked to the narrow fortunes of a specific sector, geography, or market viewpoint. On the contrary – our schemes are responsive, providing diversity of use, location, investment type and project phase. This allows our portfolio to move with the times, as we manufacture value at any point in the cycle rather than relying on market momentum and surrendering to the mercy of economic changes beyond our control. We get to know these places intimately, and the real people and communities there, with their unique backgrounds, hopes and aspirations. By putting these people's needs and wants centre-stage, we extend the U+I track record and create a virtuous circle of goodwill that enables future successful collaborations with public bodies and planning authorities.

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

Richard Upton,
Deputy Chief Executive
28th April 2016

FY 2016 operating highlights:

Development and trading portfolio

Delivering gains

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

PROJECT NAME	OVERVIEW	PROFIT TRIGGER	PROFIT
399 Edgware Road, North London	*A significant new mixed-use quarter for North London.* 399 Edgware Road is being delivered in two phases. Phase one is now complete and has created: – 80,000 sq. ft. Morrisons foodstore – 50,000 sq. ft. of retail/restaurant space Phase 2 will deliver 183 residential apartments in partnership with L&Q.	We achieved practical completion of phase one in February 2016, generating a development profit from the Morrisons foodstore and the sale of the retail/restaurant element.	**£8.0m**
The Old Vinyl Factory, Hayes	*A £250 million regeneration project that is delivering a new mixed-use quarter for Hayes.* We acquired this 18-acre site in April 2011 and are delivering a major regeneration project that includes: – 600 plus residential units – 550,000 sq. ft. of commercial space – extensive new public realm that opens up the site and provides a cohesive and inviting journey from Hayes and Harlington Crossrail station into the heart of our development.	This year we have realised further gains from the sale of two elements of the site: The Picture House which was sold to Global for the development of the UK's first media academy; and the Shipping Building, a 100,000 sq. ft. office building which was sold to a fund managed by Moorfield.	**£6.0m**
Cross Quarter, Abbey Wood	*A new mixed-use development adjacent to Abbey Wood train station.* We acquired this four-acre site in May 2011, securing planning consent for an £85.0 million mixed-use regeneration project which is anchored by an 81,000 sq. ft. Sainsbury's foodstore alongside over 200 new homes.	During the year we completed the construction of this project generating a development profit from the foodstore and sale of the 32 residential units. An additional land improvement profit has been realised from the sale of the remaining land.	**£4.9m**
Brentwood, Essex	*85 new mid-market homes for Essex on a formerly derelict industrial site.* A previously non-income producing, ten-acre site in Essex.	In March 2015, we secured planning consent for a new residential development and subsequently sold the consented site to a housebuilder, realising a significant land improvement profit.	**£4.1m**
Wick Lane Wharf, East London	*A 112-unit residential building in Hackney, a desirable and growing location in East London.* We have owned Wick Lane Wharf in JV with Realstar since April 2012. During our ownership, the value of this residential community in an emerging part of East London, has increased by 38.0% as a result of our refurbishment works to the building, and our successful ongoing lettings campaign which has allowed us to maintain near 100% occupancy rates throughout.	Having completed our business plan for maximising the value of this investment asset, we undertook a sales process to dispose of the apartments. We have now sold all of the apartments by private treaty.	**£3.9m**
The Deptford Project, South East London	*South-East London's newest mixed-use community at the gateway to Deptford town centre.* Located next door to Deptford train station, The Deptford Project has created a striking new arrival to the high street with bustling new public realm, new shops, a street market and 132 homes.	In February 2016 we completed construction of The Deptford Project which had been almost entirely pre-sold. We have retained the ground floor retail units and market space as part of our 'Greenhouse' investment strategy.	**£3.9m**
Becket House	*A prime office building next to Waterloo Station and the River Thames.* We acquired this 146,000 sq. ft. fully- let office building in June 2014 in a 15:85 JV with Proprium Capital Partners for £87.0 million at 5.1% net initial yield.	In February 2016 we sold Becket House for £112.0 million at a 4.0% yield as a result of an off-market approach from the building's Freeholder, Guy's and St Thomas' Charity.	**£3.3m**
Charlemont Clinic, Dublin	*Enabling the development of a new 4* 181-bed hotel on a formerly vacant site in Central Dublin.*	During the year we secured planning consent to redevelop this site in the centre of Dublin, which has since been sold to an Irish hotel operator realising a land improvement profit.	**£2.3m**

PROJECT NAME	OVERVIEW	PROFIT TRIGGER	PROFIT
The Square, Hale Barns	*A retail-led mixed-use regeneration project in a popular suburb of Manchester.* The Square has been developed on the site of a formerly underused 1960's shopping centre. The completed project has delivered: – a 30,000 sq. ft. foodstore, (pre-let to Booths and forward-funded by clients of CBRE Global Investors) – 12,000 sq. ft. of additional retail space – 24 high-end residential apartments.	In April 2015 we completed the construction of the development, realising a development profit from the delivery of the foodstore and the sale of all of the apartments.	**£1.6m**
Robswall, Malahide	*A residential community in a desirable coastal town near Dublin.* Our site in Robswall includes 83 homes including apartments, townhouses and family homes. The majority of these are let on assured shorthold tenancies	Acquired in December 2014, during the year, we have undertaken a series of rolling refurbishment works to a number of the homes to prepare them for sale. To date we have sold 46 units.	**£1.5m**

Building our pipeline

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

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

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

In March 2016, we were delighted to be selected by the LFEPA as their development partner at **8 Albert Embankment**. This PPP project with a GDV of £380 million will see an iconic Central London riverside site transformed into a new fire station, museum, residential community, offices and hotel.

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

Adding value

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

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

Visibility on future profits

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

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

FY 2016 operating highlights:

Investment portfolio

Key statistics	**FY 2016**	FY 2015
Portfolio value	**£203.3 million**	£203.3 million
Number of assets held	**20**	21
Initial yield in the period*	**6.8%**	6.8%
Contracted rent	**£13.57 million**	£13.77 million
New lettings	**£0.6m/42,700 sq.ft.**	£0.29m/31,400 sq.ft.
Voids	**4.5%**	5.0%
Equivalent yield*	**7.2%**	7.4%

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

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

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

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

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

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

Our reinvestment plans focus on three core areas:

Core portfolio – income plus value add

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

Top five occupiers as at 29th February 2016

	Annual rent £'m	% of contracted rent
1. Waitrose	1.44	10.61
2. Matalan	0.72	5.27
3. J Sainsbury	0.49	3.61
4. Spring Health	0.31	2.26
5. 99p Stores	0.26	1.90

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

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

Year ended 28th February 2015

Investment	10,541	771	1,409	12,721
Development and trading	1,436	1,805	1,586	4,827
Joint ventures	1,906	1,306	-	3,212
	13,883	3,882	2,995	20,760

Greenhouse – high growth potential

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

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

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

Warehouse – feeding the development pipeline

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

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

FY2016 performance

During the year, our investment portfolio value remained stable at £203.3 million (2015: £203.3 million) generating an initial yield of 6.75% (2015: 6.80%). Our focus going forward is to reposition our portfolio to drive optimum growth and best utilise our skills as a regeneration developer as outlined in the previous pages. This will drive an improved performance from our investment portfolio over the next ~~three~~ five years.

TOP 5 ASSETS BY VALUE

PROJECT NAME	OVERVIEW	PROGRESS IN FY2016	KEY STATS
The Furlong Shopping Centre, Ringwood	An 85,000 sq. ft. retail centre anchored by Waitrose in an affluent catchment area near the New Forest. Key tenants: Jaeger, Hobbs, AGA, Fat Face, Phase Eight, Gerry Weber, Jones Bootmaker, Joules, Waterstones, Crew Clothing, Holland & Barrett and Paperchase	During the year 100% of leases were renewed on expiry, maintaining an attractive mix of national and independent uses in the centre and putting us in good stead to drive rental values in 2016. We simultaneously surrendered and re-let one unit to Paperchase adding another aspirational retailer to the tenant line-up, and we exchanged with a major national retailer on the only remaining vacant unit. Footfall numbers ended the year 11% up with certain tenants reporting their best sales and profits in the country. We have rolled out new initiatives to drive footfall including regular food and craft markets. Over this year we also began promoting click and collect in Waitrose and a handful of stores to capture convenience spend. We are now in discussions with anchor occupiers for a new phase of development that would extend the centre, with a view to applying for planning permission later this year.	Valuation: £35.2m Valuation change: 3.5%↑ Running yield: 5.3% WAULT: 8.6 years ERV growth: 1.2%
The Killingworth Centre, Newcastle	The Killingworth Centre is the principal retail and leisure destination within Killingworth, a suburban commuter town 5 miles from Newcastle City Centre. The covered shopping comprises a 73,000 sq. ft. Morrisons foodstore, a 70,000 sq. ft. Matalan and 28 further retail units totalling 106,000 sq. ft. which are let to a range of national and local operators. Key tenants: Morrisions, Matalan, Poundworld, Wilkinson, Card Factory and Boots	We successfully agreed lease re-gears with a number of tenants to boost WAULT and are currently working through a number of outstanding lease renewals and rent reviews. During the year we secured planning consent to develop two new units in the car park and have pre-let both spaces to Bet Fred and Specsavers. We are now working on a rebranding exercise for the scheme which includes a new website and signage aimed at better connecting with our customer base.	Valuation: £20.7m Valuation change: 2.3%↑ Running yield: 7.4% WAULT: 4.3 years ERV growth: 3.2%
Borough Parade, Chippenham	A popular local shopping centre anchored by Waitrose and New Look in Chippenham near Bristol. Key tenants: Waitrose, New Look, Patisserie Valerie, Waterstones, Argos, Café Nero	We have agreed terms with Patisserie Valerie for the one vacant unit within the scheme adding a national retailer to our tenant line up that will increase dwell time footfall and boost the quality of the centre. Terms have been agreed with Pandora (jeweller) to take two units within the centre which will be combined, enhancing the quality of the tenant line up within the centre.	Valuation: £16.4m Valuation change: 0.8% ↓ Running yield: 6.5% WAULT: 4.3 years ERV growth: 4.7%
Kingsland Shopping Centre, Thatcham	A local shopping centre located 15 miles from Reading, anchored by a Waitrose food store. Key tenants: Waitrose, Costa Coffee, Lloyds pharmacy	The centre remains fully let. During the year we extended Waitrose's lease and added a café and external sales area to their store, improving the environment at the centre. We achieved vacant possession over part of an adjoining site where we plan to extend the centre and are now in discussion with potential occupiers.	Valuation: £15.4m Valuation change: 6.6%↑ Running yield: 7.5% WAULT: 3.5 years ERV growth: 8.4%
Crown Glass Shopping Centre, Nailsea	A local shopping centre in a Bristol suburb anchored by Waitrose (not in ownership) and a mixture of national multiple and local retailers. Ownership also includes a large car park with development potential for additional retail floorspace. Key tenants: WHSmith, JD Wetherspoon, Poundland, Costa Coffee, Boots and HSBC	We completed the re-gear of Poundland removing the tenant's break option and increasing the rental income by 9%. Subject to increasing the size of their unit, we have also signed an agreement for lease with Costa Coffee adding to the tenant line up and driving footfall to the centre. During the year, we completed the conversion of a first phase of office space to create seven flats which have all now been sold. A second phase of residential conversions is now underway to create a further six new flats.	Valuation: £14.5m Valuation change: 6.0%↑ Running yield: 7.5% WAULT: 3.5 years ERV growth: 7.1%

Financial review
Review of the Year

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cash management

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

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

Current bank facilities and borrowings

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

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

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

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

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

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

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

Group's bank facilities

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

1 Interest cover ratios are specific to the loan and the relevant property. Minimum net worth refers to the net asset value of the Group per its latest Balance Sheet (29th February or 31st August).

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

3 This facility has been refinanced and is now repayable in 2017.

4 These loans have been repaid since the year end.

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

6 The facilities have the provision to allow interest to be rolled into the loan.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Projects in partnership
The Group conducts a number of projects in partnership with others, where the Group brings both development expertise and funding. These interests are carried in a number of balance sheet categories, and are summarised in note 14.

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

Contingent liabilities
Contingent liabilities are described in note 13. The Directors ensure that these risks are appropriately documented and monitored, and that the risk of actual liabilities arising is restricted so far as is possible.

Foreign currency risk
The Group's operations are conducted predominantly in the UK, however the Group has continued to invest in the Republic of Ireland, specifically in the Dublin region. The Group's principal exposure to foreign currency movements is in respect of its €47.0 million Euro-denominated loan notes, Euro denominated bank loans and Euro-denominated property assets. The Group has entered into a €25.0 million currency option to partially hedge its Balance Sheet exposure.

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

The Directors actively monitor the overall Group exposure to Euro-denominated assets and liabilities and the associated currency risk.

Maximum credit risk exposure

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive's Statement and Portfolio Review. The financial position of the Group, its cash flows, liquidity position, borrowing facilities and financial instrument risks are described in the Financial Review, which also covers the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk.

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

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

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

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

Result for the year

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

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

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

Net rental income

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

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

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

Development and trading profits can be analysed as follows:

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

Further details of development and trading activities can be found in the Portfolio Review.

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

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

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

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

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

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

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

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

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

Further details of acquisitions, disposals and valuation movements are set out in note 6, and further analyses of the performance and management of the portfolio are given in the Portfolio Review.

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

Associates and joint ventures
Reflecting our strategy of working with partners and other equity sources, investments in associates and joint ventures has continued during the year. The Group's interests in projects in partnerships are structured in a number of different accounting categorisations. Note 14 summarises the position.

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

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

Financial assets and financial liabilities
Financial assets and financial liabilities are analysed in note 11.

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

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

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

Cash and borrowings
Details of the Group's borrowings and cash management are set out below.

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

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

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

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

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

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

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

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

Dividends

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

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

Earnings per share

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

Performance measures

Key financial performance indicators are set out below:

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

Five year summary

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

† 14-month period.

The Strategic Report was approved by the Board of Directors and signed on its behalf by:

Marcus Shepherd
Finance Director
28th April 2016

Consolidated Statement of Comprehensive Income
For the year ended 29th February 2016

	Notes	2016 Total £'000	2015 Total £'000
Revenue	2	**242,282**	203,740
Direct costs	2	**(192,430)**	(150,769)
Gross profit	2	**49,852**	52,971
Operating costs	2	**(21,752)**	(17,868)
Gain on disposal of investment properties	2	**440**	3,843
Gain on revaluation of property portfolio		**229**	7,824
Operating profit		**28,769**	46,770
Other income		**673**	175
Exceptional item			
– Acquisition costs associated with business combination		**–**	(2,724)
Share of post-tax profits of joint ventures and associates	7	**7,127**	2,875
Profit on sale of joint venture		**–**	521
Profit/(loss) from sale of investment		**2,174**	(86)
Loss on sale of other plant and equipment		**(87)**	(20)
Profit before interest and income tax		**38,656**	47,511
Finance income	3(a)	**2,483**	7,914
Finance costs	3(b)	**(15,351)**	(12,751)
Exceptional item			
– Termination of cross-currency interest rate swap		**–**	(7,917)
Profit before income tax		**25,788**	34,757
Income tax		**(2,453)**	(734)
Profit for the year		**23,335**	34,023
Profit attributable to:			
Owners of the Parent		**21,828**	33,276
Non-controlling interest		**1,507**	747
		23,335	34,023
OTHER COMPREHENSIVE INCOME			
Profit for the year		**23,335**	34,023
Items that may be subsequently reclassified to profit or loss:			
Gain on valuation of cross-currency interest rate swap		**–**	7,647
Currency translation differences		**2,438**	(2,263)
Revaluation of operating property		**129**	–
Fair value adjustment of available-for-sale asset realised		**(142)**	–
Deferred income tax credit/(charge)		**28**	(2,459)
Total comprehensive income for the year		**25,788**	36,948
Attributable to:			
Owners of the Parent		**24,281**	36,201
Non-controlling interest		**1,507**	747
		25,788	36,948
Basic earnings per share attributable to the Parent*	5	**17.5p**	26.8p
Diluted earnings per share attributable to the Parent*	5	**17.5p**	26.8p

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

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

Consolidated Balance Sheet
As at 29th February 2016

	Notes	£'000	2016 £'000	£'000	2015 £'000
NON-CURRENT ASSETS					
Direct real estate interests					
Investment properties	6	**203,318**		203,336	
Operating property		**860**		820	
Trade and other receivables	9(a)	**3,403**		4,238	
			207,581		208,394
Indirect real estate interests					
Investments in associates	7	**4,309**		8,253	
Investments in joint ventures	7	**46,782**		40,544	
Intangible assets – goodwill		**2,328**		2,059	
Loans to joint operations and other real estate businesses	11(a)	**37,357**		37,261	
			90,776		88,117
Other non-current assets					
Other plant and equipment		**7,017**		2,402	
Derivative financial instruments		**315**		–	
Deferred income tax assets		**1,230**		1,588	
			8,562		3,990
Total non-current assets			**306,919**		300,501
CURRENT ASSETS					
Inventory – development and trading properties	8	**199,779**		217,474	
Other financial assets		**1,700**		1,700	
Trade and other receivables	9(b)	**86,420**		44,834	
Monies held in restricted accounts and deposits		**8,096**		19,380	
Cash and cash equivalents		**43,752**		59,949	
			339,747		343,337
Total assets			**646,666**		643,838
CURRENT LIABILITIES					
Trade and other payables	10(b)	**(55,110)**		(73,897)	
Current income tax liabilities		**(2,508)**		(2,547)	
Borrowings	11(b)	**(65,471)**		(36,020)	
Provisions	10(c)	**(14)**		(250)	
			(123,103)		(112,714)
NON-CURRENT LIABILITIES					
Trade and other payables	10(a)	**(7,134)**		(9,857)	
Borrowings	11(b)	**(147,818)**		(169,012)	
Derivative financial instruments		**–**		(21)	
Deferred income tax liabilities		**(3,555)**		(3,442)	
Provisions	10(c)	**(1,731)**		(2,412)	
			(160,238)		(184,744)
Total liabilities			**(283,341)**		(297,458)
Net assets			**363,325**		346,380
EQUITY					
Share capital		**62,537**		62,529	
Share premium		**104,113**		104,094	
Other reserves		**51,861**		48,677	
Retained earnings		**144,814**		130,358	
Equity attributable to the owners of the Parent			**363,325**		345,658
Non-controlling interest			**–**		722
Total equity			**363,325**		346,380
Basic/diluted net assets per share attributable to the owners of the	5		**291p/290p**		276p/276p

Consolidated Statement of Changes in Equity
For the year ended 29th February 2016

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

Consolidated Cash Flow Statement
For the year ended 29th February 2016

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

1 Basis of preparation and accounting policies

The financial information included in the preliminary announcement does not constitute statutory financial statements of the Group for the years ended 29th February 2016 and 28th February 2015 but is derived from those financial statements. Statutory financial statements for 2015 have been delivered to the registrar of companies and those for 2016 will be delivered in due course. The auditors have reported on those financial statements; their reports were (i) unmodified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without modifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

a)

(i) General information

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

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

(ii) Going concern

The Group adopts the going concern basis in preparing its Consolidated financial statements as discussed in the Financial Review.

b) Basis of preparation

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

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

c) Critical accounting judgements and estimates

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

Judgements other than estimates

1.1 Classification of directly owned property assets

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

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

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

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

In most cases the property interest is held directly by the Group and is classified either as investment property or as inventory for development and trading properties.

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

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

1.2 Classification of projects in partnership

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

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

These investments are reported under the relevant balance sheet headings, with a summary in note 14.

1.3 Acquisition of subsidiaries

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

1.4 Accounting for pre-sold development assets

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

Estimates

1.5 Valuation of property assets

The key source of estimation uncertainty rests in the values of property assets, which affects several categories of asset in the Balance Sheet.

The investment property portfolio (and the operating property) are stated at fair value, which requires a number of judgements and estimates in assessing the qualities of the Group's assets relative to market transactions.

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

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

1.6 Impairment reviews

The Group'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.

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

1.7 Derivative financial instruments

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

1.8 Group Long-Term Incentive Plan (LTIP)

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

2 Segmental analysis

The segmental information presented consistently follows the information provided to the Chief Operating Decision-Maker (CODM) and reflects the three sectors in which the Group operates. The CODM, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board. The three operating divisions are:

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

Unallocated assets and liabilities comprise amounts that cannot be specifically allocated to operating segments; an analysis is provided below.

These divisions are the basis on which the Group reports its primary segmental information. All operations occur and all assets are located in the United Kingdom, except assets of £38,871,000 (2015: £44,396,000) which are located in the Republic of Ireland. All revenue arises from continuing operations.

2016	Investment £'000	Development and trading £'000	Operating £'000	Total £'000
Segment revenue	14,397	223,652	4,233	242,282
Direct costs	(2,365)	(184,701)	(5,364)	(192,430)
Segment result	12,032	38,951	(1,131)	49,852
Operating costs	(3,617)	(18,135)	–	(21,752)
Gain on disposal of investment properties	440	–	–	440
Gain on revaluation of property portfolio	229	–	–	229
Operating profit/(loss)	9,084	20,816	(1,131)	28,769
Other income	483	190	–	673
Share of post-tax profits/(losses) of joint ventures and associates	7,445	(318)	–	7,127
Profit on sale of investment	–	2,174	–	2,174
Unallocated loss on sale of other plant and equipment				(87)
Profit before interest and income tax				38,656
Finance income	813	1,670	–	2,483
Finance costs	(6,280)	(9,071)	–	(15,351)
Profit before income tax				25,788
Income tax				(2,453)
Profit for the year				23,335
ASSETS AND LIABILITIES				
Segment assets	243,191	356,196	4,394	603,781
Unallocated assets				42,885
Total assets				646,666
Segment liabilities	(105,500)	(160,108)	(3,353)	(268,961)
Unallocated liabilities				(14,380)
Total liabilities				(283,341)

A summary of unallocated assets and liabilities is shown below.

2016	Investment £'000	Development and trading £'000	Operating £'000	Total £'000
OTHER SEGMENT INFORMATION				
Capital expenditure	**6,819**	**532**	**160**	**7,511**
Unallocated capital expenditure				**5,032**
Impairment of assets	**–**	**(1,837)**	**–**	**(1,837)**
Depreciation	**–**	**(337)**	**(465)**	**(802)**
Unallocated depreciation				**(242)**
REVENUE				
Rental income	**14,242**	**4,649**	**–**	**18,891**
Serviced office income	**–**	**–**	**4,233**	**4,233**
Project management fees	**–**	**915**	**–**	**915**
Trading property sales	**–**	**87,818**	**–**	**87,818**
Other trading property income	**–**	**2,681**	**–**	**2,681**
Development proceeds	**–**	**127,589**	**–**	**127,589**
Other	**155**	**–**	**–**	**155**
	14,397	**223,652**	**4,233**	**242,282**

In the year ended 29th February 2016, four projects with turnover totalling £134,797,000 generated in excess of 10.0% of total revenue and fell within the development and trading segment.

2015	Investment £'000	Development and trading £'000	Operating £'000	Total £'000
Segment revenue	12,891	186,523	4,326	203,740
Direct costs	(2,721)	(142,762)	(5,286)	(150,769)
Segment result	10,170	43,761	(960)	52,971
Operating costs	(7,770)	(10,098)	–	(17,868)
Gain on disposal of investment properties	3,843	–	–	3,843
Gain on revaluation of property portfolio	7,619	–	205	7,824
Operating profit/(loss)	13,862	33,663	(755)	46,770
Other income	46	129	–	175
Exceptional item				
– unallocated acquisition costs associated with business combination				(2,724)
Share of post-tax profits/(losses) of joint ventures and associates	3,602	(727)	–	2,875
Profit on sale of joint venture	–	521	–	521
Loss on sale of investment	–	(86)	–	(86)
Unallocated loss on sale of other plant and equipment				(20)
Profit before interest and income tax				47,511
Finance income	3,043	4,871	–	7,914
Finance costs	(7,105)	(5,646)	–	(12,751)
Exceptional item				
– unallocated termination of cross-currency interest rate swap				(7,917)
Profit before income tax				34,757
Income tax				(734)
Profit for the year				34,023
ASSETS AND LIABILITIES				
Segment assets	230,513	351,103	4,384	586,000
Unallocated assets				57,838
Total assets				643,838
Segment liabilities	(125,106)	(144,535)	(3,298)	(272,939)
Unallocated liabilities				(24,519)
Total liabilities				(297,458)

2015	Investment £'000	Development and trading £'000	Operating £'000	Total £'000
OTHER SEGMENT INFORMATION				
Capital expenditure	49,317	269	103	49,689
Unallocated capital expenditure				78
Impairment of assets	–	(1,194)	–	(1,194)
Depreciation	–	(179)	(443)	(622)
Unallocated depreciation				(253)
REVENUE				
Rental income	12,721	4,827	–	17,548
Serviced office income	–	–	4,326	4,326
Project management fees	–	1,194	–	1,194
Trading property sales	–	87,484	–	87,484
Other trading property income	–	2,953	–	2,953
Development proceeds	–	90,065	–	90,065
Other	170	–	–	170
	12,891	186,523	4,326	203,740

In the year ended 28th February 2015, three projects with turnover totalling £77,804,000 generated in excess of 10.0% of total revenue and fell within the development and trading segment.

	2016 £'000	2015 £'000
UNALLOCATED ASSETS CAN BE ANALYSED AS FOLLOWS:		
Other plant and equipment	**4,924**	206
Deferred income tax asset	**1,230**	1,588
Derivative financial instruments	**315**	–
Trade and other receivables	**4,169**	10,507
Cash and cash equivalents	**32,247**	45,537
	42,885	57,838
UNALLOCATED LIABILITIES CAN BE ANALYSED AS FOLLOWS:		
Current borrowings	**(17)**	(17)
Trade and other payables	**(10,808)**	(11,044)
Deferred income tax liability	**(3,555)**	(3,442)
Derivative financial instruments	–	(21)
Special dividend 2015	–	(9,995)
	(14,380)	(24,519)

3 Finance income and costs

a) Finance income

	2016 £'000	2015 £'000
Interest receivable on loans and deposits	**2,147**	2,771
Other finance income	**–**	66
Fair value gains on financial instruments – interest rate swaps, caps and collars	**336**	429
Net foreign currency differences arising on retranslation of cash and cash equivalents	**–**	4,648
Total finance income	**2,483**	7,914

b) Finance costs

	2016 £'000	2015 £'000
Interest on bank loans and other borrowings	**(11,923)**	(10,779)
Interest on debenture	**(1,833)**	(2,200)
Amortisation of transaction costs	**(1,109)**	(1,413)
Provision: unwinding of discount	**(243)**	(94)
Net foreign currency differences arising on retranslation of cash and cash equivalents	**(3,180)**	–
	(18,288)	(14,486)
Capitalised interest on development and trading properties	**2,937**	1,735
Total finance costs	**(15,351)**	(12,751)
Net finance costs	**(12,868)**	(4,837)
Net finance costs before foreign currency differences	**(9,688)**	(9,485)

Interest was capitalised at an average rate of 4.52%. Capitalised interest of £2,858,000 (2015: £1,359,000) was written off in the year. The tax treatment of capitalised interest follows the accounting treatment.

4 Dividends

	2016 £'000	2015 £'000
DECLARED AND PAID DURING THE YEAR		
Equity dividends on Ordinary shares:		
Final dividend for 2015: 3.50 pence per share (2014: 3.20 pence per share)	**4,373**	3,994
Interim dividend for 2016: 2.40 pence per share (2015: 2.40 pence per share)	**2,999**	2,995
Supplemental dividend for 2016: nil pence per share (2015: 8.00 pence per share)	**–**	9,995
	7,372	16,984
DIVIDEND DECLARED BUT NOT PAID SINCE 29TH FEBRUARY 2016		
Supplemental dividend for 2016: 8.00 pence per share (2015: nil pence per share)	**10,006**	–
PROPOSED FOR APPROVAL BY SHAREHOLDERS AT THE ANNUAL GENERAL MEETING		
Final dividend for 2016: 3.50 pence per share (2015: 3.50 pence per share)	**4,378**	4,373

On 27th April 2016, the Board approved the payment of a supplemental dividend of 8.00 pence per share which will be paid on 17th June 2016 to Ordinary shareholders on the register at the close of business on 13th May 2016 and will be recognised in the year ending 28th February 2017.

Subject to approval by shareholders, the final dividend was approved by the Board on 27th April 2016 and has not been included as a liability or deducted from retained earnings as at 29th February 2016. The final dividend is payable on 19th August 2016 to Ordinary shareholders on the register at the close of business on 22nd July 2016 and will be recognised in the year ending 28th February 2017.

5 Earnings per share and net assets per share

The calculation of basic and diluted earnings per share and EPRA profit per share is based on the following data:

	2016 £'000	2015 £'000
PROFIT		
Profit for the purpose of basic and diluted earnings per share	**21,828**	33,276
Revaluation surplus (including share of joint venture revaluation surplus)	**(1,697)**	(11,200)
Gain on disposal of investment properties	**(440)**	(3,843)
Impairment of development and trading properties	**1,837**	1,194
Mark-to-market adjustment on interest rate swaps (including share of joint venture mark-to-market adjustment)	**(216)**	7,548
Acquisition costs in relation to business combination	**–**	2,724
EPRA adjusted profit from continuing activities attributable to owners of the Company	**21,312**	29,699

	2016 '000	2015 '000
NUMBER OF SHARES		
Weighted average number of Ordinary shares for the purpose of earnings per share	**124,953**	124,271
Effect of dilutive potential Ordinary shares:		
Share options	**84**	51
Weighted average number of Ordinary shares for the purpose of diluted earnings per share	**125,037**	124,322
Basic earnings per share (pence)	**17.5p**	26.8p
Diluted earnings per share (pence)	**17.5p**	26.8p
EPRA adjusted earnings per share (pence)	**17.1p**	23.9p
EPRA adjusted diluted earnings per share (pence)	**17.1p**	23.9p

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

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

	Net assets £'000	No. of shares '000	2016 Net assets per share Pence	Net assets £'000	No. of shares '000	2015 Net assets per share Pence
Basic net assets per share attributable to the owners	**363,325**	**125,074**	**291**	345,658	125,057	276
Cumulative mark-to-market adjustment on interest rate swaps	**148**			(68)		
EPRA adjusted net assets per share	**363,473**	**125,074**	**291**	345,590	125,057	276
Cumulative mark-to-market adjustment on interest rate swaps	**(148)**			68		
Fair value of debt	**(14,713)**			(14,714)		
EPRA adjusted triple net assets per share	**348,612**	**125,074**	**279**	330,944	125,057	265
Effect of dilutive potential Ordinary shares	**563**	**303**		300	336	
Diluted net assets per share	**363,888**	**125,377**	**290**	345,958	125,393	276
EPRA diluted net assets per share	**364,036**	**125,377**	**290**	345,890	125,393	276
EPRA diluted triple net assets per share*	**349,175**	**125,377**	**279**	331,244	125,393	264

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

6 Investment properties

	Freehold £'000	Long leasehold £'000	Total £'000
At valuation 1st March 2014	151,329	8,364	159,693
Additions:			
– acquisitions	7,727	39,866	47,593
– capital expenditure	1,269	455	1,724
Disposals	(5,300)	(7,993)	(13,293)
Surplus/(deficit) on revaluation	8,122	(503)	7,619
At valuation 28th February 2015	**163,147**	**40,189**	**203,336**
Additions:			
– acquisitions	–	4,473	4,473
– capital expenditure	2,206	140	2,346
Disposals	(9,886)	(780)	(10,666)
Transfer from inventory	3,600	–	3,600
Surplus on revaluation	218	11	229
At valuation 29th February 2016	**159,285**	**44,033**	**203,318**

Direct costs of £2,365,000 (2015: £2,721,000) arose as a result of ownership of investment properties.

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

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

	2016 £'000	2015 £'000
Market value as assessed by the independent valuers or Directors	**207,111**	207,877
Amount included in prepayments and accrued income in respect of lease incentives	**(3,793)**	(4,541)
Net book amount of Investment properties – non-current assets	**203,318**	203,336

At 29th February (or 28th February) and 31st August each year, the Group engages independent professionally qualified valuers who hold a recognised professional qualification and who have recent experience in the locations and segments of the investment portfolio. The Group have engaged new valuers for the current and subsequent financial years. As at 29th February 2016, completed Investment properties have been valued by CBRE Limited at a value of £180,888,000 (2015: £184,894,000). The current value equates to the highest and best use of the asset. The valuers have consented to the use of their names in the financial statements.

During the year an asset, fair valued at £3,600,000, was transferred from development to investment assets. The asset is held at its fair value as at 29th February 2016.

Also included within Investment properties are freehold land and buildings representing investment properties under development, amounting to £18,830,000 (2015: £18,442,000), which have been valued by the Directors. These properties comprise buildings and landholdings for current or future development as investment properties. This approach has been taken because the value of these properties is dependent on a detailed knowledge of the planning status, the competitive position of these assets and a range of complex project development appraisals.

Investment properties under development include £8,065,000 (2015: £8,039,000) of landholdings adjacent to retail properties within the Group's portfolio, acquired for the purpose of extending the existing shopping centres. The fair value of these properties rests in the planned extensions, and is difficult to estimate pending confirmation of designs and planning permission, and hence has been estimated by the Directors at cost as an approximation to fair value.

£192,613,000 (2015: £190,487,000) of total Investment properties are charged as security against the Group's borrowings.

7 Investments

	Investments in associates £'000	Investments in joint ventures £'000
At 1st March 2014	4,276	31,780
Additions	3,977	13,186
Acquisition via business combination	–	3,959
Share of loss	–	(443)
Share of revaluation surplus	–	3,376
Share of mark-to-market adjustment on interest rate swaps	–	(58)
Share of results	–	2,875
Disposal of joint venture	–	(9,823)
Capital distributions	–	(1,433)
At 28th February 2015	8,253	40,544
Additions	846	8,306
Share of profit	–	5,779
Share of revaluation surplus	–	1,468
Share of mark-to-market adjustment on interest rate swaps	–	(120)
Share of results	–	7,127
Foreign currency differences	(478)	138
Disposal of joint venture	–	(4,523)
Capital distributions	(4,312)	(4,810)
At 29th February 2016	**4,309**	**46,782**

A summary of the Group's projects in partnership and the balance sheet classification of its interests are set out in note 14.

a) Investment in associates

The Group has the following interest in associates:

	% of holding	Country of incorporation	Principal activity	Reporting segment	Acquisition date	Note
Atlantic Park (Bideford) Limited	40	United Kingdom	Property development	Development and trading	September 2010	
Barwood Development Securities Limited	40	United Kingdom	Property development	Development and trading	January 2012	
Barwood Land and Estates Limited	25	United Kingdom	Property development	Development and trading	November 2009	
CDSR Burlington House Developments Limited	20	Ireland	Property development	Development and trading	July 2014	
Northpoint Developments Limited	42	United Kingdom	Property development	Development and trading	November 2007	1
Wessex Property Fund	47	Jersey	Investment property	Investment	September 2007	1

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

b) Investment in joint ventures

As at 29th February 2016, the Group has the following interests in joint ventures:

	% of holding	Country of incorporation	Principal activity	Reporting segment	Acquisition date	Accounting reference date
Accrue Student Housing GP Limited	50	United Kingdom	Property development	Development and trading	September 2011	31st August
Becket House Unit Trust	15	Jersey	Investment property	Investment	March 2014	31st December
Curzon Park Limited	50	United Kingdom	Property development	Development and trading	November 2006	29th February
Development Equity Partners Limited	50	Jersey	Property development	Development and trading	December 2011	29th February
DSCP Property Holdings Limited	50	Ireland	Property development	Development and trading	May 2015	31st December
DSP Piano Investments BV	34	Netherlands	Investment property	Investment	July 2015	31st December
DSP Tirol Limited	50	United Kingdom	Investment property	Investment	January 2015	29th February
DS Renewables LLP*	50	United Kingdom	Property development	Development and trading	May 2012	29th February
Harwell Oxford Developments Limited	50	United Kingdom	Property development	Development and trading	December 2013	29th February
Kensington & Edinburgh Estates (South Woodham Ferrers) Limited	50	United Kingdom	Property development	Development and trading	July 2013	29th February
Manchester Arena Complex LP	30	United Kingdom	Investment property	Investment	June 2010	29th February
Notting Hill (Guernsey Holdco) Limited	24	Guernsey	Investment property	Development and trading	June 2011	31st December
Opportunities for Sittingbourne Limited	50	United Kingdom	Property development	Development and trading	January 2015	29th February
OSB (Holdco 1) Limited	50	United Kingdom	Property development	Development and trading	February 2014	29th February
Winnebago Holdings Sarl	35	Luxembourg	Investment property	Investment	April 2012	31st December

* The company is dormant and therefore no balance sheet or income statement is presented.

In March 2015, the Group acquired the remaining 50.0% of share capital in Cathedral (Brighton) Limited previously held by McLaren Property Limited. The company is now accounted for as a wholly owned subsidiary. The assets and liabilities of the subsidiary were adjusted to their fair value on the date of acquisition.

In May 2015, the Group acquired a 50.0% holding in DSCP Property Holdings Limited with its partner, Clarendon Dublin Properties Limited, holding the remaining 50.0%. The company is registered and incorporated in Ireland.

In July 2015 the Group acquired a 34.0% holding in DSP Piano Investments BV with its partner, PSSF Piano BV, holding the remaining 66.0%. The company is registered and incorporated in the Netherlands.

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.

8 Inventory

	Development properties £'000	Trading properties £'000	Total £'000
DEVELOPMENT AND TRADING PROPERTIES			
At 1st March 2014	86,607	105,876	192,483
Additions:			
– acquisition of subsidiaries	64,969	–	64,969
– acquisitions	8,742	33,351	42,093
– development expenditure	47,713	4,783	52,496
– transfer from development to trading properties	2,300	(2,300)	–
Disposals	(69,120)	(60,576)	(129,696)
Foreign currency differences	(1,037)	(2,640)	(3,677)
Write down of trading properties to net realisable value	(986)	(208)	(1,194)
At 28th February 2015	139,188	78,286	217,474
Additions:			
– acquisitions	27,277	4,725	32,002
– development expenditure	92,677	30,896	123,573
– transfer from joint ventures to development properties	4,523	–	4,523
– transfer from development to investment properties	(3,600)	–	(3,600)
Disposals	(112,947)	(63,950)	(176,897)
Foreign currency differences	1,056	1,895	2,951
Write back of previous adjustment to net realisable value	1,041	–	1,041
Fair value uplift on transfer of inventory to investment properties	549	–	549
Net write down of development properties to net realisable value	(1,837)	–	(1,837)
At 29th February 2016	**147,927**	**51,852**	**199,779**

Included in the above amounts are projects stated at net realisable value of £7,583,000 (2015: £18,720,000).

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

Interest of £2,937,000 (2015: £1,735,000) was capitalised on development and trading properties during the year. Capitalised interest included within the carrying value of such properties on the Balance Sheet is £2,629,000 (2015: £2,550,000).

9 Trade and other receivables

a) Non-current	**2016 £'000**	2015 £'000
Prepayments and accrued income	**3,403**	4,238

b) Current	**2016 £'000**	2015 £'000
Trade receivables	**4,784**	10,302
Other receivables	**76,172**	25,328
Other tax and social security	**1,748**	1,029
Prepayments and accrued income	**3,716**	8,175
	86,420	44,834

The Group has provided £46,000 (2015: £433,000) for outstanding balances where recovery is considered doubtful. Apart from the receivables that have been provided for at the year-end, there are no other material receivables, past due but not impaired. The maximum exposure to credit risk at the reporting date is the carrying value of the receivable.

10 Trade and other payables

a) Non-current	**2016 £'000**	2015 £'000
Trade payables	**7,134**	9,857

b) Current	**2016 £'000**	2015 £'000
Trade payables	**4,075**	13,711
Other payables	**11,539**	16,256
Other tax and social security	**1,691**	5,536
Accruals and deferred income	**37,805**	28,399
Special dividend 2015	**–**	9,995
	55,110	73,897

c) Provisions	Onerous leases £'000	Other provisions £'000	Total £'000
At 1st March 2015	2,648	14	2,662
Credited to the income statement	(999)	–	(999)
Utilised during the year	(161)	–	(161)
Unwind of discount	243	–	243
At 29th February 2016	**1,731**	**14**	**1,745**

Analysis of total provisions	**2016 £'000**	2015 £'000
Non-current	**1,731**	2,412
Current	**14**	250
	1,745	2,662

Provisions of £14,000 (2015: £14,000) relate to properties and £1,731,000 (2015: £2,648,000) to onerous leases.

£1,270,000 (2015: £1,270,000) has been provided to cover the onerous liability associated with leases at three of our serviced office centres.

Two provisions of £204,000 (2015: £886,000) and £257,000 (2015: £257,000) relate to onerous lease obligations entered into in 2009 and 1974 respectively.

11 Financial assets and financial liabilities

a) Other financial assets	**2016 £'000**	2015 £'000
NON-CURRENT		
Available-for-sale financial assets – development loans	**28,544**	28,448
Loan notes at amortised cost less impairment	**8,813**	8,813
	37,357	37,261

Development loans include a number of working capital and project-specific loans of £8,272,000 (2015: £9,182,000) to Northpoint Developments Limited. The loans attract fixed coupon rates of between 5.0% and 13.0%. Included in the above amount is an interest-free loan of £208,000 (2015: £208,000). As at 29th February 2016, the Group has made a provision of £820,000 (2015: £274,000) against interest receivable in respect of these loans.

The Group provided a loan of £10,505,000 (2015: £8,450,000) to the Curzon Park Limited joint venture in order to repay a share of its bank debt. The joint venture partner provided the equivalent amount. The bank loan, originally secured against the 10.5-acre site in Birmingham, has since been fully repaid.

The Group has two funding agreements totalling £9,214,000 (2015: £10,816,000), in respect of projects in partnership. The loans attract fixed coupon rates of 6.0 and 8.5%. Funding of £553,000 has been provided to Henry Davidson Developments Limited in respect of two projects. Interest of 12.5% is charged in respect of this funding.

The Group holds loan notes with a carrying value of £8,813,000 (2015: £8,813,000), issued by Northpoint Developments Limited, with a fixed term of ten years and a fixed coupon rate of 4.25%. As at 29th February 2016, the Group has made a provision of £582,000 (2015: £191,000) against interest receivable in respect of these loan notes.

	2016 £'000	2015 £'000
CURRENT		
Loans and receivables:		
Northpoint Developments Limited	**200**	200
Property Alliance Group	**1,500**	1,500
	1,700	1,700

The Group has provided a short-term, non-interest-bearing loan of £200,000 to Northpoint Developments Limited and £1,500,000 to Property Alliance Group as a contribution to a prospective future project, this amount is repayable on demand.

b) Borrowings	**2016 £'000**	2015 £'000
CURRENT		
Bank overdrafts	**–**	–
Current instalments due on bank loans	**5,544**	2,818
Current loans maturing	**60,939**	14,054
First mortgage debenture 11% due 2016	**–**	20,000
Unamortised transaction costs	**(1,012)**	(852)
	65,471	36,020

	2016 £'000	2015 £'000
NON-CURRENT		
Bank loans and loan notes	**149,583**	171,231
Unamortised transaction costs	**(1,765)**	(2,219)
	147,818	169,012

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

12 Note to the cash flow statement

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

	2016 £'000	2015 £'000
Profit before income tax	**25,788**	34,757
Adjustments for:		
Gain on disposal of investment properties	**(440)**	(3,843)
Gain on revaluation of property portfolio	**(229)**	(7,824)
Other income	**(673)**	(175)
Share of post-tax profits of joint ventures and associates	**(7,127)**	(2,875)
(Profit)/loss from sale of investment	**(2,174)**	86
Profit from sale of joint venture	**–**	(521)
Loss on sale of other plant and equipment	**87**	20
Finance income	**(2,483)**	(7,914)
Finance cost	**15,351**	12,751
Exceptional item: acquisition costs associated with business combination	**–**	2,724
Exceptional item: termination of cross currency interest rate swap	**–**	7,917
Depreciation of property, plant and equipment	**1,044**	875
Amortisation of goodwill	**–**	238
Operating cash flows before movements in working capital	**29,144**	36,216
Decrease in development and trading properties	**32,096**	37,951
Increase in receivables	**(41,061)**	(10,137)
(Decrease)/increase in payables	**(11,021)**	16,575
Decrease in provisions	**(1,163)**	(450)
Cash flows generated from operating activities	**7,995**	80,155

13 Contingent liabilities

In the normal course of its development activity, the Group is required to guarantee performance bonds provided by banks in respect of certain obligations of Group companies. At 29th February 2016, such guarantees amounted to £6,917,000 (2015: £10,129,000).

The Group has provided guarantees for rent liabilities in respect of properties previously occupied by Group companies. In the event that the current tenants ceased to pay rent, the Group would be liable to cover any shortfall until the building could be re-let. The Group has made provision against crystallised liabilities in this regard. In respect of potential liabilities where no provision has been made, the annual rent-roll of the buildings benefitting from such guarantees is £165,000 (2015: £279,000) with an average unexpired lease period of 3.7 years (2015: 3.1 years).

The Group has guaranteed its share of interest up to a maximum of £575,000 in respect of the £26,000,000 loan in Notting Hill (Guernsey Holdco) Limited.

14 Projects in partnership

The following is a summary of the Group's projects in partnership and the Balance Sheet classification of its financial interests:

Project/partner	Project activity	Accounting classification	2016 £'000	2015 £'000
Atlantic Park (Bideford) Limited	Strategic land investment	Investment in associates	**276**	276
Barwood Development Securities Limited	Strategic land investment	Investment in associates	**2,500**	2,500
Barwood Land and Estates Limited	Strategic land investment	Investment in associates	**1,500**	1,500
CDSR Burlington House Developments Limited	Property development	Investment in associates	**33**	3,977
Wessex Property Fund	Property investment	Investment in associates	**–**	–
Beyond Green Developments Limited	Property development	Development properties	**–**	6,923
Wessex Investors	Property development	Development properties	**–**	4,752
Grantham Associates Limited	Hotel operator	Trading property	**–**	4,267
Cathedral (Greenwich Beach) Limited	Property development	Financial assets	**–**	–
Cathedral (Movement, Greenwich) LLP	Property development	Financial assets	**441**	1,329
Northpoint Developments Limited	Property development	Financial assets	**17,285**	18,195
Curzon Park Limited	Property development	Investment in joint ventures	**–**	–
Curzon Park Limited	Property development	Financial assets	**10,505**	8,450
Deeley Freed Limited	Property development	Financial assets	**8,773**	9,487
Henry Davidson Developments Limited	Property development	Financial assets	**553**	–
Property Alliance Group	Property development	Financial assets	**1,500**	1,500
Accrue Student Housing GP Limited	Student accommodation	Investment in joint ventures	**2,603**	1,766
Becket House Unit Trust	Investment property	Investment in joint ventures	**9,093**	5,897
Cathedral (Brighton) Limited	Property development	Investment in joint ventures	–	4,523
Development Equity Partners Limited	Property development	Investment in joint ventures	**276**	276
DSCP Property Holdings Limited	Property development	Investment in joint ventures	**2,091**	–
DSP Piano Investments BV	Investment property	Investment in joint ventures	**3,779**	–
DSP Tirol Limited	Investment property	Investment in joint ventures	**5,121**	5,043
DS Renewables LLP	Property development	Investment in joint ventures	–	–
Harwell Oxford Developments Limited	Property development	Investment in joint ventures	**7,915**	7,067
Kensington & Edinburgh Estates (South Woodham Ferrers) Limited	Property development	Investment in joint ventures	**503**	448
Manchester Arena Complex LP	Investment property	Investment in joint ventures	**175**	175
Notting Hill (Guernsey Holdco) Limited	Property development	Investment in joint ventures	**7,197**	7,064
Opportunities for Sittingbourne Limited	Property development	Investment in joint ventures	**178**	118
Orion Land & Leisure Limited	Property development	Investment in joint ventures	**1,399**	2,716
Winnebago Holdings Sarl	Investment property	Investment in joint ventures	**6,452**	5,451
			90,148	103,700

The aggregate amounts included within each relevant Balance Sheet account are as follows:

	2016 £'000	2015 £'000
Investment in associates	**4,309**	8,253
Investment in joint ventures	**46,782**	40,544
Financial assets – current	**1,700**	1,700
Financial assets – non-current	**37,357**	37,261
Development properties	**–**	11,675
Trading properties	**–**	4,267
	90,148	103,700

15 Post balance sheet events

As at 29th February 2016, the Group had exchanged contracts on the sale of a number of assets held directly and in joint venture. These sales have since successfully completed.

Glossary

- Operating profit: stated after gain on disposal of investment properties and the revaluation of the Investment property portfolio and before the results of associates, jointly controlled entities and finance income and costs.
- IPD Index and Total Portfolio Return: total return from the completed investment property portfolio, comprising net rental income or expenditure, capital gains or losses from disposals and revaluation surpluses or deficits, divided by the average capital employed during the financial year, as defined and measured by Investment Property Databank Limited, a company that produces independent benchmarks of property returns.
- Total Shareholder Return: movement in share price over the year plus dividends paid as a percentage of the opening share price.
- Gearing: expressed as a percentage, is measured as net debt divided by total shareholders' funds.
- Adjusted gearing: expressed as a percentage, is calculated by deducting from net debt the current fair value of the subordinated loan notes and adding back relevant restricted cash balances and transaction costs.
- Loan to value gearing: expressed as a percentage of net debt as a proportion of total property assets, including shares of properties and net debt in all projects in partnership.
- Net debt: total debt less cash and short-term deposits, including cash held in restricted accounts.
- Basic earnings per share amounts are calculated by dividing profit for the year attributable to owners of the Parent by the weighted average number of Ordinary shares outstanding during the year, excluding shares purchased by the Parent and held as treasury shares.
- Diluted earnings per share amounts are calculated by dividing the profit attributable to owners of the Parent by the weighted average number of Ordinary shares outstanding during the year plus the weighted average number of Ordinary shares that would be issued on the conversion of all the dilutive potential Ordinary shares into Ordinary shares.
- Basic net assets per share amounts are calculated by dividing net assets by the number of Ordinary shares in issue at the balance sheet date excluding shares purchased by the Parent and held as treasury shares.
- Diluted net assets per share amounts are calculated by dividing net assets by the number of Ordinary shares in issue at the balance sheet date plus the number of Ordinary shares that would be issued on the conversion of all the dilutive potential Ordinary shares into Ordinary shares.
- Management has chosen to disclose the European Public Real Estate (EPRA) adjusted net assets per share and earnings per share from continuing activities in order to provide an indication of the Group's underlying business performance and to assist comparison between European property companies.
- EPRA earnings is the profit after taxation excluding investment property revaluations (including valuations of joint venture investment properties), impairment of development and trading properties and mark-to-market movements of derivative financial instruments (including those of joint ventures) and intangible asset movements and their related taxation.
- EPRA net assets (EPRA NAV) are the Balance Sheet net assets excluding mark-to-market adjustment on effective cash flow hedges and related debt adjustments and deferred taxation on revaluations and diluting for the effect of those shares potentially issuable under employee share schemes.
- EPRA NAV per share is EPRA NAV divided by the number of Ordinary shares in issue at the balance sheet date.