Urban&Civic plc

Report and Accounts 2014

STRONG ENOUGH TO PUNCH HARD, BUT SMALL ENOUGH TO CARE PASSIONATELY

"The enlarged business combines the scale of strategic opportunity with the balance of bespoke projects. Our instincts and our principles are to do things right in delivering upon the legitimate expectation of national bodies, local stakeholders and Urban&Civic shareholders. We are all investors together."

Nigel Hugill
Chairman

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Strategic report

Incubator – Alconbury Weald

Doing things right…

by listening to people

“ If people are initially sceptical then we encourage them to talk to residents, parish councils and community groups around our other sites. ”

Consultants can only tell you part of the story. In order to identify what will really work on a site there is no substitute to listening to local people. Properly engaged, concerns can often create great ideas and initial critics become strong supporters. We invest considerable senior management time working with local communities to understand issues and find solutions.

by taking a stake in the future

“ Tensions arise where interests are not aligned. As we deliver large sites and retain direct investments, the first tree planted is as important to us as the last roof tile laid. ”

The places that we craft become part of our corporate DNA and our investment decisions are based on building value throughout the life of a project. We are proud of what we deliver and confident that it will continue to show growth. As such, we will retain a stake alongside the homeowners, commercial occupiers and local authorities who have bought in, via infrastructure, private rented housing and ongoing management.

by delivering on promises

“ The outline application for Alconbury Weald only received 21 representations from the public, which is less than for some garden extensions. ”

At each stage of the planning and delivery process we make direct pledges about early investment, community projects and quality. Our clear record for delivering on these promises has built real trust and allowed complex projects to come forward ahead of schedule and with strong support.

We have won awards for the early building at Alconbury Weald we crafted by using world-class architects as a clear statement of intent for the wider project, and invested upfront in job brokerages and vocational training so that our projects create local jobs and raise skills from the outset.

by forging strong partnerships

“ The role our partners play is crucial. The rule is that when we enjoy success we do so together. ”

Over the last 12 months, the strong working relationships we have been able to build with key stakeholders have been fundamental to achieving consent for 11,200 homes and over 4 million sq.ft of employment space. These relationships come in all shapes and sizes, from local rugby clubs to local enterprise partnerships, but all play a vital role in making new development part of the community around it.

REAL BENEFITS

“Clearly the partnership at Alconbury Weald between local authorities, business and communities, working with the developers Urban&Civic, is starting to reap real benefits. They have shown that a planning application which would have taken 13 weeks can be processed in just 36 days. Enterprise Zone benefits have also brought the site’s first tenants – Enval – to develop a world-class beating technology for recycling plastic laminates. And crucially you can see local companies bringing it all to life, starting the work of putting in the early infrastructure, pulling up and recycling materials from the brownfield site which will pave the way for its future development.”

Eric Pickles MP
Secretary of state for communities and local government

Onsite crushing of material for reuse – Alconbury Weald

Delivering a tangible dividend

Introduction

It is with genuine pleasure and no little pride that I am able to introduce the first results of Urban&Civic as a listed company, following incorporation of the Terrace Hill Group, which was completed in May 2014. The combination has enabled a focus on strategic residential holdings in well connected locations in South East England and in identified food, leisure and student project opportunities across the country.

Urban&Civic was founded as a private company almost precisely five years ago in anticipation of, what appeared to us, a clear likelihood that building sufficient homes in structurally pressurised local markets would require new urban extensions to be incorporated and supported. Meanwhile, three decades in the industry taught us the importance of delivery and balance. Correspondingly, we had twin objectives in teaming up with Philip Leech and his colleagues to form the enlarged business. First, the introduction of well-honed and industry respected construction capability that has stood the test across a remarkable project range. From major West End offices to small football grounds, there is little that Terrace Hill has not built – and always to a budget. Second, was to utilise Terrace Hill's established regional network to take advantage of improving UK provincial economies.

Significant further strides have been taken since coming to the market in May. The integration of the two companies could not be working better. These opening results are operationally strong and the profile of the balance sheet provides clear demonstration of what we are looking to achieve when locking in asset optionality through early stage project identification. The reported September 2014 EPRA Net Asset Value of £350.8 million, the equivalent of 250p per share, represents an 8.3 per cent increase over the adjusted May pro forma of £323.8 million, or 231p per share. Continued market buoyancy in the South East has enabled faster sales and at better prices on former Terrace Hill assets than we had anticipated. Partly as a consequence, cash balances of £163 million at the period end amounted to approaching half Group NAV, which only serves to emphasise the extent of the underlying potential.

The Listing proceeds, supplemented by those early realisations, provide the enlarged business with ample financial capacity to invest in the necessary infrastructure on our strategic sites, whilst retaining sufficient resources to judiciously build further optionality into all areas of the business. That process is benefitting already from a combined expertise, as we leverage our countrywide presence and established relationships in winning new mandates, progressing existing sites, and delivering dividend, not just for shareholders, but also for the local communities in which we work.

A business defined by our projects

The defining characteristics of Urban&Civic are squarely project based. The spread of operations already spans from neighbourhood town to nationally significant, each identified with the clear intention of locking in balance sheet optionality, combined with the ability for consistent realisations. We look to harness project capability to grow retained rental income and to realise cash profits on developments where the achieved yields can best enable reinvestment back into the business and distributions to shareholders.

Our recent selection to bring forward development at Waterbeach Barracks, on the outskirts of Cambridge, represented a big win secured as it was against an impressive group of contenders. The former home to the Royal Engineers Barracks was one of four identified key brownfield sites released collectively by the Ministry of Defence. Waterbeach is only a ten minute cycle ride from Cambridge Science Park, such that the opportunity constitutes the equivalent of having the chance to develop a material proportion of Hampstead, three miles from London's EC2 Tech City on the Old Street Silicon Roundabout. Urban&Civic was conspicuously the smallest of the shortlisted candidates (several of whom elected to bid in joint venture) across all four military locations, yet the first to be chosen. The outcome is further demonstration of a proven ability to punch hard from a middleweight frame and that we can be fully competitive when we put ourselves in the ring on larger projects.

First-hand experience of previous development cycles teaches the importance of early entrance into provincial recovery. The December acquisition of two prime Central Manchester sites aggregating almost three acres shows clear positioning and how we are able to extend our model to take advantage of the capabilities of the enlarged Group. The Deansgate and Princess Street projects, being purchased at a cost of £22.4 million, offer considerable scope for reworking. Historic planning consents on the two sites aggregate 800,000 sq.ft. but our initial redesigns comprise eight separate buildings across residential, student and hotel uses. Construction can be phased and we are aiming for 2017 to 2021 delivery. In the interim, the existing Marriott hotel on Deansgate is subject to an operating lease until November 2017, producing approximately £1.0 million per annum. Current outturn value is estimated at £300 million. Delivery to the quality that we intend will bring environment improvement in the very heart of the city.

Strategic sites

Alconbury, Rugby and Waterbeach represent what I anticipate will become three of the most substantial additions to the national housing stock over the next 15 years. The reasonable expectation is for 20,000 new homes from these locations alone but with peak capital servicing requirements that remain well within the Group's existing capabilities.

Strategic land is most often regarded as a long term investment. Once consented and servicing has begun, I much prefer the connotations that attach to being described as long dated. Alconbury provides simple illustration of the particular amalgamation of durability and leveraged potential. The largest brownfield site in Southern England is fast becoming integral to the future of

"We have been able to act upon our instincts based on first-hand experience of previous development cycles."

Nigel Hugill
Chairman

a resilient Huntingdonshire district, where the current registered benefit claimant count of 0.8 per cent is well below half the national average. With 5,000 new homes already consented, we are now working with Huntingdonshire District Council to increase ultimate housing provision. Incremental numbers will be incorporated into the emerging Local District Plan, scheduled for adoption in 2016. Estimating the range of that increment as between 1,500 and 2,000 additional new homes, Alconbury will then be in a position to contribute approximately one half of the 15 year housing supply within the established parameters of a fully compliant and adopted Local Plan and no presumption for competing consents thereafter. All this in one of the fastest growing districts in the country. Official statistics show that 2010/11 was the lowest level of new homes built in England since recovery from the Second World War. In contrast, Huntingdonshire managed almost three times the pro rata equivalent level of housing completions. It is hard to think of similarly safeguarded positions within the spectrum of conventional commercial property holdings.

Alongside a determination to create unusually defensive asset holdings, capturing the discount between wholesale land valuations and the retail sales of fully serviced plots is a fundamental element of the Urban&Civic business model. The carrying value at Alconbury at 30 September 2014 is up 58 per cent, like-for-like, over the 2013 pre consent figure and yet still equates to only £15,400 per unserviced plot. The appraised figure at Rugby is lower again at £11,500 per plot. Self evidently that leaves plenty to go for.

First housing constructions at Alconbury are scheduled to begin mid 2015. Rugby timetable runs approximately six months later, as signposted at Listing, due to the requirement that we re-accommodate incumbent newts in late spring 2015.

We are yet to complete the contracted purchase of our joint interest in the Rugby site from BT Plc, although all aspects are wholly unconditional on our side. Interest is not payable on the outstanding £16.7 million under the terms of the contract and there is no prospect of a failure to complete. Urban&Civic has assumed full stewardship reporting to a joint board with our ongoing partners, Aviva and the buying-in of adjoining land under option has already commenced. Accordingly, we are required to account as if completion had taken place, including recognising a £11.3 million investment uplift arising from the CBRE property valuation as at 30 September 2014.

I am quite certain that the particular combination of defensiveness and optionality afforded by consented strategic sites, where peak spend can be managed effectively will help differentiate Urban&Civic and drive our ability to generate sustained growth in shareholder value. As affordability ratios start to drag back house price growth within the M25, the natural tendency is for purchasers to look further afield. We were categoric in our belief at the time of listing in May that Central London out-performance had peaked for this cycle. The key drivers on pages 26 and 27 including, notably, Savills' most recent national house price forecasts demonstrate the extent of current optionality within the Urban&Civic balance sheet, as those demand pressures become progressively reflected in residual land values.

> "This is no time for complacency but we should be prepared to recognise milestone successes along the way."

Nigel Hugill
Chairman

In our case, strengthening demand has been consolidated by Government initiatives aimed at facilitating new house purchases. The maintained Help to Buy initiatives provide helpful assistance to absorption rates and, most recently, the stamp duty changes directly benefit purchasers at the key price threshold of £250,000, or £220 per sq.ft. for new family accommodation, which is precisely the level upon which CBRE had been basing the September 2014 valuations. Local comparables and, most importantly, the interest and entry levels being indicated in opening discussions with housebuilders give confidence that plot realisations in the coming year will be at levels materially above the September entries.

Your Board remains conscious of the difficulties in accurately quantifying latent optionality in an audited balance sheet. Nor does unrealised potential pay household bills, or cover annual dividends. Hence the requirement for delivery and balance. EPRA adjustments will go some way towards better recognition and corroboration for such adjustments will be provided through reported external valuations. Providing shareholders with readily accessible means of evaluating Group progress by articulating clear project milestones will also remain a priority. The first of what will be annually reviewed milestones are set out on pages 24 and 30.

Early contributions from Terrace Hill

The complexities of reverse acquisition accounting are such that we are still finding our feet a little in recognising the full strengths of the enlarged business. The first audited numbers for the combined operations comprise the results for Urban&Civic for the nine months to 30 September 2014 and those of the Terrace Hill Group from the date of acquisition on 22 May 2014 through to 30 September 2014. Notwithstanding, the shape of what shareholders can expect, in terms of growth profile, is hopefully clear. Strategic sites are held on investment account by the Group on acquisition. The policy is then to apportion the value of holdings to trading account close to the point of first serviced land sales. Alconbury is already treated in that manner and the 50 per cent holding in Rugby is expected to be similarly apportioned in the September 2015 accounts. As a consequence, the income statement going forward will reflect realisations on disposals and movements in investment values on a growing commercial portfolio and strategic land where first serviced land sales are judged to be beyond one year.

Despite the short accounting period, the significant contribution of Terrace Hill to cash generation and realised proceeds in current and future periods is also apparent. Historic goodwill was expunged in the acquisition balance sheet and subsequent realisations continue to better contemporary expectations. The July disposal of a leveraged priority interest in an office complex in Maidenhead, Berkshire, netted back £3.5 million after debt repayment, the holding having been fair valued at £2.0 million in the Terrace Hill acquisition accounts. The University of Southampton student accommodation was handed over for the start of the autumn term and all outstanding payments have been received under the funding arrangements with Legal & General. Commencement of the 125,000 sq.ft. Gateway store let to Sainsbury's in Middlesbrough was forward funded on an equivalent yield

of 4.75 per cent. Completion is scheduled for August 2015; £3.0 million of uplift over cost was recognised in the current accounting period with a further £2.0 million anticipated to be included next year.

Construction has also begun on a comprehensive leisure scheme in the centre of Darlington, in North East England, anchored by a Vue Cinemas multiplex and a Premier Inn. The blended strength of the covenants is good and the projected yield on cost is around 7.5 per cent. There are empirical grounds for believing that rents will prove reversionary. Accordingly, the intention is to retain the scheme as an investment, at least until first review. We are currently working on a similar scheme in the centre of Burnley, Lancashire and are actively in the market for further additions.

Leases on the last remaining floors at Howick Place Victoria, SW1 were only signed in October 2014 but the 172,000 sq.ft. landmark building now has a tenant profile that the exceptional quality merits. Marketing is currently underway incorporating 23 adjoining private residential apartments totalling approximately 20,000 sq.ft. The extent of prevailing purchaser enquiries is most encouraging, no doubt reflecting the lack of prime West London investment opportunities. There is every reason to believe the 30 September the Group's minority interest fair value of £5.4 million will be considerably exceeded.

The patience of former Terrace Hill shareholders can also expect reward at Herne Bay in Kent. The planning journey for a new 100,000 sq.ft. foodstore and 33,000 sq.ft. of starter and small business units had proved protracted and rather punctuated by false dawns. Redoubled efforts from a joint team secured what will prove a highly positive outcome for the Group. It is with corresponding satisfaction that I am able to report that the final hurdle was cleared, only last month, when formal confirmation to proceed was received from the Department of Communities and Local Government. The foodstore and an adjoining petrol filling station are pre-let to Sainsbury's. Throughout all the delays, the singular feature has been the sustained support of town councillors and the local community. Even to the point of holding a public meeting ahead of the planning committee meeting as a show of unity.

The May 2014 acquisition balance sheet carried the project at £3.5 million (the land is optioned), which was a compromise that weighed the extent of local support against the dead hand of repeated delays. Works are now scheduled to begin early next year within a build programme of slightly more than 12 months. An EPRA uplift of £7.4 million as detailed in the finance review has been booked in the current period, which represents a proportion of the anticipated uplift. In the event of a forward funding, the Group would be required to account for the bulk of expected profit in the financial year to September 2015. The current supermarket tribulations suggests that we are unlikely to see repetition of the like anytime soon; nevertheless the Terrace Hill team has demonstrated a consistent ability for reinvention to achieve above average returns on shareholder equity.

Outlook

The process of integration is proving pretty much seamless, reflecting the complementary attributes of the two teams and their natural preparedness to shoulder new responsibilities. The genuine sense of our all being in this together has not abated. Mutually reinforcing individual contributions are recognised and respected across what is now one company. We will soon be occupying a single floor in an open plan office that is approximately equidistant from the respective old addresses in London.

Collective effort, along with propitious markets, has enabled the enlarged business to more than deliver on the immediate targets and expectations articulated ahead of the May 2014 Listing. Herne Bay, Waterbeach and, most recently, Manchester can all make significant contributions to enhancing shareholder value, whilst preserving a conservative chronology of capital spend. We aim to submit planning applications at Waterbeach in approximately two years' time, at which point Herne Bay ought to be open and trading. Development in Manchester is likely to be phased between 2017 and 2021. Cambridge and Manchester are on the wish lists of most fund managers at the moment and our judgement is that there is still some way to go in both local economies. Our combined entry cost for an initial exposure of real scale constitutes a fraction of eventual build out values. We are not lacking prospective institutional funding partners.

Immediate dividend commencement

Maintaining a balance between creating project optionality and realising subsequent dividends in the broadest sense, will be what defines the future success of Urban&Civic. Taking that as the yardstick, I could not be happier with the progress made by our Company since May. This is no time for complacency but we should be prepared always to recognise milestone successes along the way. It is only the start but absolutely a sound start and we can rightly acknowledge it as such. The assumption had been at the time of Listing that dividend distributions to our shareholders would begin with respect to the 2015 financial year. Having regard for the progress to date and the strength of foreseeable receipts, the Board feels able to recommend the immediate commencement of dividend payments. I am especially pleased that, in the process, we are thereby able to satisfy the longstanding promise made by Terrace Hill to return to the dividend list.

The proposed dividend of 1.5p per share effectively represents a final dividend for the six months to 30 September 2014. The equivalent for a full year would have been 2.5p, which is intended to establish a base for the 12 months to 30 September 2015. The intention is for a policy of progressive increase thereafter, commensurate with progress to be made in building rental income within the business and the extent of realised sales proceeds.

My sincere personal thanks to Board and staff members alike; we all share the single aim of building from here.

Nigel Hugill
Executive Chairman
22 December 2014

Bringing together the right team

Nigel Hugill
— Executive Chairman

Robin Butler
— Managing Director

Our approach is to deal with every opportunity personally. The combined bench strength of the executive team means that we have the core skills in property, planning and community liaison, as well as asset, development and project management to see opportunities, unlock complex sites and bring forward innovative solutions.

Our non-executive Board members bring still more years of experience to Urban&Civic encompassing the worlds of finance, property and affordable housing. They are fully comfortable with holding the senior executive to account. From robust discussions come refined decisions and clear strategy.

Jon Austen
— Group Finance Director and Company Secretary

June Barnes
— Independent non-executive Director

Philip Leech
— Property Director

● Started with Urban&Civic
● Started with Terrace Hill

Alan Dickinson
— Senior independent non-executive Director

Robert Dyson
— Independent non-executive Director

“ The integration of the two businesses has progressed well and the benefits of joining management teams with complementary skillsets have become clearly evident. ”

Robin Butler
Managing Director

Duncan Hunter
— Independent non-executive Director

Mark Tagliaferri
— Non-executive Director

Robert Adair
— Deputy Chairman and non-executive Director

WORKING IN PARTNERSHIP

Planting Jubilee Wood – Alconbury

Envision | Craft | Sustain

DESTINATION...

A best in class property company which crafts developments that deliver a tangible dividend

DELIVERY...

Large-scale strategic sites for residential-led mixed-use in the broader South East
+
Bespoke commercial developments in London and across the regions under the Terrace Hill brand

EPRA NAV per share:

30 September 2014:	May 2014 pro forma:
249.7p	230.5p
+8.3%	

DIVIDEND...

Stepped asset growth supported via a contribution of near term and longer term dated returns
+
A lasting legacy of environmental improvement, upskilling and innovation for our stakeholders, staff, customers and partners

How we deliver →

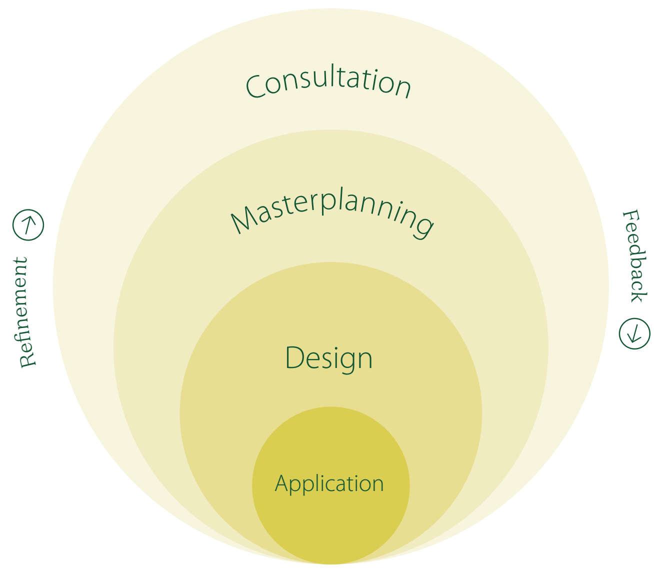
Destination to dividend

Strategic sites

Our focus is on securing major strategic land holdings in locations that benefit from strong transport links, robust local economies and, what we believe to be, superior growth potential. For example, our strategic land interests in Waterbeach and Alconbury Weald (Cambridgeshire) and Rugby (Warwickshire) are located in regions which are forecast to benefit from house price growth of 25.2 per cent and 21.3 per cent respectively over the next five years; compared with 10.4 per cent in London. Overall we aim to have around five such sites at different stages of the delivery process at any one time.

Commercial development

Our bespoke development activities will continue to be delivered under the Terrace Hill brand and are focused in two main areas: central London offices and regional commercial development in the office, retail, industrial, student accommodation and leisure sectors. We have seen strong returns already following the hand over of the student accommodation scheme in Southampton to the university and the sale of an office complex in Maidenhead. Our acquisition of two prime sites in Manchester further strengthens this platform. We have the capacity to secure and deliver a wide range of these opportunities in parallel with risk mitigation implicit via the pre-letting of space and the ability to fund in a variety of ways.



Environmental improvement

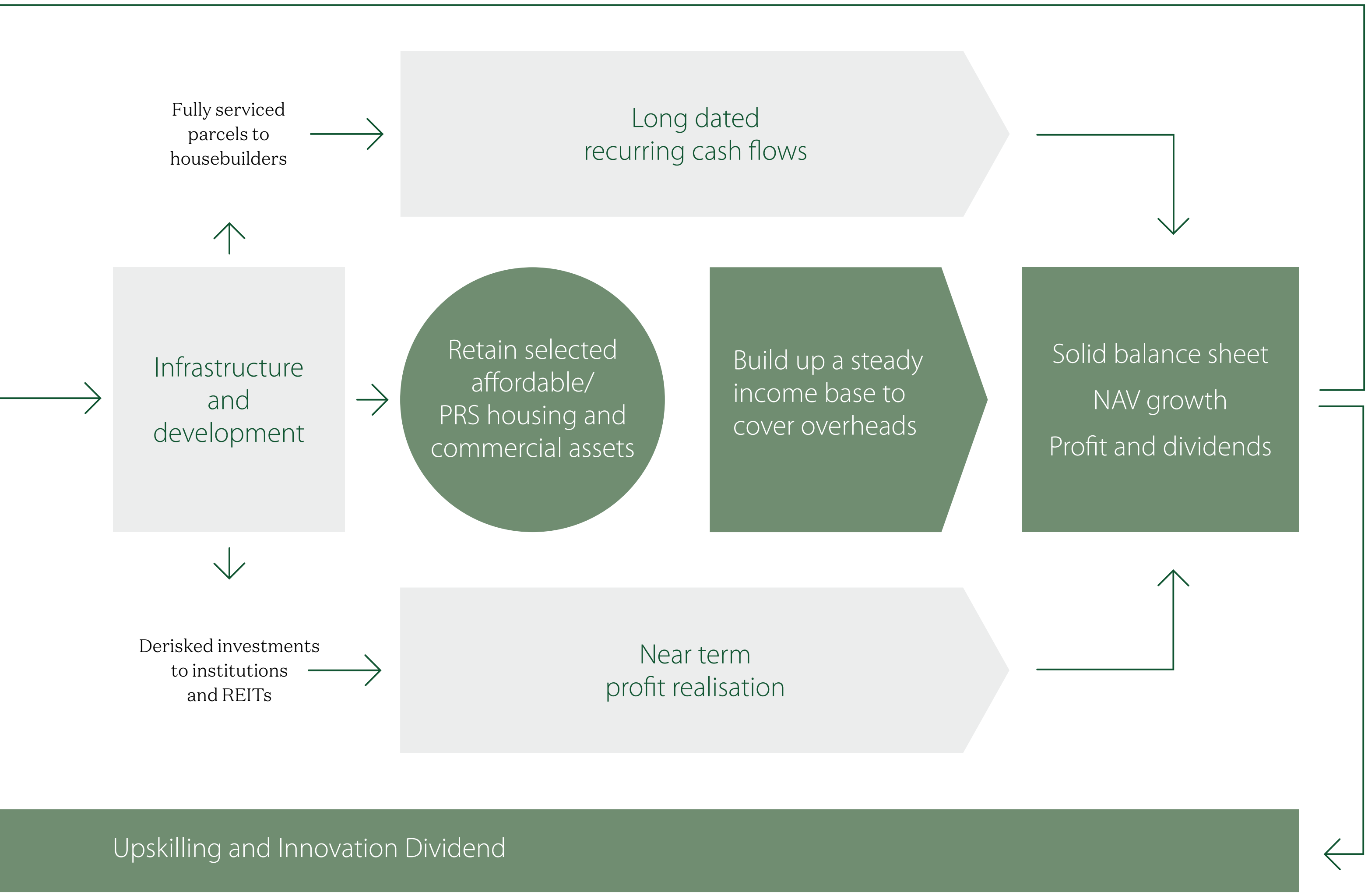
Based on solid foundations of:

PASSION

Our team is structured so that we adopt a hands on approach to projects with consultants working for us rather than representing us. As such, the entire development team is front facing with senior management, who are fully empowered, attending all key meetings. We are able to deploy different skills across a range of projects with specialists employed on site in community liaison, project management and asset management. We love planning and debate issues at all levels to find the right solution with even the Chairman conceding he doesn't have a monopoly of good ideas. Our staff retention is high and we are proud that we continue to attract the best people to work with us.

TRUST

The market for large scale strategic sites is relatively small and most local authorities deal with one every five to ten years; such sites are also complex and often initially controversial. Building a relationship of trust with the planning authority and other key stakeholders is absolutely vital to their successful promotion. Starting with a reputation of being trusted is a material advantage not only in terms of the bidding process but also in terms of the speed of delivery. We value our reputation in the market as a company that delivers on its promises and crafts places that work both at the strategic and commercial scale.



QUALITY

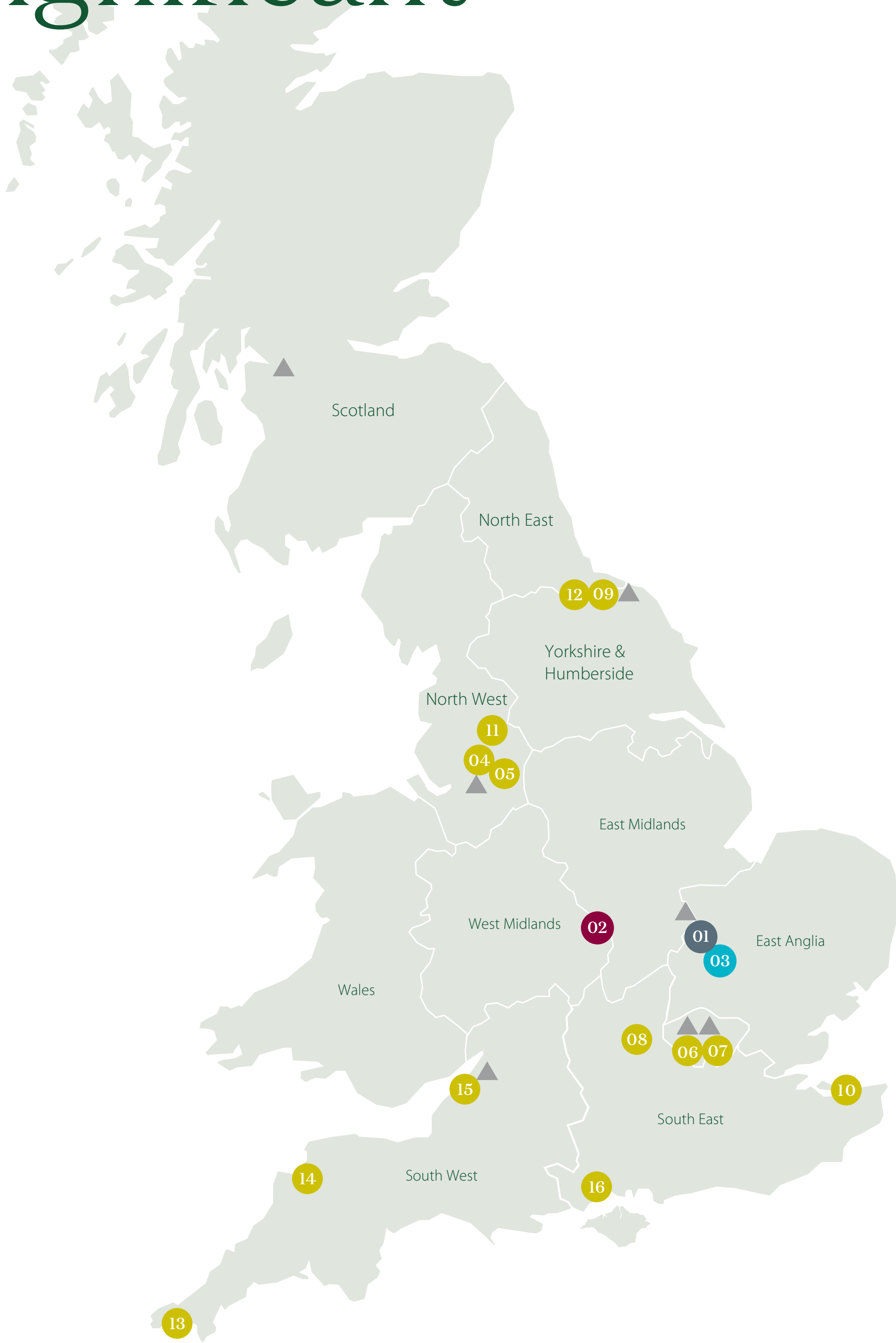
The sale of serviced land parcels on strategic sites is a competitive market. As with our focus on quality for commercial developments, our approach is to deliver the best quality parcels available which allow housebuilders to build out as quickly as the market allows and to maximise their returns. To this end, we pay close attention to the landscaping and layout of a phase, establish market demand by delivering early housing ourselves and create a sales package which is standard across all sites. Our aim is to encourage repeat business as quickly and as easily as possible and we are constantly learning from the feedback we receive. We are a business defined by our projects.

INSIGHT

At Urban&Civic we cherish facts and work hard to generate the best market insight available. Our network of regional offices provides direct access to the local markets and the large strategic sites mean that we have regular discussions with Government departments including the Cabinet Office, local enterprise partnerships and county, district and borough councils, housebuilders and commercial developers. Our executive team are encouraged to hold non-executive positions on local housing associations, research groups and major UK cultural institutions and to serve as parish councillors and other public roles.

Our portfolio at a glance →

From neighbourhood town to nationally significant



Urban&Civic plc

▲ OFFICES

- London
- Bristol
- Alconbury
- Manchester
- Teesside
- Glasgow

TERRACE HILL

STRATEGIC

01 Alconbury Weald
— Cambridgeshire

- Strategic – Mixed use
- 1,425 acres
- Outline consent – enabling works commenced

02 Rugby radio station
— Rugby

- Strategic – Mixed use
- 1,170 acres
- Outline consent – enabling works commenced

03 Waterbeach
— Cambridgeshire

- Strategic – Mixed use
- 716 acres
- Emerging policy designation

COMMERCIAL

04 Deansgate
— Manchester

- Hotel
- 1.9 acres
- Residential and hotel redevelopment potential

05 Princess Street
— Manchester

- Car park
- 1.0 acre
- Residential, hotel and student accommodation potential

06 Howick Place
— London, Victoria

- 143,470 sq.ft. offices and 33 apartments
- Completed

07 Conduit St/Savile Row
— London, Mayfair

- 31,000 sq.ft. offices and retail
- Under construction

08 Quantum
— Maidenhead

- 120,000 sq.ft. office campus
- Sold

09 Gateway Middlehaven
— Middlesbrough

- 125,000 sq.ft. Sainsbury's plus Marstons, KFC, Costa
- Under construction

10 Sainsbury's Superstore
— Altira Park, Herne Bay, Kent

- 100,000 sq.ft. foodstore pre-let to Sainsbury's, business space and petrol station
- Resolution to grant planning consent

11 Pioneer Leisure
— Burnley, Lancashire

- Town centre nine screen cinema with restaurants and bars
- Pre-planning consultation

12 Feethams Leisure
— Darlington

- Town centre nine screen cinema with restaurants and bars
- Under construction

13 Gulval
— Penzance, Cornwall

- 20 acres of strategic residential land
- Pre-planning consultation

14 Bideford
— North Devon

- 77 acres of strategic residential land
- Pre-planning consultation

15 Bridge Quay
— Bristol city centre

- 59 high quality apartments from office conversion
- Construction starts January 2015

16 Mayflower Halls
— Southampton

- 1,104 bed student accommodation
- Completed and sold

CGI of proposed New Town at Waterbeach

IT IS TIME TO GET EXCITED ABOUT WATERBEACH

ALCONBURY WEALD

Highlights for 2014

- Outline planning consent granted
- Award-winning Incubator fully let in four months
- Building Foundations for Growth funding £5 million secured for demolition and remediation, works underway
- National grant funding awarded for the Welding Institute and a Technical & Vocational Centre to be located on the Enterprise Zone agreed

Objectives for 2015

- Key Phase 1 and relevant reserved matters approved
- Residential reserved matters approved for at least c.100 homes
- Key Phase 1 infrastructure works materially advanced
- Residential delivery materially advanced
- Early land realisations
- Approval and well advanced construction of amenity building, to be positioned alongside the Incubator
- Welding Institute and Technical and Vocational Centre construction underway

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Alconbury Weald

RUGBY

Highlights for 2014

- Outline planning consent granted
- Key Phase 1 and relevant infrastructure reserved matters approved
- Enabling works commenced
- 56 acres of option land purchased and agreements reached for further early acquisitions
- Shortlisted and progressing Local Infrastructure Funding (LIF 2) of £12 million from HCA
- Community liaison and project managers appointed

Objectives for 2015

- Residential reserved matters approved for at least c.100 homes
- Habitats licence approved and newts relocated to holding areas
- Infrastructure works materially advanced
- Residential works commenced
- LIF 2 funding secured
- Land option exercise materially complete
- Development director for Key Phase 1 appointed

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Rugby

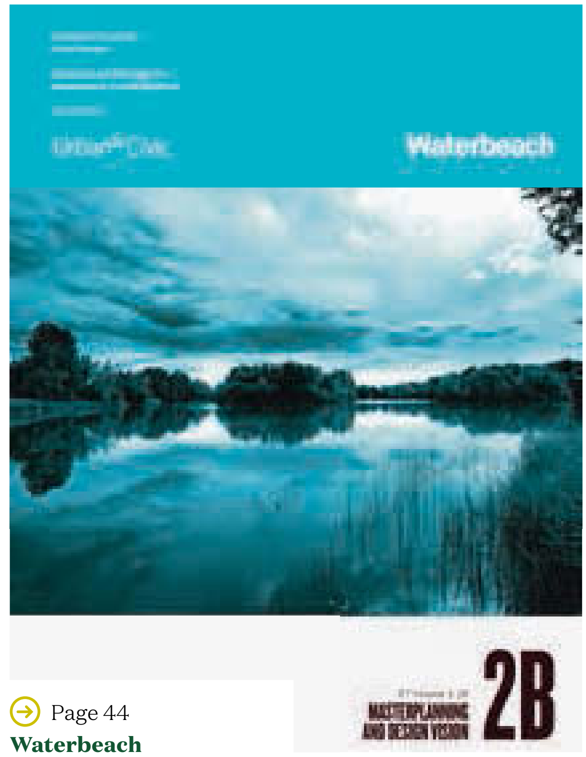
WATERBEACH

Highlights for 2014

- Selected by the Defence Infrastructure Organisation (DIO) following highly competitive OJEU process
- Development management agreement between DIO and Urban&Civic completed
- Strong working relationship established with South Cambridgeshire District Council, Cambridgeshire County Council and other key stakeholders
- Partnership approach established with neighbouring landowners for the promotion of local plan strategic designation
- Estate surveys underway and site manager appointed
- Temporary use enquiries under consideration

Objectives for 2015

- Strong support with neighbouring landowners of local plan designation at examination in public
- Opening of site office and reactivation of leisure uses on sites such as the fishing lake
- Extensive public and stakeholder consultation on emerging masterplanning concepts
- A range of temporary uses approved and achieved



Page 44
Waterbeach

COMMERCIAL

Highlights for 2014

- Purchased two strategic sites in Manchester
- Planning consent for Sainsbury's supermarket at Herne Bay
- Change of use and planning consent for residential conversion of Bridge Quay, Bristol
- Construction commenced on Sainsbury's supermarket at Middlesbrough
- Construction commenced on Feethams Leisure scheme in Darlington
- Completion of Mayflower Halls student accommodation in Southampton
- Material progression of Savile Row office and retail development in London
- Fully let Howick Place office development in London

Objectives for 2015

- Materially advance planning and delivery of Manchester sites
- Commence construction of Herne Bay and Bridge Quay
- Complete construction of Middlesbrough and Savile Row
- Fully let Savile Row
- Material progression of Feethams Leisure
- Focus new business creation on leisure, hotel, office and student accommodation opportunities

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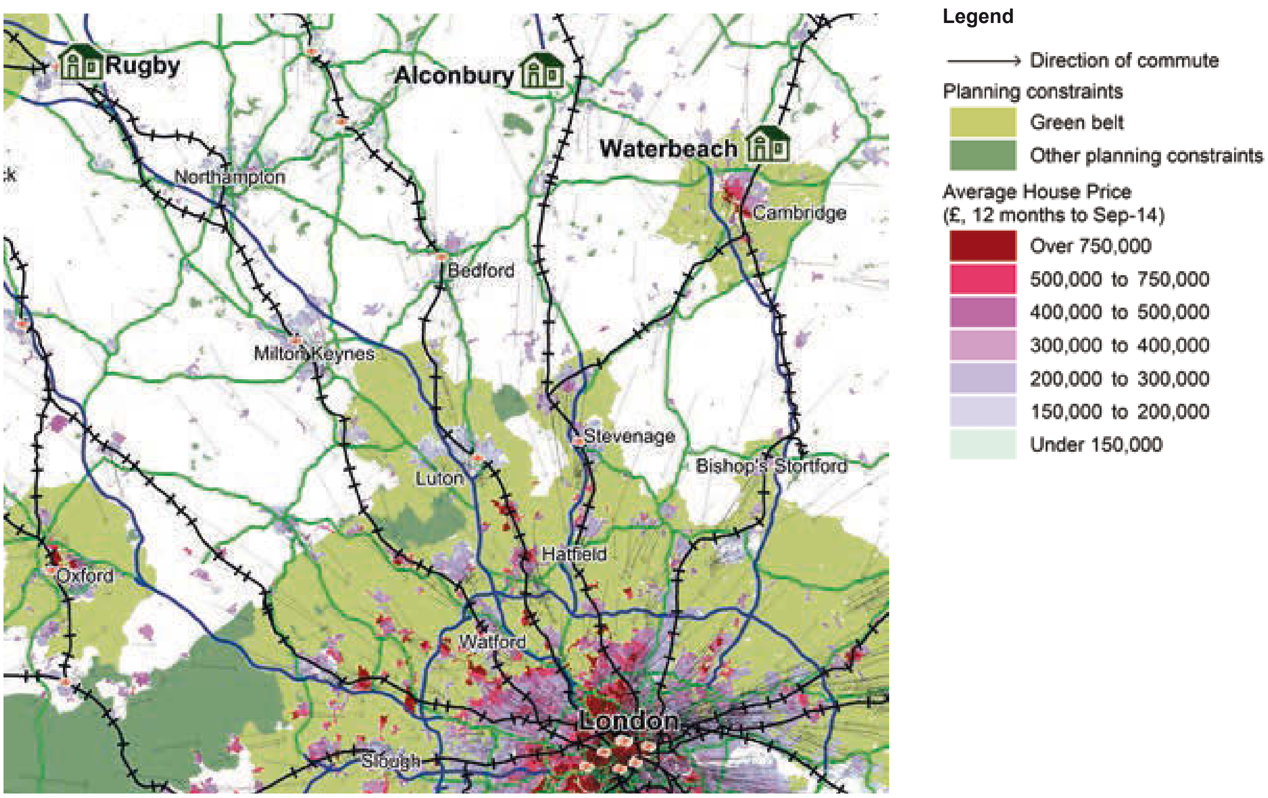
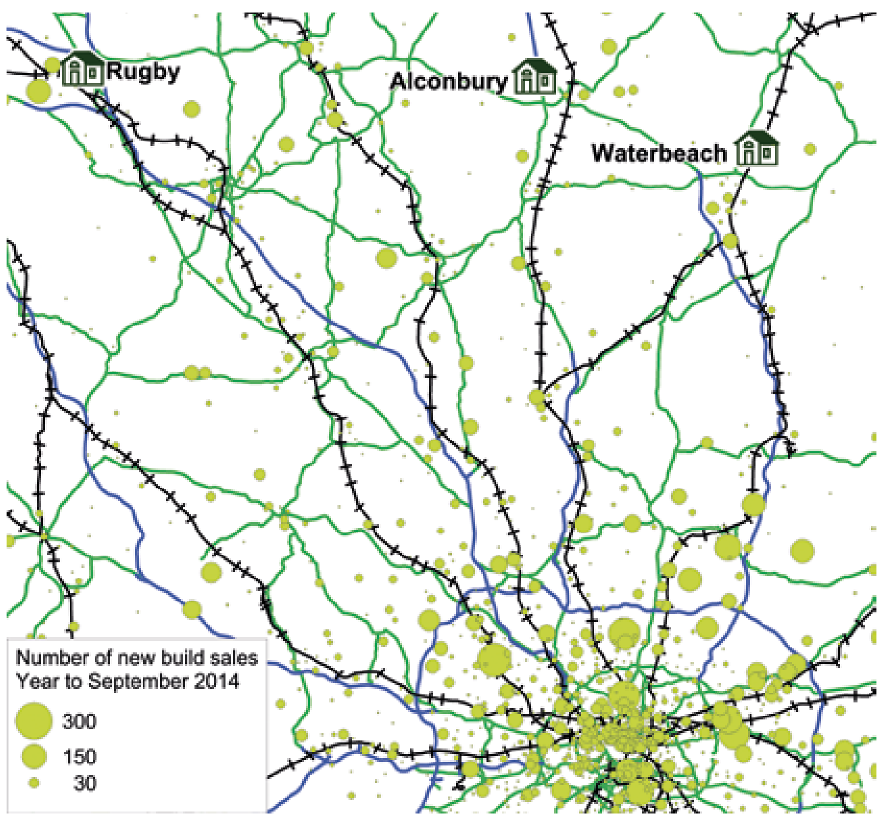
Mayflower Halls

Commuting patterns and average house prices



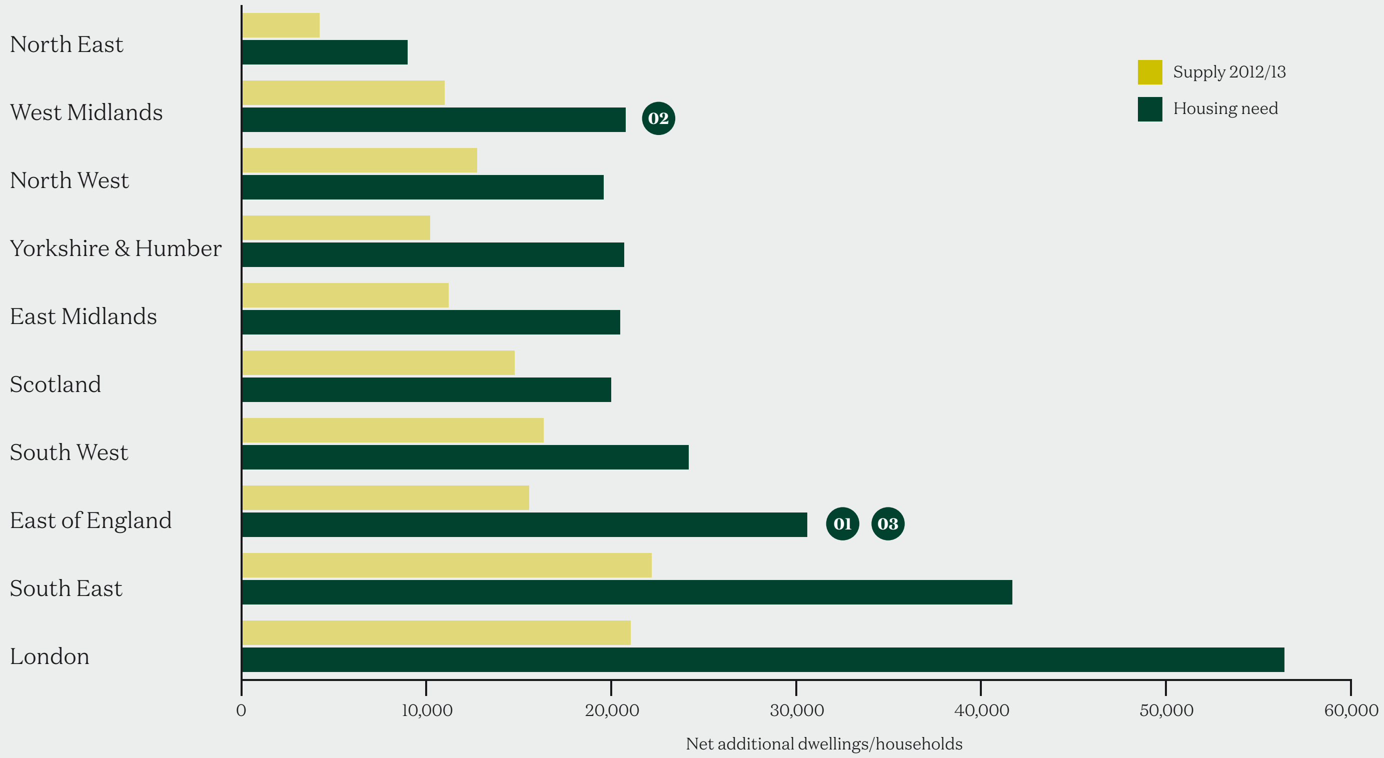
New build sales (year to September 2014)



“Urban&Civic's strategic sites are situated in regions and locations that benefit from strong transport links and robust local economies. Consequential demand, combined with maintained shortfalls in housing delivery elsewhere, translate into excellent prospects for price growth in the short to medium term.”

Nigel Hugill
Chairman

Regional housing need/housing supply



5 year house price forecast

	2015	2016	2017	2018	2019	5 year
UK	2.0%	5.0%	5.0%	3.0%	3.0%	19.3%
London	0.0%	3.0%	3.0%	2.0%	2.0%	10.4%
South East	3.0%	6.5%	6.5%	4.0%	4.0%	26.4% 02
South West	2.5%	5.0%	5.0%	3.5%	3.5%	21.1%
East of England	3.0%	6.0%	6.0%	4.0%	4.0%	25.2% 01 03
East Midlands	2.0%	5.0%	5.0%	3.0%	3.0%	19.3% 02
West Midlands	2.0%	4.5%	4.5%	3.0%	3.0%	18.2% 02
North East	1.0%	3.5%	3.5%	2.0%	2.0%	12.6%
North West	1.0%	4.0%	4.0%	2.0%	2.0%	13.7%
Yorks & Humber	1.5%	4.5%	4.5%	2.5%	2.5%	16.5%
Wales	1.5%	4.0%	4.0%	2.5%	2.5%	15.3%
Scotland	3.5%	4.0%	4.0%	2.5%	2.5%	17.6%

Source: Savills research; DCLG; TCPA

01 **Alconbury**

02 **Rugby:** due to Rugby's geographical location Urban&Civic's view on house price growth for this site is based on an average of South East, East Midlands and West Midlands forecasts.

03 **Waterbeach**

C-station at Rugby – constructed in the 1920s as a hub for global communications

THINKING BIG

“When a development on the scale of the Rugby Radio Station is promoted it is vital that the community and stakeholders are involved in the process. Urban&Civic understood that need and the emphasis that Rugby Borough Council placed upon it. Through their ongoing endeavour they continue to ensure that third parties are part of the journey on the route to delivery.”

Craig Humphrey
Managing director of Coventry and Warwickshire Growth Hub and former executive leader of Rugby Borough Council

> “I am quite certain that the particular combination of defensiveness and optionality afforded by consented strategic sites, where peak capital requirements can be managed effectively will help differentiate Urban&Civic and drive our ability to generate sustained growth in shareholder value.”

Nigel Hugill
Chairman

Alconbury

Urban&Civic's land holding at Alconbury extends to approximately 1,425 acres of freehold land near to Huntingdon town centre. A resolution to grant outline planning consent for approximately 11 million sq. ft. of mixed development, including 5,000 new homes alongside 3.1 million sq. ft. of commercial space within a designated Enterprise Zone, was secured in December 2013. The scale was such that the application was referred automatically to the Secretary of State, who announced a decision that he would not call it in for further deliberation within six working days over the last Christmas period. Proposals estimated at between 1,500 and 2,000 further new homes are being developed with the local authority to be incorporated within the emerging Local District Plan.

Initial housing construction is scheduled for spring 2015; the current intention is to build upwards of 50 units in joint venture to establish price and quality before selling serviced land parcels up to an initial maximum of 100 units to individual housebuilders. A planning application for the first primary school is in the process of being submitted.

As with Stockley Park, where Robin Butler cut his teeth thirty years ago, the first new building at Alconbury was an Incubator unit, completed earlier in 2014 and designed to encourage new business entrants. Unlike at Stockley, where things typically took somewhat longer, detailed planning consent for the 15,000 sq. ft. unit was granted at Alconbury ahead of the main application and only 36 days from receipt of papers. The facility is now fully let. Work will commence early in the New Year on a companion to include a gym, restaurant and nursery, as well as small business meeting rooms and a hall to accommodate up to 100 visitors.

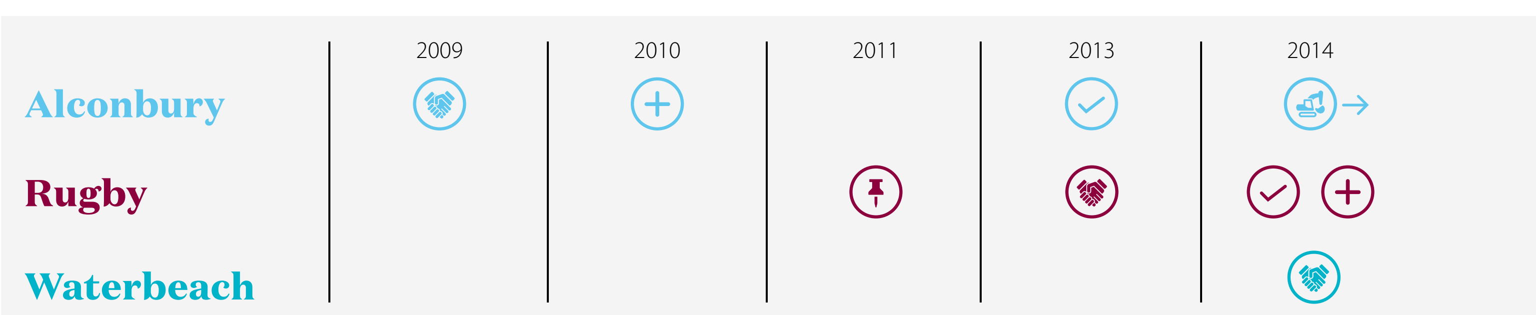
The CBRE valuation of Alconbury increased from £101 million as at 31 December 2013 to £119 million at 30 September 2014, which included expenditure of £5.1 million. The net increase of £12.9 million splits approximately one third investment, with the remaining £6.9 million an appraised increase in the trading value of consented housing land to be reflected as an EPRA adjustment.

Recognising the extent of progress, £5 million of Building Foundations for Growth grant funding was awarded by Central Government in June 2014 and is being drawn down to accelerate enabling works, all of which had been costed in the CBRE appraisals at the time of the Company's Listing. In parallel, designs are being drawn up for two centres of technical excellence coming to Alconbury, backed by Lord Heseltine's Growth Fund. The combined value of that inward investment, including from European Community sources, is expected to be of the order of £30 million. Just as significant will be the momentum for an emerging technical cluster, for which a growing number of private sector enquiries are being progressed.

Rugby

The Rugby Radio Station site is a former radio transmission facility located in Rugby, Warwickshire. The site extends to approximately 1,674 acres and comprises two principal elements, the 1,170 acre predominantly residential Sustainable Urban Expansion ("SUE") site and a logistics site known as the Daventry International Rail Freight Terminal III site. Following a competitive process, Urban&Civic was confirmed as the development partner with an option to acquire an interest in the SUE site. In April 2014, Urban&Civic entered into an agreement with BT Plc to purchase a 50 per cent interest in the SUE site and so become equal owner with Aviva plc. The SUE site has outline planning permission for 6,200 houses and approximately 1.3 million sq. ft. of commercial space over 460 acres of developable area, along with 49 acres of community and heritage areas and 393 acres of open spaces, with a built out value estimated by Urban&Civic to be in excess of £1.7 billion (at current prices).

The initial delivery phase is currently expected to extend to a maximum of approximately 600 homes, approximately 270,000 sq. ft. of commercial space, a two-form entry primary school and associated infrastructure and landscaping. The design for this initial delivery phase of the outline consent for Rugby has been approved together with reserved matters in respect of the roads and green spaces. Housing delivery is expected to commence by the third quarter 2015.



As with Alconbury, Urban&Civic will seek to build out an initial proportion of the residential dwellings at Rugby either independently, or with Aviva as joint venture partner.

CBRE valued Urban&Civic's 50 per cent share of the SUE site at £27.5 million as at 31 December 2013, on the basis of a resolution to grant outline planning consent (implied value of entire SUE site: £55.0 million). As at 30 September 2014, these figures had increased to £30.0 million and £60.0 million respectively, representing an appraised figure of £11,500 per plot.

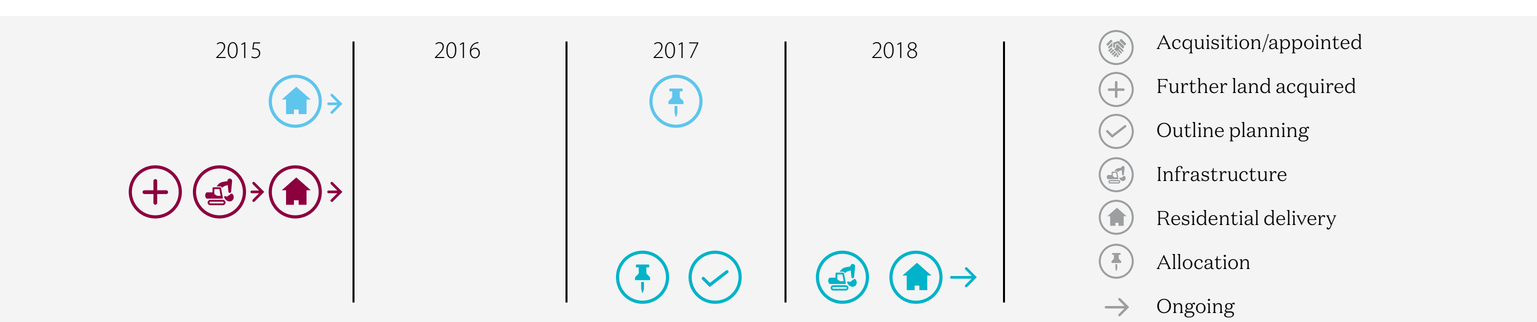
Urban&Civic are yet to complete the contracted purchase of the joint interest in the Rugby Radio Station site from BT Plc, although all aspects are wholly unconditional on the partnership side. The delay relates to various ownership de-coupling requirements which remain as conditions precedent. These are close to being executed and the acquisition will complete not later than March 2015. Interest is not payable on the outstanding £16.7 million under the terms of the contract and there is no prospect of a failure to complete.

Waterbeach

The Waterbeach site comprises 716 acres of land designated as previously used, which had been in continuous military occupation for over 70 years. The location and nature are uniquely strong: rich lakeside settings, steeped in history, three miles from the world renowned science and technology parks and within easy cycling of the new North Cambridge and existing Waterbeach railway stations.

Waterbeach Barracks lies within the administrative area of the South Cambridgeshire District Council, which is in the process of preparing a new Local Plan to cover the period up to 2031. The proposed local plan allocates the Barracks, together with adjoining farmland to the North and East, as a new settlement. Initial masterplanning by Fletcher Priest (the same team that worked on the Olympic Village) accommodates a new sustainable community across the wider site of between 9,000–12,000 dwellings, which provides approximately 6,500 additional homes on MOD holdings in support of a growing Cambridge economy.

The development management agreement signed with Defence Infrastructure Organisation on behalf of the Ministry of Defence enables Urban&Civic to fund and construct necessary post-planning infrastructure; manage the disposal of market housing plots to house builders whilst earning a percentage retention on realised land uplifts after full cost recovery; and build 35 per cent of new units on its own account. Importantly, the overarching objective under the terms of the agreement is to secure early delivery, consistent with securing taxpayer value. Urban&Civic were selected on the basis of early level drawdown to include a substantial proportion of good quality PRS residential accommodation to meet an identified need within Cambridge. The current expectation is for an outline planning application, in similar form to those secured at Alconbury and Rugby, to be submitted within 24 months.

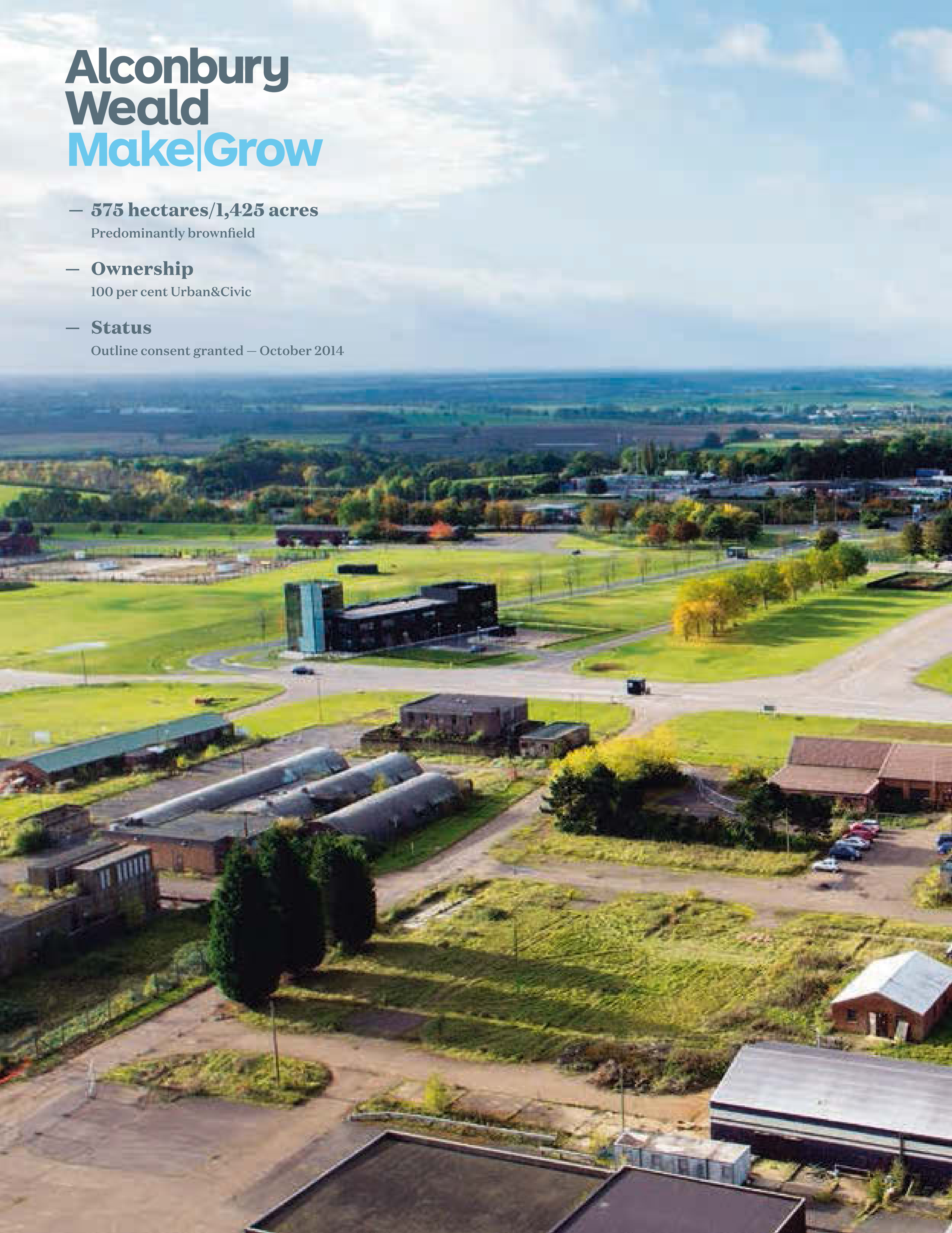


Alconbury Weald
Make|Grow

— **575 hectares/1,425 acres**
Predominantly brownfield

— **Ownership**
100 per cent Urban&Civic

— **Status**
Outline consent granted — October 2014



History

In 1938 agricultural land began its transformation into an RAF and then United States Air Force base, home to Blenheim and Wellington bombers, Liberators and B17 Flying Fortresses. Alconbury then became a key part of the Cold War reconnaissance efforts and the only UK base for the U2 spy plane. In 2009 Urban&Civic acquired the former airfield and in 2010 purchased adjacent farmland to create the 1,425 acres of Alconbury Weald.

Consent

5,000 dwellings, up to 290,000 sq.m. of employment floorspace (B1/B2), hub and neighbourhood facilities featuring retail, commercial, leisure, health, church and community uses, three primary schools, nursery provision, a secondary school and land reserved for post-16 education provision, open spaces, woodlands, sports provision, a heritage area and retained listed buildings and a reserve site for a railway station and ancillary uses.

Key Phase 1

879 homes, one primary school, one–two retail units, 80,000 sq.ft. of employment, community facilities, sports facilities, parks and open spaces.

Reserved matters

Infrastructure – December 2014

First 120 homes – February 2015

Further employment – April 2015

Construction works

Q4 15 onwards

Sale of serviced parcels

August 2015 onwards

Residential occupations

December 2015

— Skills and jobs dividend

From day one, Alconbury Weald has put skills and jobs at the heart of the development, whether in delivering a potential 8,000 jobs through the Enterprise Zone or supporting people into construction and landscaping jobs on site.

Our approach has been informed by deep relationships created with the community around the site, from parish councils to local business groups to a wide range of public and voluntary sector partners. Through small-scale projects to pilot approaches and build trust, sponsoring holiday clubs, sports teams and charity events, and hosting business receptions, we have built links with organisations and individuals to maximise the economic opportunities that Alconbury Weald can deliver locally, regionally and nationally.

Working with partners

- With the Jobcentre, Regional College and District Council we have developed a system to maximise the employment opportunities for local people through an innovative jobs and skills brokerage for businesses on the Enterprise Campus. This includes a jobs hub in the local town centre as well as an online portal.
- Working with the seven local secondary schools we have held a series of sessions on aspiration and career advice for young people at risk of leaving school with no routes into employment, additional education or training. The sessions highlighted the diversity of careers locally with representatives from construction, landscaping and engineering, through to design, business administration and entrepreneurship.
- In December 2013 Alconbury Weald became a National Skills Academy for Construction through the Construction Industry Training Board's client-led approach, the first private sector company to achieve this. Working with CITB, local training providers, the Jobcentre and local schools, this provides a range of job opportunities, apprenticeships, work placements and career awareness through agreement with contractors on site.

Working with people

- Working with the long term unemployed: Urban&Civic teamed up with the environmental charity Groundwork to trial projects which used the development of an on-site tree nursery and to provide skills, experience, qualifications and confidence to local people who had been out of work for more than a year. The three schemes had an overall 80 per cent success rate, with over 20 people placed into work and a further five into further training. Our fourth project starts in the new year and has 12 people already signed up.


1

“The Council is delighted that Urban&Civic demonstrate a strategic and holistic approach to development which makes them a robust, committed and proactive partner across a range of local issues, from structural economic change, transport and skills infrastructure, to unemployment support and school careers. They have become a key member of the broader Huntingdonshire partnership working towards making this one of the best places to live, work and invest.”

Councillor Jason Ablewhite
Executive leader,
Huntingdonshire District Council

2

3

—
1 Eric Pickles opening the Alconbury Training Centre
2 Rebecca Britton with Kier's trainee at the Incubator
3 Groundwork skills programme

- With Groundwork and other local partners, Urban&Civic backed the Grassroots project, delivering bespoke support for the long term unemployed. The project was underpinned by £35,000 from the Local Enterprise Partnership's (LEP) Prize Challenge Fund, with matchfunding from Urban&Civic in start-up funding and office space. Grassroots aims to support those furthest away from the labour market with the backdrop of the 20 year development of Alconbury Weald seen as a real opportunity to engage and help people back into work. In nine months of operation, Grassroots is working with over 70 people and has already put 14 into work. 92 per cent of participants recently surveyed said with the help of Grassroots they had an improved chance of finding a job, voluntary work, training or an apprenticeship.

Working with business

- From day one, the Urban&Civic team have put themselves at the heart of the local business community, with a place on the local Chamber of Commerce Board, the Steering Group of the local Manufacturing Association, as founding partners of Cambridge Cleantech, as well as host members of the Cambridge Network.
- Our role with local businesses – and the trust and insight we have developed from working with them – has put us at the heart of developing a local skills strategy. Working with the Skills Funding Agency, the local enterprise partnership, local authorities and a range of business groups, the approach puts the Enterprise Campus as the focus of a long term skills action plan for the area. Our latest project involves planning skills needs for the future industrial landscape with Cambridge University's internationally renowned Institute for Manufacturing.
- The new Incubator building has become a central venue within the region for business meetings, events and seminars. So much so that we will shortly go to planning with a bigger business centre to meet the demand created. Among a busy schedule of business events, we host a series of construction and property network events, promoting the project and future contracts to local companies – including an online portal to register for contracts coming up. So far all major contracts have gone to Cambridgeshire-based companies including Kier (the Incubator), Breheny (the Boulevard, Phase 1 infrastucturing) and Jacksons (new entrances).

Find out more at:
— www.alconbury-weald.co.uk

“Being located at the Incubator means that the LEP has high quality meeting space available to run business events, hold high level meetings, welcome international visitors and even host Ministerial visits. This additional space is crucial to enable the LEP to effectively engage with businesses and other key players to help our economy grow.”

Neil Darwin
Interim Chief executive, Greater Cambridge Greater Peterborough Enterprise Partnership

— The Incubator

Opened early in 2014, the Incubator is the flagship building of Alconbury Enterprise Campus, setting the quality design and landscaping which is in the DNA of the Campus vision. Designed by Allford Hall Monaghan Morris, the Incubator drew influence from a number of watch tower features on the former airfield, combined with an aspiration to bring forward stunning, modern, light and open space for business innovation and collaboration.

The Incubator has already secured a British Council for Offices Award and was Regional Winner of Best Commercial Building by the Local Authority Building Control. It passed its most critical test though by filling up with tenants in under four months.

Now home to eight small businesses, including the Greater Cambridge Greater Peterborough Enterprise Partnership, the building is also used regularly for regional business events and seminars and hosts a number of business network meetings, including the Huntingdon Manufacturing Association, Cambridgeshire Chamber Construction Network and Hunts Business Network.

> “We set the tone for development with high quality first phase buildings, landscape and urbanism.”
>
> **Robin Butler**
> Managing Director

—
1 Communal space (ground floor)
2 Visit by Greg Clark and Michael Heseltine to the Enterprise Partnership
3 The Incubator and Boulevard


2

3

Construction statistics

- 670m³ of concrete was poured to form the structural frame together with a linear 1.3km of timber and cladding
- Overall 36,243 man hours were worked to deliver the Incubator, with no reportable accidents

Local supply chain

- Concrete frame, foundations, drainage and all the external paving: MJS, March, Cambs
- Mechanical install: Gowing & Hunt, Ely, Cambs
- Electrical install: Bloom & Wake, Upwell, Cambs
- Roofing: Voland Roofing, Cambridge
- Decorators: Topdec, Wisbech, Cambs
- Plastering and stud walls: SCL, Downham Market, Norfolk
- Carpentry and external timber cladding: Kier, Waterbeach, Cambs

Rugby

— **473 hectares/1,170 acres**
Predominantly brownfield

— **Ownership**
Joint Venture — 50 per cent Urban&Civic/
50 per cent Aviva Investors

— **Status**
Outline consent granted — May 2014

History
Established in the 1930s by the Post Office as the UK's long wave radio transmission centre, C-Station was ringed by a network of 800 ft. masts which allowed for global communication until decommissioned in the 1990s.

Consent
6,200 homes, three primary schools, one secondary school, 31 hectares of employment (B1/B2/B8), district and three local centres, a three GP surgery, 31,000 sq.ft. of community facilities, 205 hectares of informal open space, 24 hectares of formal open space and playing fields, a new link road and refurbishment of two listed buildings.

Key phase 1
52 hectares, 600 homes, one primary school, one to two retail units, eight hectares of employment, community facilities, and 20 hectares of sports facilities, parks and open spaces. Approved September 2014.

Reserved matters
Infrastructure – approved October 2014

First 120 homes – anticipated approval March 2015

Construction works
November 2014 onwards

Sale of serviced parcels
December 2015

Residential occupations
Early 2016

— We love planning

In May 2014, one of the largest single residential consents of this Parliament alongside Alconbury Weald was unanimously granted by Rugby Borough Council (RBC) for 6,200 dwellings on the former Rugby Radio Station site forming a Sustainable Urban Extension (SUE) to Rugby.

Unlocking potential

The SUE contributes over 60 per cent of RBC's planned housing growth, as established via a Core Strategy which reflected localism in action before the term became trendy. Alongside much needed housing, the SUE delivers integrated and well planned employment, community, education and retail uses as part of a sustainable community, as well as quality open spaces and habitats.

Since our selection by BT and Aviva Investors as preferred development partner in May 2013 Urban&Civic have worked hard with key stakeholders, including RBC, Warwickshire County Council, HCA and local groups, to address critical delivery issues to secure the holy grail of a commercially deliverable scheme with long lasting economic, social and environmental benefits for Rugby.

Following the emphatic resolution to grant, the consent was issued in just four months, an unprecedented achievement given the scale of development and complexity of issues involved. All parties took a solutions based approach which was underpinned by a robust open book viability assessment.

In conjunction with the adjacent expansion of the Daventry International Rail Freight Terminal (DIRFT), approved via Development Consent Order a few months later, the SUE constitutes a blue print for integrated housing development at scale, working effectively across multiple administrative boundaries and within the existing planning system. In recognition of this the SUE was shortlisted in the Housing Growth Category at this year's Planning Awards and by the Homes and Communities Agency for a £12 million loan from the second tranche of the Government's Local Infrastructure Fund.

Planning innovation

When appointed we inherited a stalled outline application which reflected a traditional approach to large site delivery. Via a process of discussion, collaborative working and restructuring, the innovative consent which has ultimately been approved both here and at Alconbury Weald represents a fresh approach to managing development of this scale by providing the appropriate level of information at the appropriate time.

The three 'tiered' model, enshrined within the bespoke conditions and obligations, has been instrumental in expediting the outline planning process and on-site delivery. It also provides transparency across a delivery period of 20 years+ and the ability to respond to changing circumstances without major revisions to the consent.

The additional tier avoids the need to second guess every eventuality and reduces the volume to be approved at the outline stage. Instead, it requires approval of detailed information, relative to the phase in question (each being defined as the development progresses), and ensures stakeholders continue to be meaningfully engaged in a flexible process. Our lawyers, Mills & Reeve, were justifiably awarded Planning Law firm of the year at this year's Planning Awards for their work on the Rugby consent.

THE PLANNING AWARDS
FINALIST 2014

Tier one

Outline planning permission
This secures the approval of the broad quantum and disposition of land uses across the site as a whole and creates the Development Framework for the proposed development. Further site wide principles are established through planning conditions and the s.106 identifies the obligations and manages them against a series of defined triggers.

Tier two

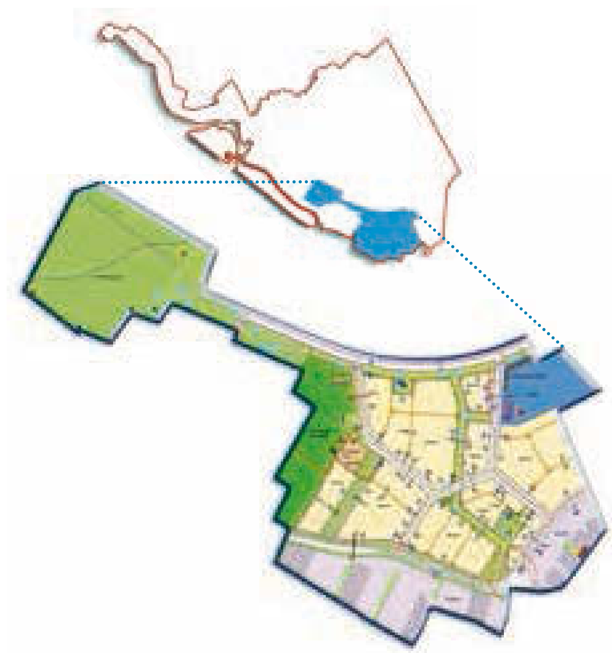
Key phase
Given that there is no site wide phasing plan, each Key Phase will be defined as it is brought forward. The location and uses within that Key Phase will be agreed in consultation with the Local Planning Authority following the scope established by Tier One.

Once defined a regulatory plan and design guide provide a clear framework for the next tier of detailed design. The s.106 and conditions then operate to draw down relevant requirements onto this area, such as schools, open space and affordable housing.

Tier three

Reserved matters
Once a Key Phase has been approved, detailed development proposals can be brought forward for infrastructure and residential/employment parcels within that Key Phase in accordance with the scope established by Tier One and Tier Two. Once these reserved matters have been approved development can commence. Obligations which bind these reserved matters areas, but which relate to wider issues, fall away upon either consent or occupation.

—
Development framework



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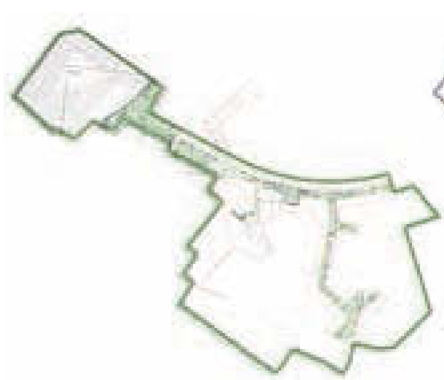
Regulatory plan



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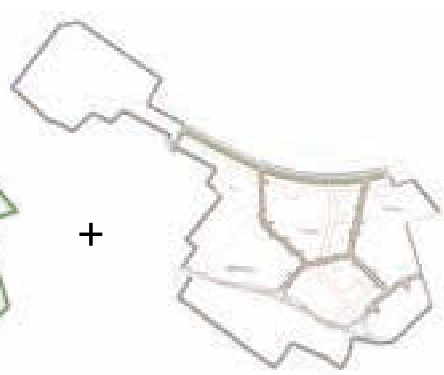

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Green infrastructure

—
Roads

—
Development parcels

— At the centre of things

1

As the birthplace of rugby and the location from which Great Britain broadcast to the world in the 1930s, Rugby and the Radio Station site have had global reach.

The site itself has multiple unique characteristics and achieving a careful balance of these has been key to unlocking this scale of housing growth and securing long term environmental, economic and social benefits. This has been facilitated through ongoing and realistic discussion with statutory consultees. In particular:

- the presence of great crested newts has required the retention of habitats within a bespoke network of connected wildlife corridors which will also provide informal amenity benefits and establish an attractive setting for development;
- on site heritage assets have also influenced the master plan – listed buildings converted to accommodate a mix of uses at the heart of a new district centre and areas of valuable ridge and furrow retained within a network of formal and informal open spaces; and
- significant investment in infrastructure through the delivery of a link road within the site facilitating a connection between the SUE, Rugby town centre and the railway station.

Involvement of the local community

Community and communication is at the heart of the SUE. Major consultation events including a design enquiry, exhibitions, stakeholder presentations and the dissemination of information through easily digestible publications have facilitated genuine public involvement.

With the appointment of Johanne Thomas, who will head up community and stakeholder engagement, community liaison will be maintained during delivery. We will also support community events especially as Rugby prepares to be a host city for the 2015 Rugby World Cup.

—
1 MacDonald Gill print from 1935 showing the global reach of the Rugby Radio Station. *Courtesy of BT Heritage Archives*

2 Site visit with Officers of Rugby Borough Council and Councillor Michael Stokes

“The Radio Station site is fundamental to the continued success of Rugby. Urban&Civic provided real impetus and direction to the planning process and it is tribute to their professionalism and attention to detail that the development enjoys widespread support. It was a real joy to see that enabling work has commenced on site and I look forward to 2015 when infrastructure and housing delivery begin in earnest.”

Councillor Michael Stokes
Leader of Rugby Borough Council

Waterbeach

- **290 hectares/716 acres**
  Predominantly brownfield
- **Ownership**
  Development managers for DIO with a right to draw down 35 per cent of the site for early delivery
- **Status**
  Emerging Local Plan designation within South Cambridgeshire District Plan

History

From a history of farmland next to the historic Denny Abbey, Waterbeach was secured as an airfield in 1939, opening in 1941 with concrete runways for the RAF's Bomber Command aircraft including Wellingtons, Stirlings and the iconic Lancaster.

During the War the base was most notably home to 514 Squadron and post-war became a fighter base for an array of developing early jets including the Meteor, Venoms, Javelin and the lauded Hunter. In 1966 the base passed to the Royal Engineers, principally under 39 Regiment who used the base to carry out realistic exercises in repair and reconstruction of airfields in simulated wartime conditions, as well as amphibious landings before being relocated with the closure of the base in 2013.

Planning

The emerging South Cambridgeshire District Council Local Plan proposes a new town of 8,000 to 9,000 dwellings and associated land uses on the former Waterbeach Barracks and additional land to the east and the north. The plan is currently being examined by an independent inspector appointed by the Government.

Delivery

Potential for significant scale of market rental product with early residential occupations anticipated from 2018.

— A commitment to quality from the outset

Determination and quality

In January 2014, the Defence Infrastructure Organisation went to the market to select a development manager for Waterbeach Barracks in Cambridgeshire. This was the first of four such former MOD sites that DIO tendered during 2014 and in our view represented an extremely rare opportunity to bring forward a major strategic site in an area of manifest housing shortage, which otherwise carries the evident risk of adverse impact upon employment growth in and around Cambridge town centre.

As anyone that has embarked on an OJEU procurement process will know, they are not for the faint hearted and require significant commitment and investment to win. Given that prize was Waterbeach Barracks it was also clear that the competition would be fierce and indeed it was.

Following submission of the pre-qualification questionnaire (PQQ) in February 2014 when interested parties set out their credentials, Urban&Civic were shortlisted alongside two joint submissions from Bovis/Lend Lease and Taylor Wimpey/Dorchester and invited to continue with the competitive dialogue process and submit final tenders following a precise form later in the year.

> “Waterbeach is only a ten minute cycle ride from Cambridge Science Park; the opportunity constitutes the equivalent of having the chance to develop a material proportion of Hampstead, three miles from London’s EC2 Tech City.”
>
> **Nigel Hugill**
> Chairman

Our normal inclination when approaching the development of a site is to actively consult with all key stakeholders but a procurement process operates in a much more insulated fashion. As such, whilst there were some discussions with officers from South Cambridgeshire District Council the proposals had to be developed based on our experience of comparable sites such as Alconbury Weald and Rugby combined with our local knowledge.

It was also essential to bring on board a first class consultant team under a clearly defined Urban&Civic structure so we appointed Fletcher Priest architects as masterplanning and design champion supported by MOLE and JTP, David Lock Associates on planning, PBA for transport and engineering and AECOM and Savills to provide cost and value rigour. Savill’s research team also worked with us to identify clear work and commuting patterns within Cambridge.

We collectively invested many hours into developing what we wanted to be an exceptionally strong visual, technical, legal and financial proposition which was ultimately bound into six carefully toned volumes and delivered to DIO in July.

The announcement by DIO of our selection was greeted by many cheers within Urban&Civic and across our team but we have quickly reverted to delivery mode and got stuck into our 100 day plan. Following our formal appointment we are actively engaging with all key stakeholders to test the views we came to during the bidding process and address local issues.

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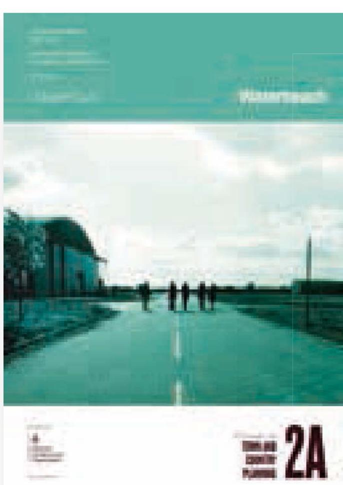

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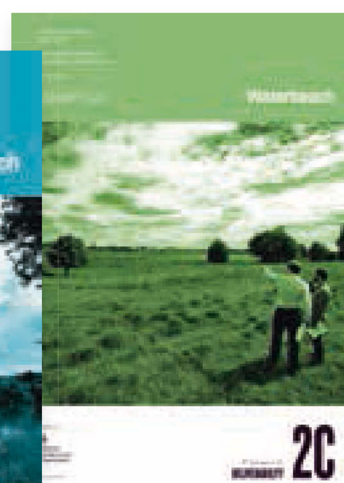

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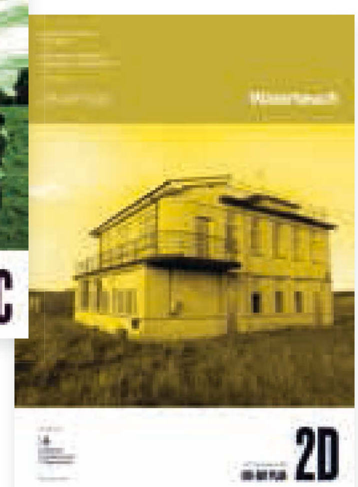

The master planning approach is being robustly appraised by the whole team in light of these discussions and broad public consultation will be undertaken in 2015.

We are also carrying out extensive surveys of the buildings and grounds within the barracks to identify short and long term uses as well as seeking to reopen parts of the site for early public use. The local plan process is at a key stage with the examination in public for both South Cambridgeshire District Council and Cambridge City Council occurring in parallel. We are actively engaged in that process working alongside the neighbouring land owners to support the identified site wide designation and then minimise future obstacles to delivery.

Our view of the potential significance of Waterbeach has not changed and, from the outset, underpinned our determination to be selected. A place in which generations of military personnel have lived happily on the edge of one of the most dynamic centres of learning and employment in the world. The location and nature are uniquely strong: rich lakeside settings, steeped in history, three miles from the world renowned science and technology parks of Cambridge and within easy cycling of the new North Cambridge and existing Waterbeach railway stations.

7

With the growing city of Cambridge on the doorstep, and huge demand for housing – including private rental and student accommodation – Waterbeach presents an opportunity to bring forward a unique offer of quality and setting to the local housing market. The cycle and walking links provide both easily accessible routes into Cambridge and great potential leisure networks towards the historic Denny Abbey and Wicken Fen: a European-scale environmental project which will restore hundreds of acres into an environmental tourism centre of excellence.

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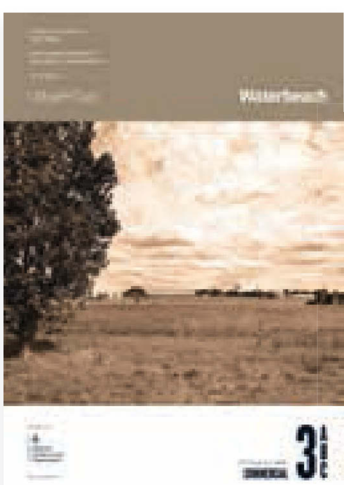
1-6 Urban&Civic's bid documentation

7 Aircraft hanger

8 Directions of strategic growth for Cambridge

5



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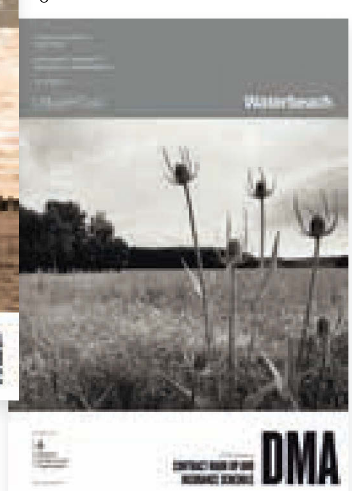

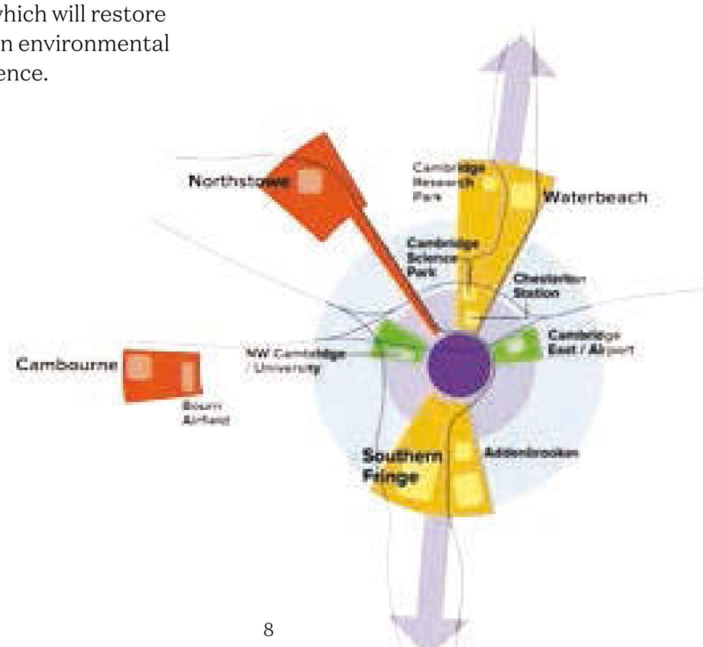

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Our vision for Waterbeach is a modern town serving Cambridge, imbued with the best qualities of South Cambridgeshire but distinctive of our age. A place that is nurtured, cultivated and that grows over time. A place that builds on the history, landscape and ecology of its setting.

— Waterbeach: a brownfield site, courtesy of the Royal Engineers

Working with history

The Waterbeach barracks site comprises 716 acres of land designated as 'previously used' or 'brownfield' which had been in continuous military occupation for over 70 years.

The history of the site provides a strong legacy to inform the initial masterplanning by Fletcher Priest. This is not only due to its key role as part of bomber command in the Second World War, but it's intriguing post-war history: both as a station for the developing designs of early jet fighters in the 1950s and 1960s, and as base for experimentation and training by the Royal Engineers.

Part of their key role was to develop approaches and provide training for the logistical support needed by the RAF and Army operating in hostile conditions and new areas of the World. Running trials with aircraft landing on additional and temporary runways, and breaking up and repairing existing structures was key to helping the military prepare for activity in Africa, the Caribbean and in Iraq and Afghanistan. Other projects included building their own 25 metre swimming pool and golf course – complete with bore hole and rainwater harvesting sprinkling system.

One of the key features of the site is a man-made lake – established to support training for amphibious landings, but also used locally for fishing, rowing and even as a backdrop for Firework Displays. The lake lies nestled within extensive woodland and provides an instantly attractive setting and a great starting point for the masterplanning process.

Understanding, nurturing and working with the heritage and environmental assets of large sites is part of any U&C dividend, enabling us to bring forward spaces which are cherished locally, recognised nationally and respected globally.

— Existing barracks

TERRACE HILL

COMMERCIAL PLATFORMS

“We are well placed to take advantage of new opportunities and have already established demonstrable platforms of quality from which to build.”

Philip Leech
Property Director

Roof terrace – Howick Place, London, SW1

— Evolution into new markets

> “We are leveraging our country wide presence and established relationships into winning new mandates, progressing existing sites and delivering dividend, not just for shareholders, but also for the local communities in which we work.”

Nigel Hugill
Chairman

The Terrace Hill commercial property development business continues to evolve into new markets as demand for additional out of town foodstores is seen to diminish. As anticipated, the two committed Sainsbury’s foodstores at Middlesbrough and Herne Bay may be the last large scale stores developed by the Group for some time. A new equilibrium is being established on smaller food units and at lower rents. Negotiations are continuing on a number of units but alternative use values have become a challenge.

The team has demonstrated a consistent ability for reinvention. The Group is correspondingly well placed to take advantage of new opportunities and has already established platforms of demonstrable quality from which to build. By way of example, occupier demand for town centre leisure schemes in areas bereft of a comprehensive offer is most certainly increasing. The development in Darlington is typical of this renaissance in leisure.

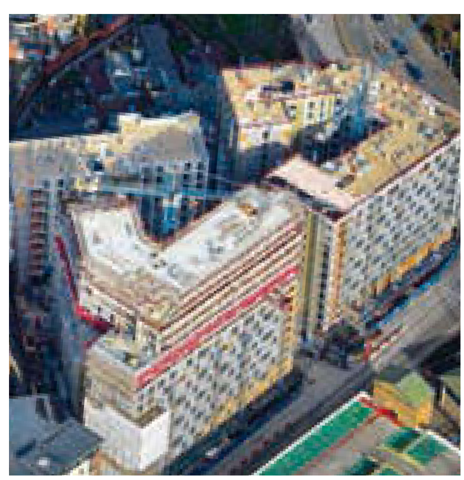
Utilising the Terrace Hill brand, Urban&Civic are developing a cinema led leisure complex in the heart of the town centre served for many years by nothing more than an old two screen cinema and ad hoc food and beverage outlets. The site was owned and promoted by the Local Authority on land previously zoned for retail development but where that demand is now weak.

It is clear that there are a number of similar situations in towns and cities across the country where Local Authorities see the opportunity to promote leisure schemes on previously failed retail sites and where the benefits of a more diversified town centre attraction can add to the vitality of the local economy. A similar scheme is planned for a site in the centre of Burnley and the Group is actively looking at a number of other sites with potential around the country, possibly also incorporating new student accommodation.

Regional city centre residential markets have shown a marked improvement in values and take up over the past year. The decision has been made to start the development a 59 apartment scheme overlooking the Floating Harbour in Bristol city centre. Again under the Terrace Hill name, the Group continues to look at other sites suitable for residential and mixed-use development in strengthening regional centres. Most will not match the scale of Manchester but the preference will always be to acquire such sites where value can be added through the planning process.

Competition in Central London remains such that it feels more comfortable to be selling than buying. The office and residential scheme at Howick Place in Victoria SW1 is now fully let; current marketing is anticipating an early New Year sale. Premium office rents are also expected following February 2015 completion of the 30,000 sq.ft. development at the corner of Savile Row and Conduit Street, W1 for which Terrace Hill has a management contract.


1



2

Foodstores

Middlesbrough: Construction has commenced on the 125,000 sq.ft. Gateway store let to Sainsbury's. Consent was obtained in February 2014 and funding discussions had been initiated by May. The remainder of the site is being developed as a drive through KFC, as well as selling land to Marston's for a family public house and a Costa Coffee outlet. The Sainsbury's and KFC units have been forward sold to clients of Osprey Equity Partners who are also providing development finance. The gross development value of £52 million reflects an equivalent yield of 4.75 per cent to the purchaser for a 25 year lease with RPI linked rent reviews.

Herne Bay: In October Canterbury City Council's planning committee unanimously resolved to grant planning permission for a 100,000 sq.ft. foodstore and an adjoining petrol filling station which have been pre-let to Sainsbury's. The proposals also involve investment to improve amenities and employment in the town via the draft s106 agreement and 33,000 sq.ft. of starter and small business units. The Secretary of State gave his clearance for the planning permission to be issued in December.

Consistent with the change in the grocery market and the retailers' demands, the Group is currently pursuing a number of smaller foodstore opportunities.

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1 Mayflower Halls, Southampton
2 Middlesbrough foodstore
3 Howick Place
4 Conduit Street/Savile Row, W1

Leisure

Darlington Feethams: Works have started on a 100,000 sq.ft. town centre leisure scheme comprising a nine screen multiplex let to Vue Cinemas and a 80 bedroom Premier Inn which anchor nine surrounding restaurants including Greene King (trading as Hungry Horse), Prezzos, Purple Pig, Chinese Buffet, Nandos and Bella Italia, with adjoining car parking. Development costs are expected to be approximately £17.9 million, which are being funded out of the Group's own resources. The project is programmed to open in time for the Easter holidays in 2016. The blended strength of the covenants is good and the yield on cost will be around 7.5 per cent.

Burnley: The proposed 43,000 sq.ft. development is similar in concept to the Feethams scheme in Darlington and will again include a multi-screen cinema and a selection of food and beverage outlets. The site is secured with the local authority owner. The tenant line-up is being assembled and a planning application prepared. As previously described, the Group is actively in the market for further additions to its leisure portfolio.

Student accommodation

Mayflower Halls: The 1,104 bed student accommodation scheme in Southampton was handed over for the start of the autumn term and all outstanding payments have been received under the lease arrangements with Legal & General. National demand is high for bespoke designed, good quality student housing. The success of Mayflower Halls for the University of Southampton creates a clear platform on which the enlarged business can build. The Group hope to announce the details of at least one further scheme in the next reporting period.

City centre residential development

Bridge Quay, Bristol: Planning consent was received earlier in the year for the conversion of the vacant office building, previously known as Bristol Bridge House, into 59 one and two bedroom apartments overlooking the Floating Harbour in Bristol City centre. The remarkable riverside views and close proximity to Bristol's main amenities, coupled with the high quality of the development's finishes justify an expectation for premium sale values. The site is in the balance sheet at £3.5 million and the cost of conversion is approximately £8.1 million. Total sales area equates to 48,000 sq.ft. Construction starts on the project in January 2015 with completion programmed for spring 2016. Current estimates are for average sales values of around £340 per sq.ft.

3

Central London development

Howick Place: Following strong recent letting activity, this prestigious 172,000 sq.ft. development in Victoria, London, SW1 now has a tenant profile that the exceptional quality merits, comprising: Giorgio Armani, Dong Energy, Informa and Edelman, with rents averaging £61 per square foot across the building. Marketing is now taking place, to include 23 adjoining private residential apartments totalling approximately 20,000 sq.ft. The extent of prevailing purchaser enquiries from home and overseas buyers is most encouraging.

Conduit Street/Savile Row, W1: Terrace Hill is development manager on a prime corner retail and office development, due for completion in early spring 2015. Strong interest is anticipated from office occupiers seeking space in a supply constrained market. The basement, ground floor and first floor retail space has already been pre-let in its entirety to Italian fashion house, DSQUARED2.

4

Mayflower Halls

— **1.3 acre site**
1,104 bed student accommodation for the University of Southampton

— **Ownership**
Joint venture between Osborne Development and Terrace Hill forward funded and sold to Legal & General

— **Status**
Handed over to the University of Southampton in September 2014 on a 38 year lease

History

Former derelict site adjacent to the Mayflower Theatre in Southampton city centre brought to the market by the University of Southampton via OJEU in May 2011. The site was subject to a full unexploded ordnance survey as the surrounding area had been heavily impacted by bombs during World War II.

Delivery

Planning consent for the 1,104 bed halls, within three blocks rising to 17 storeys over a basement car park, was granted by Southampton City Council in July 2012. The subsequent build programme took 23 months.

Building awards

The building scored an excellent 40 out of 50 from the Considerate Contractors Scheme and also achieved BREEAM rating of excellent via the inclusion of hot water and space heating supplied by the city's District Energy System, refuse recycling, green roofing, sustainable drainage systems, limited car parking (15 spaces only), 400 bicycle spaces and low energy lighting.

Building statistics

The flooring is enough to cover five football fields, the pipework laid end to end equates to a marathon and the twin earth and electric cable would cover the distance between Southampton and Brighton.

Student occupation

September 2014

— Eight new buildings in the centre of Manchester – an exceptionally strong proposition

In December Urban&Civic exchanged contracts with Morgan Stanley Real Estate Funds for the purchase of two prime sites (one freehold and one long leasehold) aggregating almost three acres in the centre of Manchester, for a total purchase consideration of £22.45 million. The contract contains no overage provisions, nor residual participations.

Deansgate

The Deansgate site is 1.9 acres bounded by Deansgate, the River Irwell and Harvey Nichols department store. It is occupied currently by a 203 bed Marriott Renaissance hotel subject to a management contract expiring November 2017 with current net operating income estimated at approximately £1 million per annum, vacant offices and a 399 space car park sublet to Manchester City Council at nil rent. The Group is purchasing a leasehold interest with 90 years unexpired from the City Council at a fixed rent of £800 per annum. The Council has expressed a previous willingness to extend the lease at a premium to enable suitable redevelopment of the site. Preliminary designs provide for up to 600 new apartments in four separate blocks, a new 200 bedroom hotel, 300 space basement car park with associated retail and food offers to provide animated street level frontages. The estimated total development value at current prices is of the order of £225 million. Construction is likely to take place over a three year period to commence from 2018: all designs will provide for phased development.

Princess Street

The Princess Street site comprises 1 acre on the corner of Princess Street and Whitworth Street, equidistant between Manchester Piccadilly and Oxford Road railway stations in a predominantly residential environment and close to the principal university facilities. The site is freehold and vacant with a previously constructed but unused 300 space basement car park. Preliminary designs provide for retention of the existing car park and the construction of some combination of 240 new apartments or 270 student units and a 165 bedroom hotel in three separate blocks. Total development value is estimated in the order of £75 million. Again development can be fully phased, most likely over a three year period commencing 2016/17.

Deansgate

Princess Street

Manchester Location Plan sourced using David Lock Associates' Google licence agreement for aerial photographs

Site preparations –
Feethams, Darlington

STEPPED ASSET GROWTH

"These opening results are operationally strong and the profile of the balance sheet provides clear demonstration of what we are looking to achieve by locking in optionality through early stage project identification."

Nigel Hugill
Chairman

Jon Austen
— Group Finance Director and Company Secretary

Highlights

— This is my first report since the Listing in May 2014 when Urban&Civic reversed into Terrace Hill, raised £170 million through an institutional placing and was admitted to the standard listing segment of the Official List and to trading on the London Stock Exchange.

— The Listing has transformed the enlarged Urban&Civic Group, with IFRS NAV increasing from £20.7 million to £335.1 million. At 30 September 2014 the Group has £162.8 million of cash at bank and no bank borrowings.

Introduction

KPIs

The Group considers the following to be its key performance indicators:

EPRA NAV – the Group considers EPRA NAV per ordinary share and changes in such value to be the most important indicator of the Group's performance. The EPRA NAV includes the fair value of all the Group's assets and liabilities. Under IFRS, the Group cannot reflect in its financial statements the fair value of its trading properties, which are carried in the financial statements at the lower of cost and net realisable value. Most analysts and shareholders compare the performance of property companies using EPRA NAV and this indicator is therefore of considerable importance to us.

As set out on page 63, the EPRA NAV at 30 September 2014 and 31 December 2013 was £350.8 million (249.7p per share) and £20.7 million (227.9p per share) respectively.

Total Shareholder Return – whilst the movement of the Company's share price is not something that is directly under its control, the return to our shareholders is of great importance to them and so it is to us as well. The share price at 30 September 2014 was 233.5p, reflecting a 3.8 per cent increase over the placing price.

Listing and fund raising

On 28 April 2014, the Company announced the reverse and placing whereby it would acquire Urban&Civic Holdings S.à.r.l. for new shares, change its name to Urban&Civic plc, consolidate its shares on the basis of one for ten, raise £170 million, be admitted to the Official List and start trading on the London Stock Exchange. The consideration for the acquisition of Urban&Civic Holdings S.à.r.l. was satisfied by the issue of 43,084,456 new ordinary shares which valued the Urban&Civic Group at approximately £95.7 million. As the shareholders of Urban&Civic Holdings S.à.r.l. held more ordinary shares in the enlarged Group than the existing Terrace Hill shareholders, the transaction has been accounted for as a reverse acquisition, in accordance with IFRS 3 'Business Combinations' (revised) with the Terrace Hill group treated as the acquiree. The fair value of the consideration for reverse acquisition accounting purposes amounts to £57.1 million and is based on the 212 million (pre-consolidation) shares in issue valued at 26.75p per share, which was the closing share price on 21 May 2014, together with the fair value of outstanding share options and less the fair value of own shares held at that date.

The assets and liabilities of the acquiree group have been fair valued, in accordance with IFRS 3 'Business Combinations' (revised). A note explaining the determination of the fair values is included in note 2 of the consolidated financial statements.

The goodwill arising on the acquisition has been calculated as follows:

	£m
Fair value of the consideration given	57.1
Fair value of the net assets acquired	56.6
Goodwill arising	0.5

Group revenue

£23.2m

Proposed dividend per share

1.5p

EPRA NAV per share

249.7p

Group operating profit

£16.3m

Joint venture profit

£11.3m

The Directors have considered the incidental amount of resultant goodwill arising on acquisition and have concluded that it should be immediately written off in the consolidated statement of comprehensive income in the period.

The Company raised £170 million of new capital in a placing as part of the Listing and a further £1.5 million from an employee offer, which after placing and other transaction expenses amount to net proceeds of £162.5 million. Directors and staff invested £4.3 million. A total of £6.3 million of the costs of the acquisition and Listing have been charged to the share premium account with the balance of £2.8 million expensed in the period in the consolidated statement of comprehensive income.

Consolidated statement of comprehensive income

The consolidated statement of comprehensive income includes the results of the Urban&Civic Group for the nine months from 1 January 2014 (the Urban&Civic Group previously had a year end of 31 December) and of the Terrace Hill group for the period from the date of acquisition of 22 May 2014 to 30 September 2014. The consolidated statement of comprehensive income is therefore not representative of what this statement is expected to look like on a 12 month basis. The comparative figures represent the 12 months' results of the Urban&Civic Group, excluding the Terrace Hill group, and therefore comparison with the current period results is not considered meaningful.

A commentary on all significant line items is set out below:

Revenue

Revenue for the period includes £19.0 million in respect of the Sainsbury's foodstore development at Middlesbrough, which was forward sold during the period, and the amount recognised reflects the progress on the project at 30 September 2014. A further £0.7 million was recognised in respect of the Southampton student accommodation scheme which concluded during the period. Rental income for the period includes £1.6 million in relation to the Alconbury site, and £0.6 million in relation to commercial office assets in Teesside and London. Project management and other fees amounted to £0.7 million, which includes £0.5 million relating to the disposal of the Maidenhead office property.

Direct costs

Direct costs include £15.9 million relating to the Sainsbury's foodstore development mentioned above, £0.2 million relating to the Southampton student accommodation scheme and £1.0 million directly related to the rental income for the period. £1.1 million of income relating to the Maidenhead office disposal was netted off direct costs as it represented the reversal of an amount previously written off.

Administrative expenses

Administrative costs of £8.0 million were incurred in the period, of which £2.8 million relates directly to the acquisition and Listing and £0.5 million relates to the impairment of goodwill, which arose on the acquisition of the Terrace Hill group, as noted earlier.

Surplus on revaluation of investment properties

The Group has recognised a £5.9 million increase in revaluation of its investment properties, predominately represented by Alconbury.

CBRE's valuation of Alconbury including both the investment and trading element has increased from £101.0 million at 31 December 2013 to £119.0 million at 30 September 2014. The principal reasons for the increase in value of this asset were:

- Government grant of £5.0 million that will directly reduce our costs by the same amount;
- Uplift of £1.8 million in relation to Grange Farm expansion land;
- Additions of £5.1 million (including capitalised interest and overheads);
- Other market movements of £6.1 million.

The Group has recognised £5.9 million of the £12.9 million valuation uplift through the consolidated statement of comprehensive income and the remaining £7.0 million is attributable to the element included within trading properties which is an adjustment for EPRA purposes.

Share of post-tax profit of joint ventures

The Group has recognised £11.3 million representing its share of the post-tax profits of joint ventures. This represents our share of results of the Rugby joint venture, which increased in value from £55.0 million at 31 December 2013 to £60.0 million at 30 September 2014. The Group has agreed to purchase its 50 per cent share in this asset for £16.7 million.

> "The Company raised £170 million of new capital as part of the Listing and a further £1.5 million from an employee offer. All together, Directors and staff invested £4.3 million."

Consolidated statement of comprehensive income continued

Net finance income

The amount of £2.9 million of net finance income includes £3.2 million relating to the early repayment of certain bank loans at a discount.

Taxation expense

The tax charge for the period of £4.2 million includes a movement in deferred tax in respect of the revaluation on Alconbury of £1.1 million and Rugby of £2.3 million, together with other movements of £0.8 million. The fair value of the deferred tax asset at acquisition has reduced from £11.1 million to a net deferred tax asset position of £7.0 million at 30 September 2014.

Dividend

The enlarged Group plans to pay its maiden dividend during the first quarter of 2015 at the rate of 1.5p per share, representing 0.67 per cent of the placing share price and amounting to a payment of £2.1 million. This dividend represents a final dividend for the period to 30 September 2014. The equivalent for a full year would have been 2.5p per share, which is intended to establish a base for the 12 months to 30 September 2015. The intention is to establish a progressively increasing dividend payment as the Group grows its income base. The dividend will, subject to shareholder approval at the Annual General Meeting, be paid to shareholders on the register on 6 February 2015 with a payment date of 20 February 2015.

Consolidated balance sheet

Non-current assets

Investment properties

The Group's principal property assets at 30 September 2014 were its 100 per cent interest in Alconbury and its 50 per cent share in the Rugby site.

The Alconbury site has been valued by CBRE at 30 September 2014 at £119.0 million. The Group has decided in principle that it intends to hold part of the asset as a long term investment and to develop and sell the remainder. The element that the Group intends to retain as a long term investment comprises commercial land and 25 per cent of the residential land (representing the affordable and potential PRS land). This has been valued by CBRE at £62.9 million and is included in investment properties in the balance sheet. Also included in this category of the balance sheet is the investment in the leisure scheme at Darlington.

Investment in equity accounted joint ventures and associates

The Group's investment in its 50 per cent share of the Rugby site has been included in the balance sheet at £13.6 million, which represents its share of the external valuation of the site of £60.0 million less amounts due to complete the transaction to acquire the site. The Group also includes here its investment in a joint venture that owns a strategic land site in Scotland.

Other investment

The Group's minority equity interest in the entity that owns the office investment at Howick Place, London is included in the balance sheet at a fair value of £5.4 million.

Deferred tax assets

The Group has recognised an asset of £8.3 million in respect of the Group's tax losses which are expected to be capable of utilisation against future profits of the Group. As noted above, the fair value of the deferred tax asset at the date of acquisition of the Terrace Hill group was £11.1 million, which has reduced due to the utilisation of tax losses to shelter gains that have arisen in the subsequent period.

Current assets

Trading properties

The element of the Alconbury site that the Group intends to develop and sell has been valued by CBRE at £56.1 million, which is £7.0 million above its £49.1 million carrying value in the balance sheet. The increase in value cannot be reflected in the accounts but is included as a fair value adjustment in arriving at the EPRA NAV. Trading properties also include £15.3 million in respect of the Group's commercial development sites and £12.8 million in respect of other strategic land sites. All trading properties are carried in the balance sheet at the lower of cost (or acquisition date fair value) and net realisable value.

Trading and other receivables

Trading and other receivables are largely represented by £6.5 million recoverable under contracts, principally in respect of the Sainsbury's foodstore at Middlesbrough, £2.7 million of other receivables and £2.4 million of prepayments and accrued income.

Cash

Cash balances of £162.8 million were held at the period end, reflecting the net placing and employee offer share proceeds of £162.5 million offset by expenditure in the period and augmented by final amounts due on the Southampton student accommodation development and amounts received on the forward funding of the Sainsbury's foodstore development at Middlesbrough. The Group has chosen security over investment returns for the safe keeping of its cash deposits and carried out a comprehensive review of various banks' creditworthiness before depositing any cash with them. No single bank has a deposit of greater than £25 million and only banks with a long-term Standard and Poor's credit rating (or equivalent) of A- or greater have been used. Varying terms and deposit amounts are used to maximise returns within these constraints and match deposit maturities to expected usage.

Non-current liabilities

Borrowings

The Group has taken advantage of certain banks' willingness to accept discounted payments in return for early settlement of bank loans. On 22 May 2014 the Group had bank loans totalling £25.4 million from four banks, all of which have been repaid, with two banks accepting discounts amounting to £3.2 million as part of their settlement. At 31 December 2013, borrowings represented Preferred Equity Certificates (PECs) of the Urban&Civic Group which were exchanged for ordinary shares as part of the Listing.

Deferred tax liabilities

The deferred tax liability at 30 September 2014 largely reflects deferred tax on the valuation uplift reflected on the Group's interest in the site at Rugby.

Current liabilities

Trade and other payables include £3.1 million of trade and sundry creditors, £6.8 million of accruals and £1.3 million of deferred income.

Other liabilities represent a contingent liability that was acquired as part of the acquisition of the Terrace Hill group. The contingent liability relates to a potential tax liability.

Equity attributable to equity holders of the parent

The movements in equity attributable to equity holders of the parent are set out in detail in the consolidated statement of changes in equity on page 110.

EPRA Net Asset Value

The EPRA NAV of the Group has been determined as follows:

	£'000	Number of ordinary shares '000	Pence per ordinary share
Net Asset Value (NAV)	**335,062**	**140,497**	**238.5p**
Revaluation of property held as current assets	14,440		
Deferred tax liability	1,296		
EPRA NAV	**350,798**	**140,497**	**249.7p**
Deferred tax	(6,999)		
EPRA NNNAV	**343,799**	**140,497**	**244.7p**

Financial resources and capital management

The Group had no external borrowings at 30 September 2014 and, as noted above, £162.8 million of cash balances representing the proceeds from the capital raising during the period, adjusted by trading since 22 May 2014. The Group expects to utilise the cash balances to execute its strategy of continuing to develop its strategic land and commercial development properties over the coming years. The Group expects to obtain external borrowings to augment its cash resources on a conservative basis and maintains strong relationships with a number of banks with whom it will expect to do business in the future. The Group currently has no undrawn bank facilities in place, as it believes that it will be able to put in place suitable facilities when required and that this is a more efficient use of its resources than paying commitment fees. The Group monitors bank lending and interest rate markets closely. The Group maintains a detailed 24 month cash forecast which it uses to predict its usage of its cash balances on a project by project basis.

Jon Austen
Group Finance Director
22 December 2014

1 Mayflower Halls, Southampton


Alconbury
Weald
Security

UNDERSTANDING RISK

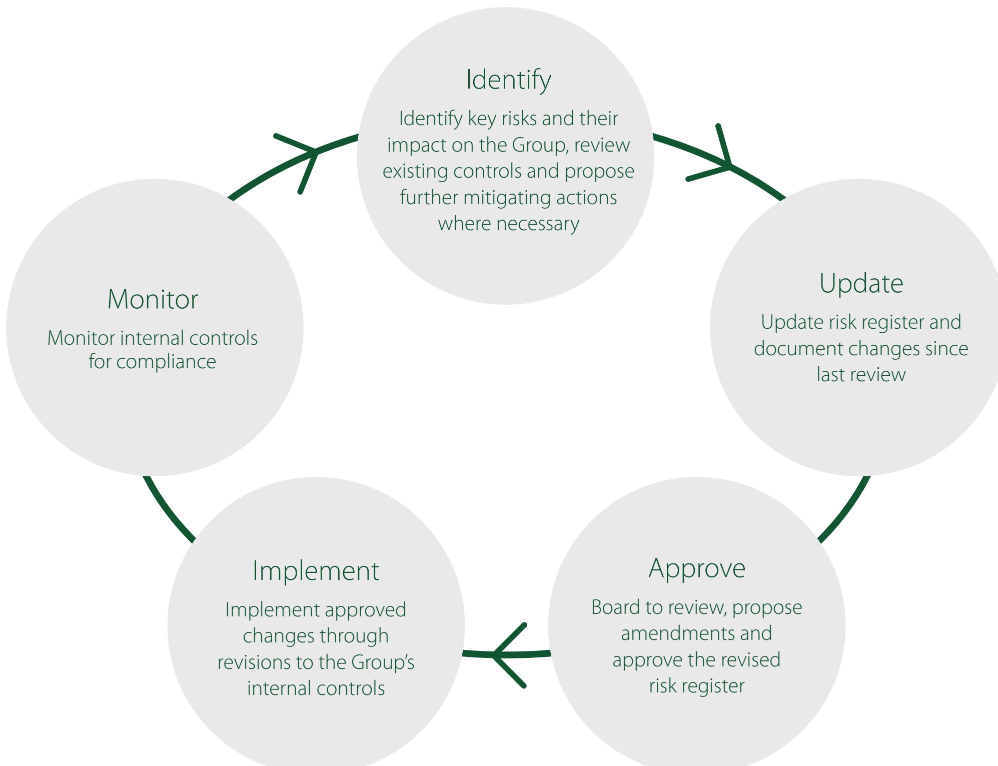
"The Board seeks to deliver enhanced shareholder returns at a considered level of risk. You can only do this if you understand absolutely the risks you face and are pathological about their management."

Nigel Hugill
Chairman

The Board has ultimate responsibility for risk management across the Group, although responsibility rests with the Audit committee and a Risk committee for design, implementation and maintenance of mitigating internal controls. The Risk committee comprises the Finance Director and members of the senior management team, who also provide invaluable timely insight to areas where the Group faces a changing risk profile. The Risk committee formally reports to the Board bi-annually, although due to the Group's flat organisational structure more regular informal assessments and feedback occur.

A key component in the Group's risk management process is the maintenance of a risk register.

The risk register is used to design, communicate and monitor internal controls that result in an operational environment that the Board believes produces shareholder returns at an acceptable level of risk. The current risk register identifies 14 risks, the most significant of which are shown on the following pages.



Description of risk	Impact of risk	Mitigating controls and procedures	Activity in period
CORPORATE – Strategic risk			
Implementing a strategy and/or development programme which is inconsistent with the market environment, skillset and experience of the business	An inconsistent approach could devalue the Group's property portfolio and consequently reduce total shareholder return	• The Group annually approves a business plan and produces rolling long-term cash flow forecasts with detailed sensitivity analysis. These are reviewed against the Group's KPIs and revised where necessary • Board meetings are held at two monthly intervals to reconsider or update strategy and review progress against objectives • For property assets under development, detailed budgets are prepared and approved by the Board, costs are monitored and remedial actions are identified and approved where necessary • Material capital commitments, which have not been approved in the Group business plan, require additional Board approval	• The last business plan was approved at the time of the transaction in May 2014 • The most recent Board meeting was held in November 2014

Description of risk	Impact of risk	Mitigating controls and procedures	Activity in period
CORPORATE – Reputational risk			
The Group's reputation could be damaged through adverse publicity, inappropriate actions by Board members or employees, or inaccurate media coverage	Total shareholder return is the most likely metric that could be affected should the Group's reputation be tarnished	• The Board processes are designed to ensure strategies and projects are carried out with a view to maintaining and enhancing the Group's reputation • The Group takes advice on regulatory compliance • Public relations employees and advisers monitor and respond to media comment • External announcements are ultimately approved by the Chairman • The Group produces a staff handbook that sets out the expected code of conduct by employees	• The Group continues to employ investor and public relations specialists and retains the services of an external public relations agency
CORPORATE – Market and economic risk			
Adverse changes in market conditions and the economic environment increase the risk of a decline in development returns and property valuations	Reduced mortgage availability may ultimately lead to reduced demand for land and new properties Higher interest rates, a potential precursor to falling demand, may result in softening investment yields, which would lead to falling property valuations	• Regional focus and local knowledge in areas with strong underlying economics (such as job creation) mitigate the impact of market and economic shocks • Prior to investment, detailed due diligence and financial appraisals are rigorously carried out using historic, current and forecast market data. The appraisals are also flexed to establish the financial outcome on a downside-case basis • Business plan and rolling long-term cash flow forecasts with detailed sensitivity analysis	• Clearly identified target investment areas within the UK • Sensitised business plan and cash flow forecasts are produced • Actual results reported on a quarterly basis
CORPORATE – Market and economic risk			
Non-performance of key joint venture partners	The collapse or non-performance of a joint venture partner could result in financial loss for the Group	• The Group undertakes detailed counterparty due diligence prior to entering into any joint venture arrangements • External high quality legal teams are used to put in place secure, yet workable, legal arrangements • Periodic monitoring of financial reports is undertaken	• This approach was recently implemented with Aviva Investors in relation to the Group's investment in Rugby
CORPORATE – Market and economic risk			
Paucity of new business opportunities	Failure to identify sufficient or appropriate pipeline opportunities could materially impact the Group's performance and consequently shareholder return	• The Group is geographically diverse and employs or engages advisers with strong local connections, which leads to a diverse range of business opportunities being reviewed • Long-dated projects ensure continuity of returns over the medium term (assuming a functioning market) • Collaboration with joint venture partners is embraced by the Group	• The Chairman's statement highlights a number of projects that have been sourced through the approach set out herein

Description of risk	Impact of risk	Mitigating controls and procedures	Activity in period
CORPORATE – Property valuations			
Property valuations are inherently subjective due to the individual nature of each property and there is no assurance that the property valuations will be reflected in actual transaction prices or that the estimated yields, sales prices or annual rental income will prove attainable	Volatility or inaccurate estimates in property valuations may result in unexpected movements in the statement of comprehensive income or EPRA measures	• Independent external valuers are used to value all significant investment property assets bi-annually • With respect to significant development assets, Director valuations are sense checked by market metrics sourced internally and/or from independent valuations	• All strategic land interests, which account for 74 per cent of the Group's property carrying values in accordance with EPRA guidelines, have been externally valued by CBRE Limited • Director valuations for all other significant property interests have been sense checked
CORPORATE – Personnel			
Overreliance on key people or inability to attract people with appropriate qualities and skills	Overreliance on key people makes the Group vulnerable should those key employees leave Replacement of key personnel could be costly and/or time consuming if the Group's working environment is not attractive	• The Group offers a competitive remuneration package which includes both short and long-term incentives • Short reporting lines and delegated authority ensure staff feel they are contributing to the success of the Group • The flat hierarchy results in knowledge sharing amongst a number of individuals	• Employees generally work on a number of projects across the Group and are not dedicated to one particular site • No employees left the Group in the period under review
DEVELOPMENT – Health and safety			
The significance, complexity and extent of the Group's development operations require the Group to have a health and safety focus	Poor procedures and adherence to health and safety legislation not only increase the risk of a major incident, but also expose the Group to construction delays and financial penalties	• Contractors engaged by the Group must be compliant with legislation • Appropriate insurance cover is carried by either the Group or its contractors	• No reportable incidents or significant insurance claims were made in the period under review
DEVELOPMENT – Planning			
The Group operates in a complex and changing planning environment	Non-compliant or contested applications or changes to the planning system that are non-favourable to the Group's operations could limit or delay the Group's ability to secure viable permissions, which could adversely impact shareholder returns	• The Group employs highly qualified and experienced staff who are dedicated to gaining planning consents • The Group engages in rigorous public consultation • High quality professional advisers are used throughout the planning process • The Group's local office network ensures it has direct knowledge of local planning authorities and consultants to invest in projects matching local needs	• Processes in place have facilitated a Group entity securing planning consents for over 19 million sq.ft. of development over the last 12 months

Description of risk	Impact of risk	Mitigating controls and procedures	Activity in period
DEVELOPMENT – Construction delivery delays			
Ineffective delivery and procurement processes would most likely lead to delays, reduced build quality and cost pressures	Delays in procurement and delivery increase the Group's exposure to variations in cost, build quality, penalties and the uncertainties in the wider economy, all of which could adversely impact on total shareholder returns	• The Group has internalised development and project management teams • Well defined and rigorous tender processes are employed • Project delivery is closely monitored through the supervision of the developments' professional teams and strong, regular cost reporting	• The Group has developed all projects within the review period on time and within budget, with no financial penalties
DEVELOPMENT – Investment and development appraisals			
Inaccurate or inadequate assessment of development and/or investment opportunities or schemes	Financial outcomes of developments or investments can be impacted where inadequate or erroneous due diligence or appraisals have been relied upon. This, for example, could be the result of poor estimation of costs, cost inflation or overestimation of sales values	• Fixed price contracts are used where appropriate • Close supervision of trusted suppliers and professionals takes place • Projects from acquisition to completion are closely monitored by the Board • Significant assumptions are market tested	• The Group has developed all projects within the review period on time and within budget, with no financial penalties
DEVELOPMENT – Environment			
Failure to comply with legislation, identify environmental issues in respect of owned or to be acquired sites, or meet stakeholder requirements or expectations	Failure to manage environmental issues on the Group's strategic land sites or commercial property holdings could result in financial penalties or reputational damage	• The Group's employees are up to date with both legislation and customer requirements • Appropriate environmental surveys and due diligence are undertaken for the Group's current or proposed property holdings • The Group uses specialist environmental consultants where applicable • Warranties are sought from consultants and contractors • Commercial developments are expected to achieve a minimum BREEAM rating of 'very good'	• Environmental surveys on all strategic land holdings have been undertaken within the last 12 months
DEVELOPMENT – Liquidity			
Failure to provide sufficient cash resources at the appropriate time to meet Group obligations or take advantage of investment opportunities	If the Group is not in a position to act swiftly with regards to an investment opportunity, shareholder returns could be adversely impacted Failure to meet obligations could result in penalties or in a worst case scenario situations where going concern could become an issue	• The Group maintains a rolling, stress-tested cash flow forecast as a key management tool to ensure funds are available when required • The in-house treasury team has forged key banking relationships, who are periodically updated on the Group's operational progress	• There have been no significant penalties or interest charges for late payment in the period

SUPPORTING COMMUNITIES

“U&C’s reputation for crafting great places with strong communities at the heart, is what attracted me to join the business. The value they place on stakeholder engagement and local relationships makes them stand out in the market as instinctive investors in social capital as well as strategic sites.”

Johanne Thomas
Formerly communications manager for the Midlands division of the Homes & Communities Agency

Huntingdon
Girls' Cricket Club

Urban&Civic's attitude is always to "do things right". This philosophy transcends our business from the Board to the broom closet and fundamentally underpins our destination of being a best in class property company that delivers a tangible dividend.

The Board adopts a holistic approach to monitoring performance which focuses on the interaction of the following four levers on environmental improvement, upskilling and innovation.

DELIVERY

- Stakeholder engagement
- Job creation
- Efficient design
- Recycling
- Considerate contractors
- Transport

OPERATIONS

- Travel
- Energy conservation
- Health and safety

EMPLOYMENT

- Retention and training
- Human rights
- Rights and respect

COMMUNITY

- Staff engagement
- Community projects
- Charitable donations

DELIVERY

The Group's activities predominantly focus on the regeneration of brownfield sites, whose use is no longer serving the needs of local businesses or communities. Urban&Civic seek to create vibrant developments that are embraced by the people that use, own them as well as the communities that surround them. The Group's achieves this through:

Stakeholder engagement

An ongoing process, which helps to identify stakeholder concerns, resolve technical issues and enhances the design process. Engagement occurs frequently throughout the development and delivery timeline and takes a number of forms including informal discussions, formal consultation and regulatory procedures, such as environmental studies.

Guiding principles for stakeholder engagement:

- all technical and survey data can be tested against the everyday experience of people – ensuring it is robust and trusted
- plans develop which complement the local environment, social and economic character of the area
- local companies and communities have a sense of engagement and opportunity from the development: maximising economic and social gain across the local geography and enabling early uses and links between existing and new communities
- the plans can address core concerns expressed by local communities, respond to them, engage them in developing solutions and build a broad consensus of support

Page 18
How we deliver

Job creation

A significant ingredient of building successful communities is providing jobs, training and opportunities throughout delivery and use. The effects of job creation, upskilling and leveraged investment are not only wealth based but integral to the shared legacy of partnering for the long term.

Page 34
Alconbury – Skills & jobs dividend

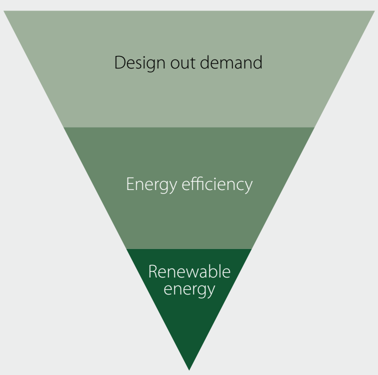
Efficient design

The Group aims to produce development plans and designs which result in sustainable buildings that are energy efficient, constructed from sustainable materials using sustainable process and techniques, easy to maintain and produce minimal waste. The Group's approach is entrenched throughout the design, procurement and delivery phases, by its hands on approach.

Guiding principles for efficient design of strategic sites:

Urban&Civic is committed to delivering market-leading low-carbon developments which transcend the prevailing measurements of efficiency throughout their lifetime by:

- putting spatial and design guidance from the Zero Carbon Hub at the heart of site-wide delivery to both reduce and make efficient use of energy
- delivering buildings to carbon efficiency standards ahead of Building Regulations in force
- striving to achieve 100 per cent low to zero carbon energy generation on site across the lifetime of the development driven by demand



Page 54
Mayflower Halls

Page 37
The Incubator

Recycling

Not only do Urban&Civic's projects look to rejuvenate derelict or unloved land and buildings, but they also seek to reuse existing materials and resources where possible.

To date 39 out of 44 buildings earmarked for demolition within the Enterprise Zone at Alconbury, have been raised to the ground and 20,000 sq.m. out of 50,000 sq.m. of hard standing has been removed. The concrete and masonry resulting from this demolition has been or is in the process of being recycled to produce 18,000 sq.m. of stone, which will be used in the infrastructure works for the first phase.

At the height of the demolition and hard standing removal, two crushers, five 30-tonne dumper trucks, 12 rotating grabs (for processing demolition materials into waste streams) and 16 excavators were on site. So far the development at Alconbury has reprocessed 96 per cent of demolition waste for reuse.

Page 7
Real benefits

Considerate contractors

All of the Group's contractors used in the period have been members of the Considerate Constructors Scheme, which helps to minimise disruption to our neighbours during the building phase. We also ensure, through our ongoing community liaison, that local residents and stakeholders are kept informed about the work programme and have a point of contact should they have any concerns.

Transport

Urban&Civic invests early to reduce car usage and carbon footprint in relation to any of its developments, by maximising rail, bus, cycleway and footpath connectivity. Green travel plans seek to push the boundaries and future proof schemes to accommodate emerging technologies.

OPERATIONS

Urban&Civic not only demands efficiency from its development activities, but is also committed to applying equal rigour to Group operations:

Travel

Business travel procedures are documented, communicated to all staff and subject to authorisation protocols in order to ensure journeys are only undertaken when absolutely necessary. All employees have access to the ride to work scheme and currently around 18 per cent of staff commute by bicycle.

Energy conservation

The Group's office buildings all have a waste recycling contracts, use energy efficient lighting and have policies that encourage employees to conserve energy (such as electronic document storage). As part of the Group's drive to improve energy consumption an ongoing programme to capture and analyse emissions data is under development, however for the first time an exercise has been undertaken to quantify the emissions that Urban&Civic is operationally responsible for as a result of the Group's direct activities:

Emissions source	Reporting period CO_2e tonnes
Combustion of fuel and operation of facilities	48
Electricity, heat and cooling purchased for own use	493
Total	**541**
Financial turnover (excluding recoverable property expenses)	**£23.0m**
Intensity ratio: CO_2e tonnes/turnover £m	**23.5**

OPERATIONS continued

Energy conservation continued

All reported CO_2 emissions have been from sources identified in Companies Act 2006 (Strategic Report and Directors' reports) Regulation 2013. These sources fall within the Group's consolidated financial statements and encompass the Urban&Civic group for the period from 1 January 2014 to 30 September 2014 and Terrace Hill group for the period from 22 May 2014 to 30 September 2014.

The following methodologies have been used to calculate the emissions detailed above:

- The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised edition).
- The Department of Environment, Food and Rural Affairs (DEFRA) Environmental Reporting Guideline (2013).
- The Department of Environment, Food and Rural Affairs (DEFRA) Carbon Conversion Factors 2014.

No emissions data has been included in the table on page 73 where Urban&Civic has an interest in property or operations, but does not have operational control. Consequently tenant consumption and certain joint ventures have been omitted from the presented analysis. The sites that were considered to be controlled operationally by Urban&Civic included all offices occupied by the Group, as well as Alconbury.

Health and safety

The Board takes its responsibility to safeguard the health and safety of its employees and the public seriously. Urban&Civic's documented policies are subject to periodic review (by an independent advisor) and are communicated to all staff, clearly allocating responsibilities for health and safety matters to named individuals. Additional training in the period has taken the form of awareness training (to ensure employees have a working knowledge of the Group's health and safety policies), fire training and first aid courses.

The Group's operations strictly adhere to all relevant statutory provisions and risk assessments are undertaken to augment written policies and to ensure the Group's development activities and operations are undertaken safely.

Urban&Civic's performance in the period has been:

Reportable incidents	—
Fatalities	—
Prosecutions, fines and notices	—
Incidents requiring first aid	5

EMPLOYMENT

Retention and training

Urban&Civic's financial success is interwoven with the Group's ability to recruit, motivate and retain the very best staff. Urban&Civic's operations greatly benefit from long term continuity and post-merger we have recruited additional staff to support our community liaison, project management and development management capabilities.

Whilst benchmarked salaries and goal focused bonuses and incentive schemes are an essential part of staff incentivisation, regular appraisal, staff training and internal promotion are considered vital too. The Group has promoted staff internally in the period and a number have also completed or are undergoing training paid for by the Group.

Urban&Civic are content with the steps taken to date post-merger, however it has an expectation to improve employment arrangements over the next 12 months.

The Group's average length of service for current employees, including Terrace Hill group employees is as follows:

	Total number of staff	Average length of service (years)
Property	18	8.9
Finance	11	6.8
Administration	6	5.5
Total	**35**	**7.7**

Human rights

The Group does not have a formal human rights policy, but does have processes and protocols that adhere to internationally proclaimed principles on human rights. The Group will continue to monitor the need for more formal policies to augment existing processes and protocols.

Rights and respect

Urban&Civic does not seek to meet any particular targets when making new appointments, but does recognise the benefit of having a well-diversified workforce. Gender diversification within the Group is set out below.

All staff

Male (29)
Female (12)

Directors

Male (9)
Female (1)

COMMUNITY

No one can deliver change by themselves. Being part of the community is an essential part of how we do business and what we want our business to do.

Staff engagement

The Board actively encourage our team to engage outside of the office in community, professional and charitable activities. Not only does this disseminate skills and enthusiasm across a broad base but it also nurtures insight and experience. These activities range from chairing the Royal Shakespeare Company to being a parish councillor.

Urban&Civic's staff collectively spend an average of one day per week on non-Group, community focused activities.

Page 70
Supporting communities

Community projects

As a business we also prioritise community projects ahead of actual on site delivery as we recognise that development will bring great change but that existing communities should not be left out. At Alconbury we worked with the Stukeleys Parish Council to deliver a new community allotment on land which we then transferred to the parish council.

Staff engagement

The project involved a number of our team but was championed by our junior surveyor Tom Baker who consequently now knows a lot about allotments.

The Hunts 10k run was held at Alconbury on 15 June, not only providing a great event for seasoned runners, but also an opportunity to support and fundraise for many local charities. The race saw more than 800 people run a variety of distances, from the 1k Fun Run to the full 10K, raising over £60,000.

The race is organised by a team from the Huntingdon 10k Charitable Trust, a group which aims to improve the health and wellbeing of local people in Cambridgeshire, and Urban&Civic is delighted it has been able to lend its support to the event for a fifth consecutive year.

Charitable donations

Whilst Urban&Civic's charitable donations are generally aligned with its business strategy, staff are also encouraged to contribute their time to charitable activity. During the year several staff undertook physical challenges for a number of charities that were often pertinent to them individually although the increasing preponderance of facial hair during November does not have its foundations in charity.

Page 99
Charitable donations

The strategic report was approved on behalf of the Board by:

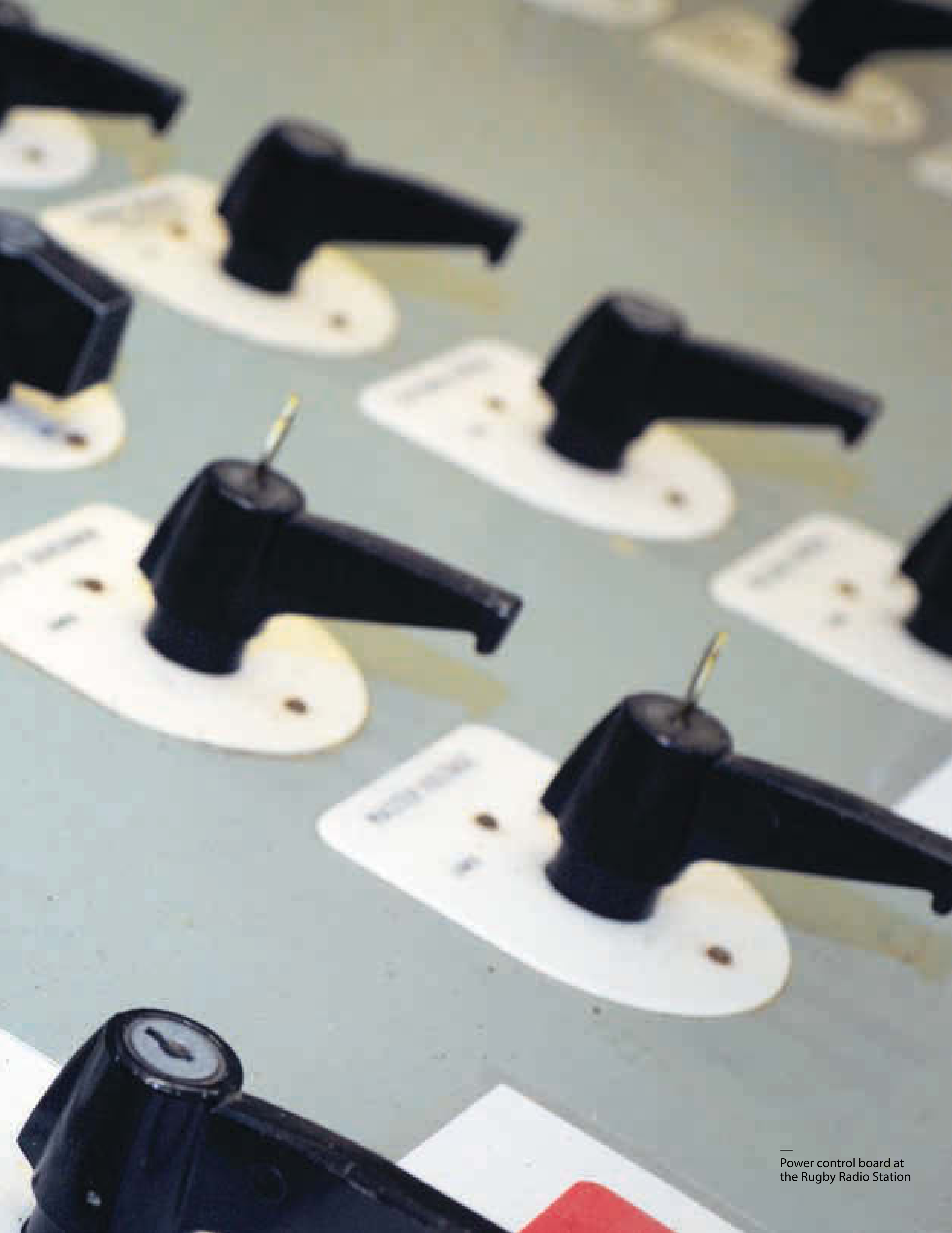
Jon Austen
Group Finance Director
and Company Secretary
22 December 2014

"We are absolutely thrilled with the allotments, which look fantastic and will be a valued resource for generations of residents. It has been great to see the partnership effort that has gone into the project: from the expertise and design of the engineers and landscapers working on Alconbury Weald, to Trevor Marks who has built it to such a high standard. We're all just keen to get in and get planting!"

Sue Parkin
Chairman of the
Stukeleys Parish Council

1 Allotment handover – Stukeleys Parish Council

Governance



Power control board at the Rugby Radio Station

WE BELIEVE FULLY IN THE BENEFITS OF ROBUST CORPORATE GOVERNANCE AND HAVE FORMED A STRONG BOARD INCLUDING FOUR INDEPENDENT NON-EXECUTIVE DIRECTORS, STEEPED IN INDUSTRY EXPERIENCE.

The Company was admitted to the Official List and to trading on the London Stock Exchange on 22 May 2014. Prior to that the Company had been listed on AIM and had put in place a corporate governance regime that was appropriate to its status at that time.

The Company is currently on the standard listing segment of the Official List and as such does not have to comply with the UK Corporate Governance Code (the "Code") published by the Financial Reporting Council in September 2012. Nevertheless, the Board believes in strong corporate governance and therefore decided as a matter of principle to comply with the principles and provisions of the Code and has sought to put in place practices to enable full compliance.

This report sets out the Group's principal governance policies and practices and explains how it complies with the provisions of the Code.

Leadership

Chairman

Nigel Hugill, who was joint founder of Urban&Civic Limited, is executive Chairman of the Group and, as such, is responsible for the leadership of the Board and ensuring its overall effectiveness. The Code requires that on appointment, the new Chairman should meet the independence criteria set out in provision B.1.1. Nigel Hugill does not meet those criteria and therefore the Group does not comply with this provision of the Code. The Group discussed the Board structure and appointments with shareholders and its advisers in the lead-up to the transaction and received positive feedback on the Board structure and believes that the current structure is in the best interests of shareholders.

Managing Director

Robin Butler is Managing Director of the Group and has worked with Nigel Hugill for many years. Robin Butler's role as Managing Director is distinct from that of the Chairman.

Non-executive Directors

The Group appointed four new non-executive Directors on Listing, Alan Dickinson, Duncan Hunter, June Barnes and Mark Tagliaferri, of whom three are considered independent. Alan Dickinson is the nominated senior independent non-executive Director. Duncan Hunter and June Barnes are considered to be independent and Mark Tagliaferri represents GI Partners, which is the Group's largest shareholder, and is therefore not considered to be independent. Robert Dyson has served as a non-executive Director for seven years and is considered independent. Robert Adair was previously executive Chairman of the Group and upon Listing became a non-executive Director and Deputy Chairman of the Group. He is not considered to be independent. The Group therefore has six non-executive Directors, of whom four are considered to be independent. The non-executive Directors have met at least once in the period since the Listing without the executive Directors present.

Responsibilities across the governance framework

The Board

The Board is collectively responsible to the shareholders for the good governance, objective risk assessment and effective leadership required to deliver upon the Group's objectives.

Board Committees

Specific review and oversight committees

Audit committee

The Audit committee will consider the appointment and fees of the external auditors and discuss the scope of the audit and its findings. The committee will also be responsible for monitoring compliance with accounting and legal requirements and for reviewing the annual and interim financial statements.

Members:
Duncan Hunter (Chairman)
June Barnes
Alan Dickinson
Robert Dyson

Nomination committee

The Nomination committee will review the structure, size and composition (including the balance of skills, knowledge and experience) of the enlarged Board and its committees, and review succession planning for the enlarged Board.

Members:
Alan Dickinson (Chairman)
June Barnes
Mark Tagliaferri

Remuneration committee

The Remuneration committee will consider and approve the remuneration and benefits of the Directors of the Company.

Members:
Robert Dyson (Chairman)
Duncan Hunter
Mark Tagliaferri

Attendance at Board and committee meetings during the period

The Board has met four times since the Listing up until the time of signing this report. The Audit committee has met formally three times since Listing and the Remuneration committee has met once formally. Given the recent Listing of the Group and formation of the Board, the Nomination committee has not met in the period since Listing but expects to meet at least twice every calendar year. The first meeting of the Nomination committee is scheduled for January 2015. Non-committee members of the Board are invited to attend all other committee meetings as a matter of course. The attendance record of the Directors at the scheduled Board and committee meetings is shown in the table below.

	Full Board	Audit committee	Remuneration committee
Chairman			
Nigel Hugill	●●●●	—	—
Executive Directors			
Robin Butler	●●●●	—	—
Philip Leech	●●●●	—	—
Jon Austen	●●●●	—	—
Non-executive Directors			
Robert Adair	●●●●	—	—
June Barnes[1,3]	●●●●	●●○	—
Alan Dickinson[1,3]	●●●○	●●○	—
Robert Dyson[1,2]	●●●●	●●●	●
Duncan Hunter[1,2]	●●●●	●●●	●
Mark Tagliaferri[2,3]	●●●●	—	●

1. Member of Audit committee (Chairman – Duncan Hunter.
2. Member of Remuneration committee (Chairman – Robert Dyson).
3. Member of Nomination committee (Chairman – Alan Dickinson).

Key:
● Attended ○ Didn't attend — Not applicable

Effectiveness

Composition of the Board

The Code requires that the Board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the Group to enable them to discharge their respective duties and responsibilities effectively. In the Board's view, the composition of the Board has an appropriate balance of skills, independence and knowledge of the Group as required by the Code.

Appointments to the Board

The current Board was put in place in the lead up to the Listing. The executive Directors were the key executives of the predecessor companies and were appointed on merit. The non-executive Directors were selected and appointed following a rigorous procedure with leading shareholders consulted.

Commitment

Executive Directors are required to devote substantially all of their working time to their responsibilities as members of the Board, although certain outside directorships are allowed. The non-executive Directors confirmed at the time of their appointment that they had sufficient time to meet what is expected of them as non-executive Directors of the Group and their other significant commitments were disclosed to the Board before their respective appointments.

Development

All Directors have received induction on joining the Board and have been given specific updates on particular areas of the Group's operations.

Information and support

Board papers are provided to all Directors on a timely basis and in a form and of a quality to enable them to discharge their duties. Directors are free to seek any further information they may require in the performance of their duties.

Evaluation

The Board intends to carry out an annual evaluation of its own performance and that of its committees and individual Directors. An evaluation has not occurred since the Listing.

Re-election

Notwithstanding that the Company is not in the FTSE 350, all Directors will be subject to annual election by shareholders.

Accountability

Financial and business reporting

The Board receives comprehensive papers and memoranda in sufficient time to allow proper consideration before all meetings.

Risk management and internal control

The Board is responsible for establishing and maintaining the Group's system of internal controls and risk management. An analysis of the Group's principal risks, their potential impact, areas of mitigation and activity in the period is set out on pages 66 to 69.

The system of internal controls is designed to limit risk through identification and mitigation controls, although it should be noted that no system can eliminate risks and can only provide reasonable and not absolute assurance against material misstatement or loss.

The executive Directors and senior management will meet annually to review the risks facing the business and the controls in place to minimise those risks. The risk register and profile so produced will be submitted to the Audit committee annually to assess the effectiveness of the process and to report any recommendations for improvement to the Board.

The Board has considered the appropriateness of establishing an internal audit function and, having regard to the relatively straightforward nature of the Group's operations and the likely cost of such a function, has concluded that it is not appropriate to the Group at this stage.

Audit Committee and Auditors

Duncan Hunter, who is Chairman of the Audit committee, is a former partner of J P Morgan Cazenove, Alan Dickinson is a member of the Audit committee and is considered to have recent and relevant financial experience through his experience as a member of the audit committees at Nationwide Building Society and Lloyds Banking Group and as Chairman of the Risk committee at Nationwide Building Society.

The terms of reference of the Audit committee are available on the Group's website.

The report of the Chairman of the Audit committee is on page 84.

Remuneration

This information is contained in the directors' remuneration report on pages 87 to 98.

Relations with shareholders

Communication with shareholders is given a very high priority and the Group undertakes a regular dialogue with major shareholders. Alan Dickinson, as senior independent non-executive Director, and Duncan Hunter are specifically mandated to speak to our investors and be a conduit to the Board whereby shareholders' views can be expressed.

During the four months since the Listing, the Group has held 44 meetings with its largest shareholders, analysts and potential shareholders and has arranged a number of property tours which were well attended. Feedback from these meetings, presentations and tours is received from the Company's brokers.

The Group's website is an important source of information for shareholders and presentations made to analysts are made available on the website, as soon as practicable after they have been made. All regulatory announcements made by the Company are maintained on the website which also contains all other material information including historic reports and share price information.

The Company will give shareholders at least 20 working days' notice of the AGM and details of the resolutions to be proposed can be found in the notice of meeting. Details of the number of proxy votes for, against and withheld for each resolution will be disclosed at the meeting and posted on the website.

Find out more at:

— www.urbanandcivic.com/investor_relations

Report and accounts

The Board has considered the Group's report and accounts and, taking account of the recommendations of the Audit committee, is satisfied that, taken as a whole, it is fair, balanced and understandable and provides the necessary information for shareholders to assess the Group's performance, business model and strategy.

Jon Austen

Group Finance Director and Company Secretary

22 December 2014

Nigel Hugill

Philip Leech

Robert Adair

Robin Butler

Jon Austen

Nigel Hugill
— Chairman

Nigel was a founding Director and executive Chairman of Urban&Civic Limited. He has held numerous senior positions within the property and regeneration industry over a career spanning 30 years, including serving as special policy adviser to Sir Bob Kerslake at the Homes and Communities Agency. He was chief executive officer of Chelsfield plc from 1992 to 2005 and executive chairman of Lend Lease Europe from 2005 to 2008, having joined the company through the joint acquisition of the residential developer Crosby. Nigel is also chairman of the respected urban think tank, Centre for Cities and the Royal Shakespeare Company.

Robin Butler
— Managing Director

Robin co-founded Urban&Civic Limited with Nigel Hugill in 2009 as managing director. He joined Elliott Bernerd in 1985 and in 1986 became a founding director of Chelsfield plc, where he was involved in regeneration projects of metropolitan scale and international significance, including Paddington Basin, White City (now Westfield) and Stratford City in London. He joined Lend Lease Europe in 2005 and was appointed chief executive in 2006. Robin is also on the board of the Royal Academy of Music.

Philip Leech
— Property Director

Philip, chief executive of Terrace Hill since 2005, joined Terrace Hill in 1993 and established and ran the North East office from 1994. He has been personally responsible for large parts of Terrace Hill's regional development portfolio for the past 20 years. Philip will continue to lead the enlarged Group's commercial development activities.

Jon Austen
— Group Finance Director and Company Secretary

Jon was the finance director of Terrace Hill, a position he held since joining in 2008. He previously served as chief financial officer at Arlington Securities Limited and Pricoa Property Investment Management, and joined Terrace Hill from Goodman Property Investors. Jon has been working in the property industry for over 20 years.

Robert Adair
— Deputy Chairman and non-executive Director

After graduating in geology from Oxford University, Robert Adair qualified as a Chartered Accountant and then specialised in oil and gas taxation. Robert founded Terrace Hill in 1986. Robert is chairman of Petroceltic International plc. He also holds directorships in a number of other private companies.

Mark Tagliaferri

Robert Dyson

June Barnes

Duncan Hunter

Alan Dickinson

Alan Dickinson
— Senior independent non-executive Director

Alan has spent more than 45 years in banking, originally joining the Royal Bank of Scotland in 1973, having started his career with Westminster Bank in 1968. A former chief executive of RBS UK, he is an experienced retail and corporate banker with a strong strategic focus and considerable experience of the corporate world and the impact of current and past economic cycles upon markets and market participants. He is also a non-executive director of Lloyds Banking Group and Willis Limited, chairman of Brown Shipley & Co Limited, a governor of the charity Motability, honorary treasurer of Surrey County Cricket Club and formerly a non-executive director of Nationwide Building Society.

Robert Dyson
— Independent non-executive Director

Bob is a Chartered Surveyor and former chairman of the North West region of property advisers JLL, from where he retired at the end of 2013. He joined the property profession in 1970 and after periods in nationalised industry and the public sector entered private practice, from where he has dealt with all aspects of residential and commercial property. Over the past 25 years Bob specialised in investment, development and large scale mixed-use regeneration schemes. He has held a number of non-executive positions in finance and property organisations including Manchester Building Society.

June Barnes
— Independent non-executive Director

June left the East Thames Group after serving as group chief executive for 15 years. She trained as a town planner and is also a member of the Chartered Institute of Housing. June is currently a board member of the Institute of Sustainability and sits on the London Mayor's Design Adviser Group. She has served on a number of boards and working groups over the years concerned with the built environment and poverty and was chair of the London Sustainable Development Commission from 2005 to 2008 and more recently vice chair of the National Housing Federation.

Duncan Hunter
— Independent non-executive Director

On leaving Oxford with a DPhil, Duncan joined Cazenove & Co in 1974, becoming a partner in 1981.

As a managing director in the successor business, JPMorgan Cazenove, he led some of the firm's largest financial advisory mandates for M&A and equity offerings.

On retiring from JPMorgan Cazenove, he joined EQL Capital as executive Chairman in January 2008.

Mark Tagliaferri
— Non-executive Director

Mark heads the London office of GI Partners. Prior to joining the firm, he spent six years with Nomura, after which he served as a senior partner at Terra Firma Capital Partners. At Nomura and Terra Firma, Mark assisted in the investment and oversight of approximately $3 billion of equity capital invested in European businesses and properties. Previously, he was founder and chief executive of Dawnay Day Corporate Finance, which was ranked in the top five UK mergers and acquisitions boutiques during his tenure. His early career was with Deloitte & Touche, where he finished as head of its London M&A Advisory Practice.

Duncan Hunter
— Chairman of the Audit committee

The existing Audit committee was formed on Listing. It is chaired by Duncan Hunter and the other members are Alan Dickinson, Robert Dyson and June Barnes. Further details of these Directors can be found on page 82. The terms of reference of the Audit committee can be found on the Group's website.

Meetings

The committee has met three times since Listing, with all meetings aligned to the Group's financial reporting timetable. A record of attendance of those meetings is shown on page 80 of the Report and accounts. In addition to the committee members, standing invitations are in place for all Board members to attend the committee meetings, in order that non-committee members' views and input can be obtained.

Financial reporting and significant judgements

The significant areas of judgement considered by the committee and assessed with the external auditors during the period were as follows:

Valuation of investment properties and carrying value of trading properties

The majority by value of the Group's investment properties were externally valued by independent property valuers at the period end. Property valuations are inherently subjective and require significant judgement. The Chairman of the committee together with the external auditors met with the external valuers without management present to discuss the period end valuations to assess the integrity of the valuation process. The key judgements applied to individual valuations were considered and discussed. The largest assets that were valued, Alconbury Weald and Rugby, required the use of a discounted cash flow model given the scale of the assets and the length of time over which the assets will be realised. The committee considered the key inputs to the discounted cash flow model, namely the timing of cash inflows, the assumed profit required by housebuilders and the discount rate, and concluded that the assumptions applied to the valuations were appropriate.

Activities during the period since Listing

The committee has undertaken a variety of significant activities in the period. In summary, the committee:

- reviewed the Group's interim financial statements for the six months to 31 March 2014;
- considered the key accounting treatments and significant accounting judgement areas at the audit planning meeting in respect of the Group's accounts for the nine month period to 30 September 2014. The previous committee considered the same in respect of the Group's interim accounts for the six month period to 31 March 2014. The Committee focused its attention on the key risk areas which included:
  - the valuation of investment and carrying value of trading properties;
  - reverse acquisition accounting, including the assessment of fair values of the assets and liabilities of the Terrace Hill Group and the fair value of the consideration;
  - revenue recognition policies ; and
  - the potential for management override.
- met the independent property valuers to discuss the valuations at 30 September 2014 on a property by property basis;
- reviewed the audited financial statements and preliminary announcement of the Group for the nine month period to 30 September 2014, including consideration of key accounting issues and areas of significant judgement and review of and discussion with the external auditors of their report to the Audit committee on the Group accounts for the nine month period to 30 September 2014 ; and
- made recommendations to the Board regarding the commencement of the payment of dividends.

Acquisition accounting

During the period the Company acquired Urban&Civic Holdings S.à.r.l. and its subsidiaries and, due to the relative shareholdings post the acquisition, this has been accounted for as a reverse acquisition under IFRS 3 "Business Combinations" (revised). The accounting was complex and required a number of significant judgements, such as the fair value of the separable assets and liabilities of the acquiree, the fair value of the consideration paid and the treatment of the resultant goodwill arising on acquisition. The committee discussed the acquisition accounting at length with the external auditors and concluded that the accounting had been carried out correctly and that the fair values that were determined were fair and reasonable.

Revenue recognition

The committee considered the accounting for the income recognised on forward sale development contracts, which are required to be treated in accordance with IFRIC 15. This standard requires, inter alia, management to assess the percentage of completion of a project, which therefore involves management judgement. The committee reviewed the accounting for the Gateway, Teesside contract and agreed with the assumptions used and the resultant accounting treatment.

Complex property transactions

Property purchases and sales are usually unique transactions with each having their own peculiarities, which requires management to exercise their judgement in considering the appropriate accounting treatment. In the period under review, the committee considered the sale of the Gateway, Teesside foodstore and the contractual arrangements under which the Rugby site will be acquired. Having considered these and discussed with management and the external auditors, the committee agreed with the accounting treatment.

Assessment of the effectiveness and independence of the external auditor

BDO LLP (or its predecessor firm) has been Terrace Hill's auditor since 2002. The auditor of the Urban&Civic Group up until the Listing in May 2014 was KPMG LLP. The Board, having consulted with the Audit committee, decided to continue with BDO LLP as the external auditor for the enlarged Group. The Audit committee has reviewed the effectiveness of the auditor and whether the agreed audit plan has been fulfilled. The Audit committee also considered the audit plan's robustness and the degree to which BDO LLP was able to assess key accounting and audit judgements and the content of the audit clearance report issued by them. This was carried out through both informal and formal meetings with the auditors. The Audit committee concluded that both the audit and audit process were effective.

Prior to the Listing BDO LLP acted as tax advisers to the Urban&Civic Group and fees paid to them for such services are disclosed in these accounts on page 120 as part of the wider corporate finance services that were provided. Following the Listing in May, the Group has concluded that it will cease using BDO LLP as tax advisers. BDO LLP will now only carry out audit or audit related work for the Group, plus minor amounts of non-audit work if the Group concluded that the most appropriate advice in respect of a particular matter was available from BDO LLP. In these cases where the Group wants to use BDO LLP to conduct any significant non-audit work, the Audit committee will approve such an appointment.

Duncan Hunter
Chairman of the Audit committee
22 December 2014

Alan Dickinson
— Chairman of the Nomination committee

In accordance with the UK Corporate Governance Code, the role of the Nomination Committee, and my primary responsibility as its Chairman, is to ensure that the Company is headed by an effective Board which is collectively responsible for the long-term success of the Company. Alongside me, the Committee comprises June Barnes and Mark Tagliaferri. June Barnes and I are independent non-executive Directors and the terms of reference of the Nomination committee can be found on the Company's website.

Board appointments

Appointments to the Board are made on merit against objective criteria and with due regard for the benefits of diversity on the Board, including gender. The Nomination committee leads the process for Board appointments and makes recommendations to the Board.

The Board supports the Davies Report recommendations to promote greater female Board representation and will give it full consideration when considering new appointments to the Board while remaining of the view that the overriding policy is that selection should be based on the best person for the role. The Board does not have a specific representation target for women at Board level at this time.

Neither an external search consultancy nor open advertising was used in the appointment of a Chairman or a non-executive Director in the period covered by this report. The appointment of both the Chairman and the non-executive Directors was subject to discussion with shareholders and advisers in the lead-up to the transaction and positive feedback was received on the structure.

Meetings in the period

The composition of the Board was agreed in the lead-up to the Listing in May 2014. As a consequence, the Nomination committee has not met in the period since then but intends to meet at least twice during 2015, in accordance with its terms of reference.

Board performance and evaluation

As noted above, the composition of the current Board was agreed in the lead-up to the Listing in May 2014 and each Director was appointed on merit. It is the intention of the Board to undertake an evaluation of the Board, its committees and individual Directors on an annual basis.

Directors' re-election

The Board believes that the requirements of Code Provision B.7.1 of the UK Corporate Governance Code should be fulfilled, notwithstanding that the Company is not in the FTSE 350. This provision requires all Directors of such companies to be subject to annual election by shareholders and the Board has chosen to comply with this provision as it accepts that shareholders should have the right to vote on each Director's re-election to the Board on an annual basis.

At the Annual General Meeting to be held on 11 February 2015 the following resolutions relating to the appointment of Directors are proposed:

- the re-election of Nigel Hugill as executive Chairman;
- the re-election of Robin Butler, Philip Leech and Jon Austen as executive Directors;
- the re-election of Robert Adair, June Barnes, Alan Dickinson, Robert Dyson, Duncan Hunter and Mark Tagliaferri as non-executive Directors.

The Nomination committee confirms to shareholders that these Directors continue to be effective and demonstrate commitment to their roles.

I trust shareholders will support the committee and vote in favour of these resolutions.

Alan Dickinson
Chairman of the Nomination committee
22 December 2014

Chairman's introduction

Robert Dyson
— Chairman of the Remuneration committee

Dear shareholder

This has been an eventful year which has seen the combination of Urban&Civic Holdings S.à.r.l. with Terrace Hill Group plc and the admission of our shares to the Official List. These two events have impacted on how we report remuneration.

Firstly, our admission to the Official List means that we are now subject to the reporting requirements for fully listed companies. As a result the directors' remuneration report has been split into three sections, namely:

- this annual statement: summarising and explaining the major decisions on, and any substantial changes to, Directors' remuneration in the period;
- the directors' remuneration policy report: which subject to shareholder approval sets out the basis of remuneration for the Group's Directors from the 2015 AGM onwards; and
- the annual report on remuneration: which sets out the remuneration earned by the Group's Directors, together with how the policy will be implemented in the 2014/15 financial year.

The directors' remuneration policy will be subject to a binding shareholder vote and the annual report on remuneration will be subject to an advisory shareholder vote at the forthcoming AGM. In future, the directors' remuneration policy will be subject to a binding vote every three years (sooner if changes to the policy are proposed) and the annual report on remuneration will be subject to an annual advisory vote.

Secondly, the combination of Urban&Civic Holdings S.à.r.l. with the Terrace Hill Group plc has added some complication to the disclosure of remuneration for Directors. In short, the disclosure of remuneration for any Director depends on whether that Director was previously employed by Terrace Hill Group plc or by Urban&Civic Holdings S.à.r.l. Remuneration shown for former directors of Terrace Hill Group plc for 2013/14 represents amounts received for services rendered as directors of Terrace Hill Group plc during the period prior to the combination (1 October 2013 to 21 May 2014) plus the amounts received for services rendered as Directors of Urban&Civic plc during the period following the combination (22 May 2014 to 30 September 2014). Remuneration shown for other Directors represents amounts received for services rendered as Directors of Urban&Civic plc during the period following the combination (22 May 2014 to 30 September 2014).

However, this is clearly a temporary issue and remuneration disclosed in next year's annual report on remuneration will represent remuneration received for services rendered to the Group over the 12 month period from 1 October 2014 to 30 September 2015.

Performance and reward in 2013/14

The Group has reported a total comprehensive income for the period of £15.0 million and IFRS net assets of £335.1 million and EPRA net assets of £350.8 million at 30 September 2014. However, performance share awards made in 2012 reached the end of their performance period on 30 September 2014 and did not achieve the required level of performance and have lapsed. No other performance share awards vested during the period. The Remuneration committee has determined a bonus award for the executive Directors for the period ended 30 September 2014 of 50 per cent of their maximum achievable, adjusted to reflect an approximate four month period since Listing on the Official List.

Chairman's introduction continued

The year ahead

Following the Company's Listing in May, the Remuneration committee took the opportunity to align senior executive remuneration arrangements with market practice. As such, no changes to the policy are envisaged for the year ending 30 September 2015. No base salary increases will occur, the pension provision will continue to be set at 15 per cent of salary and incentive pay will be capped at 175 per cent of base salary in respect of the annual bonus and 200 per cent of salary in respect of long-term incentives. Payouts under both the short and long-term arrangements will be subject to stretching pre-set performance targets and maintained share price growth.

In addition, the Remuneration committee has also taken this opportunity to adopt those areas of best practice which aim to increase the alignment between shareholders and executives. As such, we have introduced a shareholding requirement for our executive Directors to hold 200 per cent of their base salary in the Company's shares, a deferral element for future annual bonuses, and a two year post-vesting holding period.

The committee unanimously recommends that shareholders vote to approve the directors' remuneration policy and the annual report on remuneration.

On behalf of the Board

Robert Dyson
Chairman of the Remuneration committee
22 December 2014

Directors' remuneration policy report

Introduction and overview

The Group's remuneration policy is designed to provide competitive rewards for its Directors, taking into account the performance of the Group and individual executives, together with comparisons of pay conditions throughout the markets in which the Group operates. It is the aim of the committee to attract, retain and motivate high calibre individuals with a competitive remuneration package. It is common practice in the industry for total remuneration for executive Directors to be significantly influenced by bonuses and long-term incentives.

The remuneration packages are constructed to provide a balance between fixed and variable rewards. Therefore, remuneration packages for executive Directors normally include basic salary and benefits in kind with variable pay based on performance-related annual bonus and long-term incentive plans.

Consideration of shareholder views

The Company encourages two-way communication with both its institutional and private shareholders and the Committee is committed to considering shareholder feedback received. This feedback, plus any additional feedback received during any meetings from time to time, is considered as part of the Group's annual review of remuneration policy. In addition, the Remuneration committee will seek to engage directly with major shareholders and their representative bodies should any material changes be made to the remuneration policy.

Consideration of employment conditions elsewhere in the Group

The Group employs around 40 people and the committee considers the general base salary increase for all employees when determining the annual salary increases for the executive Directors and considers quantum and the structure of pay across the Group more generally when reviewing the executive Director remuneration policy.

Employees have not been consulted in respect of the design of the Group's senior executive remuneration policy, although the Committee will keep this under review.

Summary of remuneration policy

A summary of the remuneration policy for Directors', which, subject to shareholder approval, will operate from the 2015 AGM, is set out below.

Element	How component supports corporate strategy	Operation	Maximum	Performance targets and recovery provisions
Base salary	To provide a competitive salary level to attract and retain high calibre executives	Basic salaries are reviewed on an annual basis The committee seeks to establish a basic salary for each position, determined by individual responsibilities and performance taking into account comparable salaries for similar positions in companies of a similar size in the same market	There is no prescribed maximum base salary or annual salary increase The Committee is guided by the general increase for the broader employee population but may decide to award a lower increase for executive Directors or indeed exceed this to recognise, for example, an increase in the scale, scope or responsibility of the role and/or to take into account relevant market movements Current salary levels are set out in the annual report on remuneration	Not applicable
Pension	To provide a competitive level of contribution to pension arrangements	Company contribution normally paid monthly into the Company's pension scheme, into a personal pension arrangement and/or as a cash supplement	Up to 15 per cent of salary	Not applicable
Benefits	To provide a competitive level of benefits	Car allowance (or Company car), private medical insurance, permanent health insurance and life assurance provided. Other benefits may be provided where relevant	Provided at approved cost	Not applicable
Annual bonus	To drive and reward annual performance of individuals, teams and the Group	Based on performance during the relevant financial year. 50 per cent of any bonus is deferred into shares which vest over a two year period	Up to 175 per cent of base salary	Performance period: normally one year. The majority (if not all) of the performance targets will be based on financial targets with any remainder based on personal/strategic targets Clawback provision operates

Directors' remuneration policy report continued

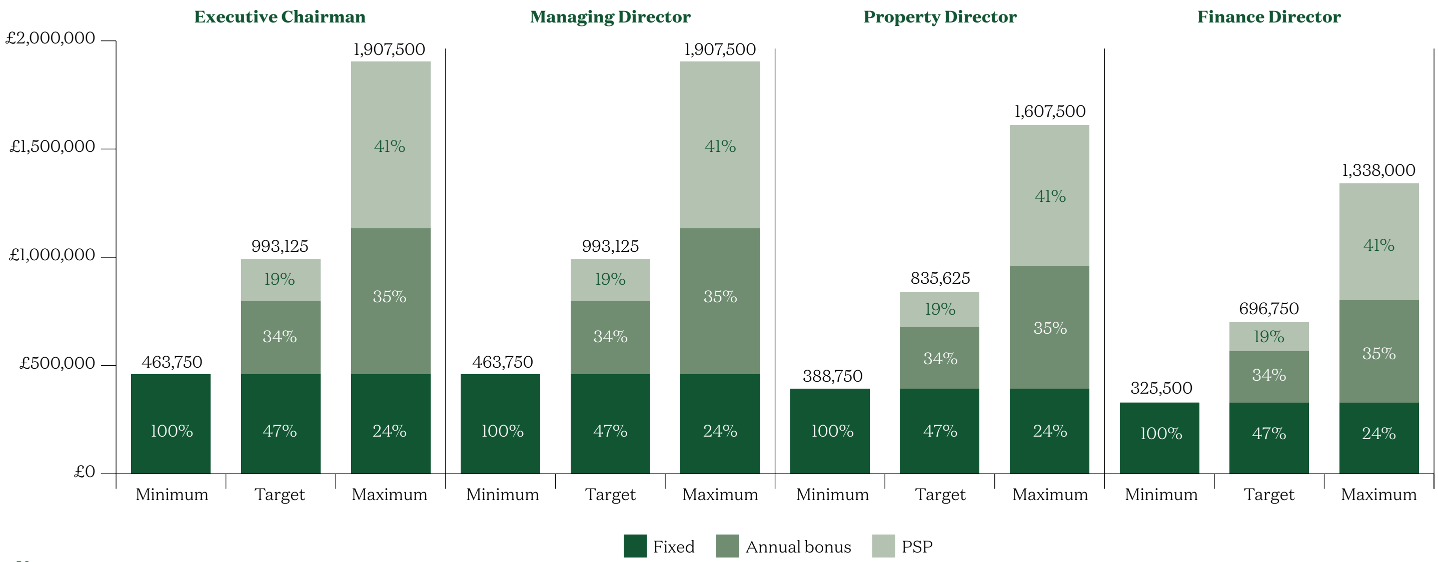
Element	How component supports corporate strategy	Operation	Maximum	Performance targets and recovery provisions
Long-term incentives – Performance Share Plan (PSP)	To drive and reward the long-term performance of the Group and to align the interests of management with those of shareholders	Awards granted under the PSP have the following features: • Conditional awards or nil/nominal cost options • Vesting is dependent on the satisfaction of performance targets and continued service • Awards are subject to a two year holding period	200 per cent of salary (Up to 300 per cent of salary in exceptional circumstances)	Performance period: normally three years Up to 25 per cent of an award vests at threshold performance (0 per cent vests below threshold), increasing to 100 per cent pro-rata for maximum performance Performance will be measured against TSR and/or relevant financial measures. Clawback provision operates
Share ownership guidelines	To further align executives with shareholders.	The committee requires that executive Directors satisfy a minimum shareholding requirement.	Minimum of 200 per cent of salary	Not applicable
Non-executive Directors	To provide fees reflecting time commitments and responsibilities of each role, in line with those provided by similarly sized companies	Cash fee normally paid on a monthly basis Non-executive Directors' fees are determined by the executive Directors having regard to the need to attract high calibre individuals with the right experience, the time and responsibilities entailed and comparative fees paid in the market in which the Group operates. Taxable benefits may be provided where appropriate including the reimbursement of expenses	There is no prescribed maximum individual fee or fee increase The Board (excluding non-executive Directors) is guided by the general increase for the broader employee population, time commitment, scope and responsibility of the role and/or relevant market movements Current fee levels are set out in the annual report on remuneration	Not applicable

Notes:

1. A description of how the Company intends to implement the policy set out in this table from the 2015 AGM is set out in the annual report on remuneration.
2. Below Board level, a lower or no annual bonus may apply and participation in the PSP is normally limited to the executive Directors and certain selected senior executives. In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of individuals, together with the fact that remuneration of the executive Directors and senior executives typically has a greater emphasis on performance-related pay.
3. The choice of the performance metrics applicable to the annual bonus scheme reflect the Committee's belief that any incentive compensation should be appropriately challenging and tied to both the delivery of financial targets and specific individual objectives. Further details of the choice of performance measures and performance targets are set out in the annual report on remuneration.
4. The performance conditions applicable to the PSP (see the annual report on remuneration) are selected by the Remuneration committee on the basis that they reward the delivery of long-term returns to shareholders and are consistent with the Company's objective of delivering superior levels of long-term value to shareholders.
5. The Committee operates the PSP in accordance with the plan rules and the Listing Rules and the Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the plan.
6. Executive Directors may participate in any all-employee share plan to the extent operated.
7. For the avoidance of doubt, in approving this directors' remuneration policy, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the payment of a pension, payment of last year's annual bonus, the vesting/exercise of share awards granted in the past, additional fees potentially payable to Robert Adair to assist with litigation on tax affairs, or satisfaction of the settlement agreement entered into with Robert Adair upon admission to the Official List). Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.

Reward scenarios

The charts below show how the composition of each of the executive Directors' remuneration packages varies at different levels of performance under the policy set out on pages 89 to 90, as a percentage of total remuneration opportunity and as a total value.



Notes:

1. The minimum performance scenario comprises the fixed elements of remuneration only, including:
   - salary, as for FY2014/15 set out in the annual report on remuneration;
   - pension (15 per cent of salary); and
   - benefits are approximated.
2. The on-target level of bonus is taken to be 50 per cent of the maximum bonus opportunity, and the on-target level of PSP vesting is assumed to be 25 per cent of the face value of the PSP award. These values are included in addition to the components/values of Minimum remuneration.
3. Maximum remuneration assumes full bonus payout (175 per cent of salary only) and the full face value of the PSP (i.e. 200 per cent of salary), in addition to fixed components of minimum remuneration.
4. No share price growth has been factored into the calculations.

Approach to recruitment and promotions

The remuneration package for a new Director would be set in accordance with the terms of the Company's prevailing approved remuneration policy at the time of appointment and would take into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual.

Salary would be provided at such a level as required to attract the most appropriate candidate and may be set initially at a below mid-market level on the basis that it may progress towards the mid-market level once expertise and performance have been proven and sustained. The annual bonus potential would be limited to 175 per cent of salary and grants under the PSP would be limited normally to 200 per cent of salary (300 per cent of salary in exceptional circumstances).

In addition, the committee may offer additional cash and/or share-based elements to replace deferred or incentive pay forfeited by an executive leaving a previous employer if required in order to facilitate, in exceptional circumstances, the recruitment of the relevant individual. The Committee would seek to ensure, where possible, that these awards would be consistent with awards forfeited in terms of vesting periods, expected value and performance conditions.

For an internal executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms. In addition, any other ongoing remuneration obligations existing prior to appointment may continue.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

Directors’ remuneration policy report continued

Service contracts for executive Directors

The policy on termination is that the Group does not make payments beyond its contractual obligations. The committee will seek to ensure that no unjustified payments for failure are made.

All executive Directors are employed on rolling contracts subject to 12 months’ notice from either the executive or the Company, given at any time. Service contracts do not provide explicitly for termination payments or damages but the Company may make payments in lieu of notice. For this purpose, pay in lieu of notice would consist of basic salary and other relevant emoluments for the relevant notice period excluding any bonus. In addition, the Company has discretion in certain circumstances to pay certain fees relating to the termination; for example, fees for legal advice received by the executive.

There are no special provisions contained in any of the executive Directors’ contracts which provide for longer periods of notice or additional payments on a change of control of the Company. Further, there are no special provisions providing for additional compensation on an executive Director’s cessation of employment with the Group.

An annual bonus may be payable with respect to the proportion of a financial year served although it will be pro-rated for time and paid at the normal payment date. Any share-based entitlements granted to an executive Director under the Company’s share plans will be determined based on the relevant plan rules. In certain prescribed circumstances set out in the plan rules of the relevant share plan (for example, death, injury or disability, retirement or other circumstances at the discretion of the committee), “good leaver” status may be applied. For good leavers, awards will usually vest at the normal vesting date, subject to the satisfaction of the relevant performance conditions at that time and will be reduced pro-rata to reflect the proportion of the vesting period actually served, although the Remuneration committee has discretion to allow these awards to vest at an earlier date (although not earlier than the date of cessation) and/or disapply time pro-rating. For awards granted prior to admission to the Official List, awards will vest on or just after the executive Director’s date of cessation or after the next set of annual financial results are published, subject to the performance conditions.

The Board allows executive Directors to accept appropriate outside non-executive Director appointments provided the aggregate commitment is compatible with their duties as executive Directors. The executive Directors concerned may retain fees paid for these services, which will be subject to approval by the Board.

Non-executive Directors

All non-executive Directors have a remuneration agreement for an initial period of 12 months and thereafter on a rolling basis subject to three months’ notice by either the non-executive Director or the Company, given at any time. In addition, temporary additional day rates can be provided to certain non-executive Directors. Full details on any additional day rates are set out in the annual report on remuneration.

In the event of termination of their appointment, non-executive Directors are not entitled to any compensation.

Annual report on remuneration

Implementation of the remuneration policy for the year ending 30 September 2015

The following section sets out how the Remuneration committee intends to implement the remuneration policy in the 2014/15 financial year which is the 12 month period from 1 October 2014 to 30 September 2015.

Base salary

Base salary levels for the executive Directors from the time of admission to the Official List are show below:

Director	Title	Salary
Nigel Hugill	Executive Chairman	£385,000
Robin Butler	Managing Director	£385,000
Philip Leech	Property Director	£325,000
Jon Austen	Group Finance Director	£270,000

The next salary review date will be 1 October 2015.

Pension

The Group will contribute 15 per cent of base salary for all executive Directors (payable into a pension arrangement or as a salary supplement).

Benefits

Benefits provided will continue to include a fully expensed Company car or cash alternative, private medical insurance, permanent health insurance and life assurance. Other benefits may be payable where appropriate.

Annual bonus

For 2014/15, 70 per cent of the annual bonus will be based on growth in EPRA NAV and 30 per cent will be based on personal objectives. Annual bonus targets for 2014/15 are currently considered to be commercially sensitive, although retrospective disclosure will be provided in the 2014/15 annual report on remuneration. The Remuneration committee retains discretion to reduce (but not increase) annual bonuses in the event that the share price diverges markedly from reported growth in EPRA NAV.

Long-term incentives

There is currently no intention to grant PSP awards during 2014/15 given the awards to be granted on Listing were granted on 30 September 2014. Should the Committee decide to grant PSP awards in the year ending 30 September 2015, performance conditions would be similar to those set for the 30 September 2014 awards (see Scheme interests awarded during the period on page 95) and full disclosure of the targets would be provided in the Stock Exchange announcement.

Non-executive Directors

Non-executive Director fees will next be reviewed with effect from 1 October 2015. No increases are planned for 2014/15.

How the remuneration policy was implemented in 2013/14

In the following section we have shown the remuneration outcome over the 2013/14 financial year. As stated in the Annual Statement, the combination of Terrace Hill Group plc with Urban&Civic Holdings S.à.r.l. requires us to show remuneration for current Directors on a different basis depending on whether they were previously Directors of the Terrace Hill Group plc or Urban&Civic Holdings S.à.r.l. The different bases are set out below:

- Remuneration shown for former directors of the Terrace Hill Group plc represents amounts received for services rendered as directors of Terrace Hill Group plc during the period prior to the combination (1 October 2013 to 21 May 2014) plus the amounts received for services rendered as Directors of Urban&Civic plc during the period following the combination (22 May 2014 to 30 September 2014); and
- remuneration shown for other Directors represents amounts received for services rendered as Directors of Urban&Civic plc during the period following the combination (22 May 2014 to 30 September 2014).

Annual report on remuneration continued

Directors' remuneration

The details set out on pages 93 to 98 of this report are subject to audit.

	Basic salary/fees[5]		Benefits[6]		Bonus[7]		Long-term incentives[8]		Compensation for loss of office		Pension[9]		Total	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
Executive Directors														
Nigel Hugill[1]	**139**	—	**8**	—	**347**	—	**—**	—	**—**	—	**21**	—	**515**	—
Robin Butler[1]	**139**	—	**8**	—	**347**	—	**—**	—	**—**	—	**21**	—	**515**	—
Philip Leech	**307**	300	**15**	13	**394**	289	**—**	—	**—**	—	**46**	50	**762**	652
Jon Austen	**255**	249	**15**	15	**332**	196	**—**	—	**—**	—	**38**	49	**640**	509
Non-executive Directors														
Robert Adair[2]	**207**	300	**11**	15	**300**	231	**325**	—	**375**	—	**29**	50	**1,247**	596
Robert Dyson	**30**	23	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**30**	23
Nick Gaskell[3]	**9**	17	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**9**	17
Will Wyatt[3]	**9**	17	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**9**	17
June Barnes[1]	**14**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**14**	—
Alan Dickinson[1]	**20**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**20**	—
Duncan Hunter[1]	**20**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**20**	—
Mark Tagliaferri[1,4]	**14**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**14**	—

Notes:

1. Appointed at admission on 22 May 2014.
2. Appointed Deputy Chairman at admission on 22 May 2014. As part of a settlement agreement included in the prospectus relating to the termination of Robert Adair's employment as executive Chairman, the figures for 2014 include the payment of £325,000 relating to his outstanding awards under the PSP at the date of termination and the £375,000 as compensation for his loss of office. Further details of his termination arrangements are set out later in the report.
3. Resigned as a director of Terrace Hill at admission on 22 May 2014.
4. Mark Tagliaferri's annual fee is payable to GI Group.
5. Basic salary/fees includes salary and fees received during the period that each Director was a Director of Urban&Civic plc.
6. Includes a fully expensed Company car or cash alternative, private medical insurance, permanent health insurance and life assurance.
7. The bonuses paid to Nigel Hugill and Robin Butler for the period under review include discretionary bonuses paid prior to Listing and bonuses in respect of the period under review.

   The bonuses paid to Philip Leech, Jon Austen and Robert Adair in 2013 related to bonuses earned in respect of performance in the year ended 30 September 2012. The bonuses paid to Philip Leech and Jon Austen for the period under review include discretionary bonuses paid in respect of performance in the year ended 30 September 2013 and bonuses in respect of the period under review.

   The performance related annual bonus for the period under review was a discretionary payment based on Urban&Civic's performance during the period. The Remuneration committee determined that on-target bonuses were applicable, based on an assessment of the Group's performance during the period since Listing, where its IFRS NAV has increased from a pro-forma position of £308.0 million to £335.1 million at 30 September 2014, and the individual performance of each of the executive Directors, which was a subjective assessment. These bonuses were then reduced to relate only to the period from 22 May 2014 to 30 September 2014. Pre-set targets will be operated for the 2014/15 annual bonus.
8. The performance conditions for PSP awards vesting in September 2014 are based on Urban&Civic Total Shareholder Return (TSR) over three financial years relative to the FTSE 350 Real Estate Index and growth in EPRA NAV. There is an equal weighting between both measures. The specific performance conditions are:
   a. EPRA NAV must increase by 2.5 per cent per annum greater than RPI for 25 per cent vesting and must increase by more than 12.5 per cent per annum greater than RPI for 100 per cent vesting. Shares will vest on a pro-rated, straight line basis, for out performance between 2.5 per cent and 12.5 per cent per annum; and
   b. Total Shareholder Return must be equal to the movement in the FTSE 350 Real Estate Index for 25 per cent vesting and must exceed the FTSE 350 Real Estate Index by 15 per cent for 100 per cent vesting. Shares will vest on a pro-rated, straight line basis, for out performance between median and upper quartile.

   At the end of the three year period, neither performance condition was met and, as a result, no shares vested to Philip Leech or Jon Austen. The amount included for Robert Adair relates to his settlement agreement as noted above in note 2.
9. Pension payments are made as supplemented salary to the Directors and not directly to a pension scheme.

Scheme interests awarded during the period (PSP awards granted on 30 September 2014)

	Number of shares[1]	Exercise price	Face value[2] £	Basis of award[2]	% vesting at threshold
Nigel Hugill	342,222	20.0p	770,000	200% of salary	25%
Robin Butler	342,222	20.0p	770,000	200% of salary	25%
Philip Leech	288,888	20.0p	650,000	200% of salary	25%
Jon Austen	240,000	20.0p	540,000	200% of salary	25%

Notes:
1. As per the 28 April 2014 prospectus.
2. The face value of the PSP awards is based on a price of 225p, being the share price at Listing – the start of the performance period. The share price at the date of grant (30 September 2014) was 233.5p.

The awards will ordinarily vest following the third anniversary of the grant date and, other than to pay the relevant taxes, are not able to be sold for a further two year period after vesting. The awards only vest subject to continued service and to the extent the following performance conditions are satisfied over the period from 22 May 2014 to 30 September 2017:

- for 50 per cent of awards: EPRA Net Asset Value must increase by greater than 3.0 per cent per annum more than RPI for 25 per cent vesting and must increase by, greater than 12.5 per cent per annum more than RPI for 100 per cent vesting. Shares will vest on a pro-rated, straight line basis, for out performance between 3.0 per cent per annum and 12.5 per cent per annum; and
- for 50 per cent of awards: Total Shareholder Return must be equal to the median performance in the FTSE 350 Real Estate Index for 25 per cent vesting and must be in the top quartile of the FTSE 350 Real Estate Index for 100 per cent vesting. Shares will vest on a pro-rated, straight line basis, for out performance between median and upper quartile.

There is equal weighting attached to each of these performance conditions. To the extent that the awards vest, they will be exercisable from vesting until 29 September 2024, assuming the participant remains in the Company's employment.

Board changes/payments for loss of office
Nick Gaskell and Will Wyatt retired as Directors with effect from admission. Both were paid fees up to the date of their retirement.

In addition, Robert Adair stepped down from his position as executive Chairman. As set out in the Prospectus, Urban&Civic (Management) Limited and Robert Adair entered into a settlement agreement pursuant to which his employment with Urban&Civic (Management) Limited would terminate with effect from admission. Under the agreement, Robert Adair received a payment (net of any tax payable and national insurance contributions due thereon) of (i) £300,000 in respect of his bonus for 2013: (ii) £375,000 as compensation for loss of his employment; and (iii) £325,000 in respect of his awards under the PSP. In addition, it was agreed that a bonus of £200,000 would be paid if Urban&Civic plc receives an implementable planning consent for its site in Herne Bay, Kent.

Payments to past Directors
No payments to past Directors were made during the period under review.

Annual report on remuneration continued

Statement of Directors' shareholdings and share interests

Full details of outstanding performance share awards in the Company held by executive Directors at 30 September 2014 are shown below:

	Number of awards	Date of grant	Share price at date of grant	Exercise price	Exercise period
Nigel Hugill	342,222	30 September 2014	233.5p	20.0p	1 October 2017 to 30 September 2024
Robin Butler	342,222	30 September 2014	233.5p	20.0p	1 October 2017 to 30 September 2024
Philip Leech	288,888	30 September 2014	233.5p	20.0p	1 October 2017 to 30 September 2024
Philip Leech	213,469	7 June 2013	213.8p	20.0p	1 October 2015 to 6 June 2023
Jon Austen	240,000	30 September 2014	233.5p	20.0p	1 October 2017 to 30 September 2024
Jon Austen	180,866	7 June 2013	213.8p	20.0p	1 October 2015 to 6 June 2023

Awards granted in 2012 to Robert Adair, Philip Leech and Jon Austen of 58,548, 58,548 and 49,607 performance shares, respectively, lapsed on 30 September 2014. The award to Jon Austen over 59,406 performance shares granted in 2008 was exercised in June 2014.

Directors' shareholdings

The table below sets out Directors' shareholdings, which are beneficially owned or subject to a performance or service condition. Comparison has also been made with shares held as at Listing.

	Interests in ordinary shares			Share awards subject to performance conditions[1]		
Director	**30 September 2014**	22 May 2014	30 September 2013	**30 September 2014**	22 May 2014	30 September 2013
Nigel Hugill	**1,198,375**	1,198,375	—	**342,222**	—	—
Robin Butler	**1,198,375**	1,198,375	—	**342,222**	—	—
Philip Leech	**461,169**	461,169	238,947	**502,357**	272,017	272,017
Jon Austen	**236,752**	177,346	44,013	**420,866**	289,879	289,879
Robert Adair	**13,611,062**	13,611,062	13,326,624	**—**	272,017	272,017
Robert Dyson	**173,411**	173,411	62,300	**—**	—	—
Nick Gaskell	**—**	—	—	**—**	—	—
Will Wyatt	**—**	—	—	**—**	—	—
Alan Dickinson	**88,888**	88,888	—	**—**	—	—
June Barnes	**4,444**	4,444	—	**—**	—	—
Duncan Hunter	**550,000**	550,000	—	**—**	—	—
Mark Tagliaferri	**—**	—	—	**—**	—	—

1. All the share awards were unvested with the exception of 59,406 performance share awards granted in 2008 to Jon Austen, which had vested in an earlier period.

Directors' service contracts

Details of the service contracts of current Directors are set out below:

Executive Directors

Current Directors	Company notice period	Contract date	Unexpired term of contract (months)[1]	Potential termination payment	Potential payment on change of control/ liquidation
Nigel Hugill	12 months	28 April 2014	Rolling contract	12 months' salary and other relevant emoluments excluding bonus	Nil
Robin Butler	12 months	28 April 2014	Rolling contract	12 months' salary and other relevant emoluments excluding bonus	Nil
Philip Leech	12 months	28 April 2014	Rolling contract	12 months' salary and other relevant emoluments excluding bonus	Nil
Jon Austen	12 months	28 April 2014	Rolling contract	12 months' salary and other relevant emoluments excluding bonus	Nil

Notes:

1. Contracts will continue until terminated by notice either by the Company or the Director.

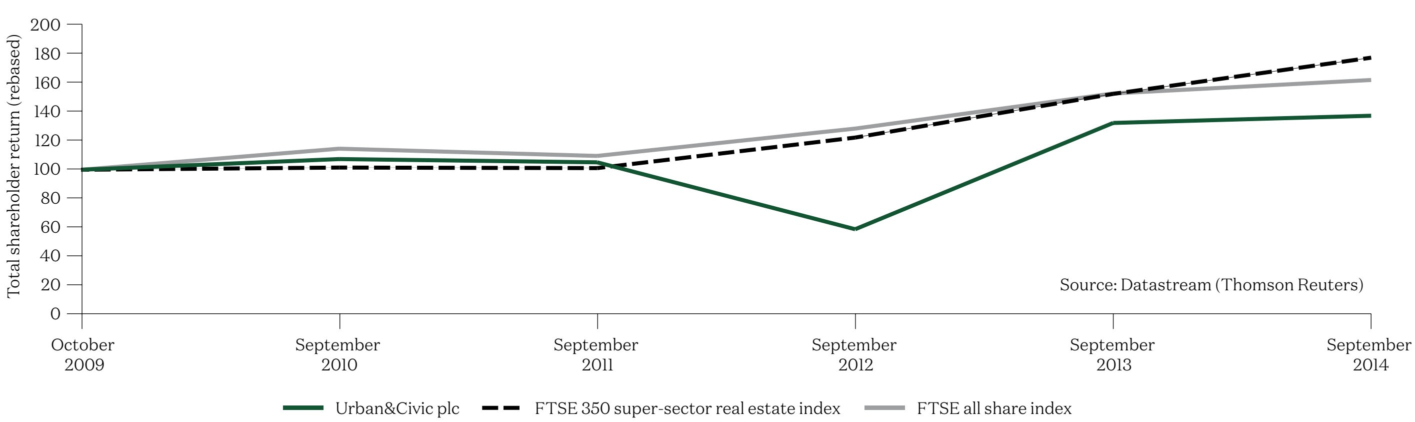
Non-executive Directors

	Notice period	Contract date
Robert Adair	3 months	28 April 2014
Robert Dyson	3 months	28 April 2014
Alan Dickinson	3 months	28 April 2014
June Barnes	3 months	28 April 2014
Duncan Hunter	3 months	28 April 2014
Mark Tagliaferri	3 months	28 April 2014

Robert Adair's contract provides for an additional day rate of £4,000 if his services are required for duties which fall outside the duties of a normal non-executive Director.

TSR performance graph and table

The graph shows the Company's performance, measured by TSR, compared with the FTSE All Share Index and FTSE 350 Real Estate Index over the past five years. The Committee considers this to be a relevant index for TSR comparison. Note that TSR prior to admission is based solely on the TSR of Terrace Hill (Urban&Civic was not listed at that time).



Executive Chairman/Chief Executive five-year history

The table below sets out the single figure of total remuneration for the period since Listing for the executive Chairman. Prior to the date of Listing we have shown the single figure for the Chief Executive of Terrace Hill.

Year	Incumbent	Single figure of total remuneration	Annual bonus pay-out against maximum[3]	PSP vesting against maximum opportunity
2013/14	Nigel Hugill[1]	£515,000	n/a	n/a
2013/14	Philip Leech[2]	£536,000	n/a	0%
2012/13	Philip Leech	£652,000	n/a	0%
2011/12	Philip Leech	£345,000	n/a	0%
2010/11	Philip Leech	£400,000	n/a	n/a[4]
2009/10	Philip Leech	£295,000	n/a	0%

Notes:

1. Appointed executive Chairman of Urban&Civic on 22 May 2014.
2. Served as Chief Executive of Terrace Hill until 22 May 2014.
3. A discretionary annual bonus scheme without a maximum was operated historically. As a result it is not possible to show the annual bonus payment as a percentage of the maximum opportunity.
4. No awards were granted with a performance period ending in 2010/11.

Percentage change in remuneration of CEO and employees and the relative importance of spend on pays

As this is the first report of Urban&Civic plc it is not yet possible to provide a year-on-year comparison for the percentage change in remuneration of CEO and employees or for the relative importance of spend on pay. This information will be set out once a relevant disclosure can be made.

Details of the Remuneration committee, advisers to the Committee and their fees

The committee determines the specific remuneration packages for each of the executive Directors and no Director is involved in any decisions as to his own remuneration. The Committee has access to information and advice provided by the executive Chairman and the Group Finance Director and has access to independent advice (currently from New Bridge Street, (NBS) where it considers appropriate. NBS does not provide any other services to the Company.

Statement of voting at general meeting

Prior to 22 May 2014, neither Urban&Civic nor Terrace Hill were required to submit the directors' remuneration report to a shareholder vote. Results of how shareholders voted on the remuneration information disclosed in the directors' remuneration policy report and annual report on remuneration at the 2015 AGM will be disclosed in next year's annual report on remuneration.

Robert Dyson
Chairman of the Remuneration committee
22 December 2014

The Directors present the directors' report for the period ended 30 September 2014.

Strategic report

A review of the Group's business during the period, including its performance, business model, principal risks and uncertainties and future developments, are contained in the strategic report on pages 4 to 75.

Results and dividends

The Group reported a profit for the period of £15.0 million (2013: £28.6 million) as shown in the consolidated statement of comprehensive income on page 108. The Directors propose a final dividend for 2014 of 1.5p per share.

Directors and their interests

The interests of the Directors and their families in the shares of the Company are set out in the directors' remuneration report on page 96. Biographical details of the Directors are contained on pages 82 and 83.

In accordance with the UK Corporate Governance Code, all of the Directors will retire and offer themselves for re-election at the forthcoming AGM on 11 February 2015.

Directors liability insurance

The Company maintains Directors and officers liability insurance. The Company has granted an indemnity to its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report

Charitable and political donations

During the period to 30 September 2014, Urban&Civic plc has donated £25,200 to charity including local youth, sports, and social clubs; charities that help train the unemployed back into work and community environment charities. The Group made no political donations (2013: £Nil).

Change of control

The Group's Performance Share Plan contains provisions relating to the vesting of awards in the event of a change in control of the Company.

Financial instruments

Details of the financial instruments used by the Group are set out in note 22 to the consolidated financial statements on pages 134 to 138. The Group's financial risk management objectives and policies are included in the risk management overview on pages 134 to 135.

Substantial shareholdings

As at 15 December 2014, the Directors had been notified that the following shareholders have a disclosable interest of 3 per cent or more in the nominal value of the ordinary share capital of the Company:

	Number of ordinary shares at 15 December 2014	%
GIP U&C	40,447,294	28.9
Investec Wealth and Investment Limited	15,455,666	11.0
Robert Adair	13,611,062	9.7
APG Asset Management NV	7,500,000	5.3
Aberforth Smaller Companies and Trust	7,194,800	5.1

Group structure

Details of the Group's principal subsidiary undertakings are disclosed at the end of the Report and Accounts on page 151.

Share capital

As at 30 September 2014, there were 140,497,109 ordinary shares of 20p each in issue, each carrying one vote and all fully paid. There is only one class of share in issue and there are no restrictions on the size of a holding or on the transfer of shares subject to the Listing Rules of the Financial Conduct Authority whereby certain employees of the Group require the approval of the Company to deal in the ordinary shares.

During the period the Urban&Civic plc Employment Benefit Trust awarded 594,060 pre-consolidation own shares of 2p each to Jon Austen who exercised some of his share awards.

Annual General Meeting

The AGM of the Company will be held at The Royal Institution of Great Britain, 21 Albemarle Street, London W1S 4BS on 11 February 2015 at 10.00 am. The notice of meeting will be sent separately to shareholders.

Auditors

BDO LLP is willing to be reappointed as the external auditor to the Company and Group. Their reappointment has been considered by the Audit committee and recommended to the Board. A resolution will be proposed at the AGM on 11 February 2015.

Disclosure of information to auditors

The Directors who held office at the date of approval of this directors' report confirm that, as far as they are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant information and to establish that the auditors are aware of that information.

Employment and environmental matters

Information in respect of the Group's employment and environmental matters and greenhouse gas reporting is contained in the corporate responsibility report on pages 72 to 75.

Post balance sheet events

Since 30 September 2014 the Group has received a resolution to grant planning permission, subject to the completion of section 106 and section 278 agreements, for a 99,659 sq.ft. foodstore, along with 32,000 sq.ft. of industrial development at Altira Business Park in Herne Bay, Kent. The impact of this event increases the net realisable value of this property interest. The trading property carrying value of the Herne Bay development at 30 September 2014 was £3,626,000 (at 31 December 2013: £Nil)

On 1 December 2014 the Group exchanged contracts to acquire two prime sites aggregating almost three acres in the centre of Manchester, for a total consideration of £22,450,000.

Risk management and internal control

Information on the Group's system of internal controls and risk management is set out on page 66.

Going concern

The Directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future trading performance. As part of the review, the Directors considered the Group's cash balances and capital commitments. After making enquires, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Statement of directors' responsibilities in respect of the accounts

The Directors are responsible for preparing the Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that year.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the Group financial statements;
- for the Company financial statements, state whether they have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, subject to any material departures disclosed and explained in the Company financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business; and
- prepare a directors' report, a strategic report and a directors' remuneration report which comply with the requirements of the Companies Act 2006.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information which has not been disclosed to the auditors.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face; and
- The Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

The directors' report and responsibilities statement was approved on behalf of the Board by:

Jon Austen
Group Finance Director
22 December 2014

Student pigeon holes –
Mayflower Halls, Southampton

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Financial statements


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Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 30 September 2014 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Accounting Standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements of Urban&Civic plc for the period ended 30 September 2014 comprise the consolidated statement of comprehensive income, the consolidated and Company balance sheets, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparing the parent company financial statements is applicable law and United Kingdom Accounting Standards.

Respective responsibilities of Directors and auditors

As explained more fully in the statement of directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the Group financial statements as a whole was set at £4 million. This was determined with reference to a benchmark of Group total assets (of which it represents 1.1 per cent) which we consider to be one of the principal considerations for members of the Company in assessing the financial performance of the Group.

International Standards on Auditing (UK & Ireland) also allow the auditor to set a lower materiality for particular classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. In this context, we set a lower level of materiality of £750,000 to apply to those classes of transactions and balances which impact on EPRA adjusted earnings.

Performance materiality was set at 75 per cent of the above materiality levels.

We agreed with the Audit committee that we would report to the committee all individual audit differences in excess of £80,000. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Our assessment of risks of material misstatement and overview of the scope of our audit

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement at the Group level. Audit work to respond to the assessed risks was performed directly by the Group audit engagement team who performed full scope audit procedures on the Group's two component sub-groups. Our audit work at each of these components was executed at levels of materiality applicable to the relevant component, which in both instances was lower than Group materiality.

We set out below the risks that we believe to have had the greatest impact on our audit strategy and scope. The Audit committee's consideration of the judgements set out in this section is set out on page 84:

Valuation of investment properties and carrying value of trading properties

Risk

The Group, directly or through its joint ventures, associates and other investments, owns a portfolio of properties which are held as either investment properties or trading properties.

Investment properties owned directly by the Group, including those in the course of development, are held at fair value in the Group financial statements. Trading properties are carried in the consolidated balance sheet at the lower of cost and net realisable value.

In respect of the investment properties held by joint ventures, associates and other investments, the Group has an indirect exposure to fair value changes, as the Group adjusts the carrying amount of these investments for changes in the fair value of the underlying investment property.

Determination of the fair value of investment properties and the net realisable value of trading properties is considered a significant audit risk due to the subjective nature of certain assumptions inherent in each valuation.

Each valuation requires consideration of the individual nature of the property, its location, its cash flows and comparable market transactions. The majority of the Group's property interests are in the course of development. The valuation of these properties requires the discounting of estimated future cash flows with deductions for costs to complete, which given the long-term nature of the Group's developments requires significant judgements.

Response

Our audit work included, but was not restricted to:

- obtaining an understanding of the approach to the valuation of both investment properties and trading properties;
- meeting with the Group's external valuer, who valued the majority of the Group's property interests, to understand the assumptions and methodologies used in valuing these properties and the market evidence supporting the valuation assumptions;
- discussing with management the assumptions and methodologies used in the Directors' valuations of those properties not externally valued;
- using our knowledge and experience to evaluate and challenge the valuation assumptions, methodologies and the unobservable inputs used;
- agreeing the key observable valuation inputs used by the external valuer and Directors as appropriate; and
- assessing the competency, independence and objectivity of the external valuer.

Acquisition accounting

Risk

During the period the Company completed the acquisition of Urban&Civic Holdings S.à.r.l.

The accounting for this business combination includes a number of accounting complexities and significant judgements such as determining the acquirer for accounting purposes, the fair value of the separable assets and liabilities acquired, the fair value of the consideration payable and the treatment of the resultant goodwill arising on acquisition. We therefore considered the accounting for the acquisition of Urban&Civic Holdings S.à.r.l. to be a significant audit risk.

Response

Our audit work included, but was not restricted to:

- reviewing the terms of the transaction between the Company and Urban&Civic Holdings S.à.r.l. to confirm the Directors' assessment that this constituted a reverse acquisition under IFRS 3 'Business Combinations (revised)';
- reviewing and challenging the judgements made by the Directors in assessing the fair values of the assets and liabilities acquired, the fair value of the consideration payable and the treatment of the acquisition costs and of the resultant goodwill; and
- considering the accuracy and completeness of the disclosures in connection with the transaction in the Group financial statements.

Revenue recognition

Risk

The Group's revenue includes income from forward sale development contracts which are accounted for in accordance with the guidance set out in IFRIC 15 'Agreements for the Construction of Real Estate'. The way in which revenue is recognised often involves management judgement or is determined by complex criteria, such as staged recognition of revenue upon completion of specified contractual obligations. We therefore identified the recognition of this type of revenue as a significant audit risk.

Response

Our audit work included, but was not restricted to:

- evaluating the revenue recognition policy applied to each of the key development contracts;
- challenging management's key judgements inherent in the development appraisals including the forecast costs to complete and developer's profit that determine the accounting under the percentage of completion method; and
- agreeing key development appraisal inputs to underlying documentation and verifying a sample of costs incurred to date.

Complex property transactions

Risk

The sale and purchase agreements for property acquisitions and disposals often have complexity such as option agreements, deferred consideration arrangements or joint venture contractual obligations, which require judgement from management to consider the correct application of the relevant accounting standards. We therefore identified the accounting for such transactions as an area of audit risk.

Response

The acquisition of the Group's joint venture interest in SUE Developments LP (referred to as the Rugby joint venture) was considered to be a complex transaction in the period and the accounting for that transaction required judgements to be made. Our audit work in respect of this transaction included, but was not restricted to challenging management's judgements by reviewing the documents relating to the transaction and assessing the accounting treatment against the recognition, measurement and classification criteria per the Group's accounting policies and the applicable IFRSs.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the strategic report and directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Report and Accounts is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Report and Accounts is fair, balanced and understandable and whether the Report and Accounts appropriately discloses those matters that we communicated to the Audit committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Matters on which we have agreed to report by exception

The Directors have voluntarily chosen to make a corporate governance statement detailing the extent of their compliance with the UK Corporate Governance Code and a statement in relation to going concern as if the Company's shares had a premium Listing on the London Stock Exchange. Accordingly, we have agreed to review:

- the Directors' statement, set out on page 100, in relation to going concern; and
- the part of the corporate governance statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified by the Listing Rules of the Financial Conduct Authority for review by the auditor.

We have nothing to report in respect of these matters.

Russell Field (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
22 December 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

	Notes	Period ended 30 September 2014 £'000	Year ended 31 December 2013 £'000
Revenue	3	**23,227**	2,928
Direct costs	3	**(17,292)**	(1,598)
Gross profit	3	**5,935**	1,330
Acquisition and Listing costs		**(2,775)**	—
Impairment of goodwill		**(455)**	—
Other administrative expenses		**(4,739)**	(1,077)
Administrative expenses		**(7,969)**	(1,077)
Surplus on revaluation of investment properties	12	**5,925**	31,027
Share of post-tax profit from joint ventures	14	**11,297**	—
Surplus on revaluation of other investment	14	**1,114**	—
Operating profit	4	**16,302**	31,280
Finance income	6	**3,534**	1
Finance costs	6	**(672)**	(2,543)
Profit before taxation		**19,164**	28,738
Taxation expense	9	**(4,158)**	(159)
Total comprehensive income		**15,006**	28,579
Basic earnings per share	10	**20.8p**	315.1p
Diluted earnings per share	10	**20.8p**	315.1p

The Group had no amounts of other comprehensive income for the current period or prior year and the profit for the respective periods is wholly attributable to equity shareholders.

The notes on pages 112 to 143 form part of these financial statements.

	Notes	**30 September 2014 £'000**	31 December 2013 £'000
Non-current assets			
Investment properties	12	**66,291**	55,455
Property, plant and equipment	13	**124**	23
Investments in joint ventures and associates	14	**17,018**	—
Other investment	14	**5,394**	—
Deferred tax assets	16	**8,285**	—
		97,112	55,478
Current assets			
Trading properties	17	**78,115**	45,545
Trade and other receivables	18	**12,004**	1,528
Cash and cash equivalents		**162,762**	1,188
		252,881	48,261
Total assets		**349,993**	103,739
Non-current liabilities			
Borrowings	20	**—**	(80,700)
Derivative financial instruments		**—**	(5)
Deferred tax liabilities	16	**(1,296)**	(2)
		(1,296)	(80,707)
Current liabilities			
Trade and other payables	19	**(11,713)**	(2,352)
Other liabilities	21	**(1,922)**	—
		(13,635)	(2,352)
Total liabilities		**(14,931)**	(83,059)
Net assets		**335,062**	20,680
Equity			
Share capital	23	**28,099**	1,500
Share premium account		**168,186**	—
Capital redemption reserve		**849**	—
Own shares		**(254)**	—
Other reserve		**103,442**	—
Retained earnings		**34,740**	19,180
Total equity		**335,062**	20,680
NAV per share	25	**238.5p**	227.9p

The financial statements were approved by the Board and authorised for issue on 22 December 2014 and were signed on its behalf by:

Nigel Hugill
Director

Jon Austen
Director

The notes on pages 112 to 143 form part of these financial statements.

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Own shares £'000	Other reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2013	1,485	—	—	—	—	(9,399)	(7,914)
Proceeds from shares issued	15	—	—	—	—	—	15
Total comprehensive income for the year	—	—	—	—	—	28,579	28,579
Balance at 31 December 2013	1,500	—	—	—	—	19,180	20,680
Shares in Urban&Civic Holdings S.à.r.l. acquired	(1,500)	—	—	—	1,500	—	—
Fair value of consideration on acquisition	4,239	18,208	849	(254)	34,037	—	57,079
Shares issued in consideration for the acquisition of Urban&Civic Holdings S.à.r.l.	8,617	—	—	—	67,905	—	76,522
Proceeds from shares issued	15,243	156,242	—	—	—	—	171,485
Fees and expenses associated with share issues	—	(6,264)	—	—	—	—	(6,264)
Share-based payments	—	—	—	—	—	554	554
Total comprehensive income for the period	—	—	—	—	—	15,006	15,006
Balance at 30 September 2014	**28,099**	**168,186**	**849**	**(254)**	**103,442**	**34,740**	**335,062**

Financial statements
— Consolidated cash flow statement
for the nine month period ended 30 September 2014

	Period ended 30 September 2014 £'000	Year ended 31 December 2013 £'000
Cash flows from operating activities		
Profit before taxation	**19,164**	28,738
Adjustments for:		
Surplus on revaluation of investment properties	**(5,925)**	(31,027)
Share of post-tax profit from joint ventures	**(11,297)**	—
Surplus on revaluation of other investment	**(1,114)**	—
Finance income	**(3,534)**	(1)
Finance costs	**672**	2,543
Depreciation charge	**29**	18
Goodwill written off	**455**	—
Share-based payments	**554**	—
Cash flows from operating activities before change in working capital	**(996)**	271
Decrease/(increase) in trading properties	**12,306**	(104)
Decrease/(increase) in trade and other receivables	**4,299**	(72)
(Decrease)/increase in trade and other payables	**(2,301)**	283
Cash generated from operations	**13,308**	378
Finance costs paid	**(533)**	(160)
Finance income received	**254**	1
Tax paid	**(108)**	(178)
Net cash flows from operating activities	**12,921**	41
Investing activities		
Acquisition of subsidiaries net of cash acquired	**1,518**	—
Additions to investment properties	**(2,895)**	(8,636)
Additions to property, plant and equipment	**(70)**	(10)
Investment in joint ventures	**(2,104)**	—
Receipts from associates	**2,000**	—
Net cash flows from investing activities	**(1,551)**	(8,646)
Financing activities		
Proceeds from issuance of ordinary shares	**171,485**	15
Costs of issuance of ordinary shares	**(5,025)**	—
New loans	**4,985**	9,482
Issue costs of new loans	**(56)**	(277)
New grants	**1,000**	—
Repayment of loans	**(22,185)**	—
Net cash flows from financing activities	**150,204**	9,220
Net increase in cash and cash equivalents	**161,574**	615
Cash and cash equivalents at 1 January	**1,188**	573
Cash and cash equivalents at 30 September (2013: 31 December)	**162,762**	1,188

1. Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) published by the International Accounting Standards Board (IASB) as adopted by the European Union (EU adopted IFRS) and with those parts of the Companies Act 2006 applicable to companies preparing their financial statements in accordance with IFRS.

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties, other non-current investments and certain financial instruments. The Company has elected to prepare its individual financial statements, on pages 144 to 150, in accordance with UK GAAP.

The comparative information provided in these financial statements is for the financial year ended 31 December 2013 and reflects the consolidated results for Urban&Civic Holdings S.à.r.l. and its subsidiaries.

On 22 May 2014 the Company acquired the entire issued share capital and the issued PECs of Urban&Civic Holdings S.à.r.l. that were outstanding at that date. The Urban&Civic Group is focused on the delivery of strategic residential land developments in key growth areas of the UK. The transaction has been accounted for as a reverse acquisition in accordance with IFRS 3 'Business Combinations' (revised), and accordingly the assets and liabilities of the Company and its subsidiaries at the date of transaction, being the acquiree group, have been fair valued. The acquiree group focuses on commercial projects which include Central London office developments and regional commercial developments. Further detail in relation to this business combination is set out in note 2 of these financial statements.

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to both periods, unless otherwise stated.

Functional and presentation currency

All financial information is presented in British Pounds Sterling (£), the Group's functional currency, and has been rounded to the nearest thousand (£'000) unless indicated to the contrary.

Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will continue to meet its liabilities as they fall due. At 30 September 2014 the Group has prepared cash flow projections that show that it is expected to have adequate resources to continue in operational existence for the foreseeable future.

Adoption of new and revised standards

During the period ended 30 September 2014 the following new or revised accounting standards were adopted by the Group:

IAS 1 'Presentation of Financial Statements' (amendment)

IAS 19 'Employee Benefits'

IAS 27 'Consolidated and Separate Financial Statements'

IAS 28 'Investments in Associates and Joint Ventures'

IAS 32 'Financial Instruments: Presentation'

IAS 36 'Impairment of Assets' (amendment)

IFRS 7 'Financial Instruments: Disclosures' (amendment)

IFRS 10 'Consolidated Financial Statements'

IFRS 11 'Joint Arrangements'

IFRS 12 'Disclosure of Interests in Other Entities'

The adoption of new and revised standards either had no impact on the financial statements or resulted in changes to presentation and disclosure only.

1. Accounting policies continued

New standards and interpretations not yet applied

The IASB has issued or amended the following standards that are mandatory for later accounting periods and that are relevant to the Group and have not been adopted early. These are:

IFRS 9 'Financial Instruments' (effective date: 1 January 2018 subject to EU endorsement)

IFRS 15 'Revenue from Contracts with Customers' (effective date: 1 January 2017 subject to EU endorsement)

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application, other than on presentation and disclosure.

Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the Group as if it formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

Business combinations

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained.

Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued. Direct costs of acquisition are charged to the consolidated statement of comprehensive income.

Goodwill is capitalised as an intangible asset, with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Goodwill is reviewed for impairment at each reporting date. Where the fair value of identifiable assets, liabilities and contingent liabilities exceeds the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income.

Joint arrangements

The Group is party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

All of the Group's interests in joint arrangements constitute joint ventures, where the Group has rights to only the net assets of the joint arrangement.

In the consolidated financial statements interests in joint ventures are accounted for using the equity method of accounting whereby the consolidated balance sheet incorporates the Group's share of the net assets of the joint ventures. The consolidated statement of comprehensive income incorporates the Group's share of the joint ventures' profits after tax.

Where there is objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Associates

Where the Group has significant influence but not control or joint control over the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recorded in the consolidated balance sheet at cost. The Group's share of post-acquisition profits and losses is recognised in the consolidated statement of comprehensive income, except that losses in excess of the Group's investment in the associate are not recognised unless there is an obligation to make good those losses.

Where the Group has a legal obligation to a third party in relation to the losses of an associate, the Group fully provides for its share and the charge is recognised in the consolidated statement of comprehensive income.

1. Accounting policies continued

Investment properties

Investment properties are properties held for long-term rental income and/or for capital appreciation and are measured initially at cost, including related transaction costs, and subsequently at fair value. Changes in fair value of an investment property at the balance sheet date and its carrying amount prior to remeasurement are recorded in the consolidated statement of comprehensive income.

Investment property is recognised as an asset when:

- it is probable that future economic benefits that are associated with the investment property will flow to the Group;
- there are no material conditions present that could prevent completion; and
- the cost of the investment property can be measured reliably.

Additions to investment properties in the course of development or refurbishment include the cost of finance and directly attributable internal and external costs incurred during the period of development until the properties are ready for their intended use.

An investment property undergoing redevelopment or refurbishment for continued use as an investment property will remain as an investment property measured at fair value and is not reclassified. A transfer of a property from investment properties to trading properties will be made where there is a change in use and the land is to be developed with a view to sale.

Trading properties

Trading properties are inventory and are included in the consolidated balance sheet at the lower of cost and net realisable value. Net realisable value is the expected net sales proceeds of the developed property in the ordinary course of business less the estimated costs to completion and associated selling costs. A provision is made to the extent that projected costs exceed projected revenues.

All external and internal costs, including borrowing costs, directly associated with the purchase and construction of a trading property are capitalised up to the date that the property is ready for its intended use. Property acquisitions and disposals are recognised when legally binding contracts that are irrevocable and effectively unconditional are exchanged.

Properties reclassified to trading properties from investment properties are transferred at deemed cost, being the fair value at the date of reclassification.

Leases

Where the Group is the lessor, the Directors have considered the potential transfer of risks and rewards of ownership in accordance with IAS 17 'Leases' for all properties leased to tenants and in their judgement have determined that all such leases are operating leases. Rental income from operating leases is recognised in the consolidated statement of comprehensive income on a straight line basis over the term of the relevant lease.

Where the Group is the lessee, leases in which substantially all risks and rewards of ownership are retained by another party are classified as operating leases. Rentals paid under operating leases are charged to the consolidated statement of comprehensive income on a straight line basis over the term of the lease.

Lease incentives

Lease incentives, including rent free periods and payments to tenants, are allocated to the consolidated statement of comprehensive income on a straight line basis over the lease term as a deduction from rental income.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. This includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all plant and equipment at rates calculated to write off the cost less estimated residual value, based on prices prevailing at the reporting date, of each asset over its expected useful life as follows:

Leasehold improvements	– 10 per cent straight line
Motor vehicles	– 25–33 per cent reducing balance
Office equipment	– 20–25 per cent straight line
Furniture and fittings	– 20–33 per cent straight line

1. Accounting policies continued

Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be readily measured. Revenue is measured at the fair value of the consideration receivable, excluding VAT. The following criteria must be met before revenue is recognised:

Sale of property

Revenue from the sale of trading and investment properties is recognised when the significant risks and rewards of ownership of the properties have passed to the buyer, usually when legally binding contracts that are irrevocable and effectively unconditional are exchanged.

Trading revenue

Trading revenue and profits are recognised in accordance with IAS 11 'Construction Contracts' or IAS 18 'Revenue' depending on whether all development risks, apart from the construction risk, have passed to the purchaser under the terms of the development agreement. Where only the construction risk remains, the revenue and profit on the development is recognised under IAS 11, so as to match the proportion of the development work completed on a percentage completion basis. The percentage completion basis is determined by using the total costs incurred at the reporting date as a proportion of the total forecast costs at completion. Profits are only recognised where the outcome can be determined with reasonable certainty. Full provision is made for losses as soon as such losses are foreseen. Where revenue is recognised under IAS 18 disposals are recognised where the risks and rewards of ownership are considered to have been transferred to the purchaser.

Rental income

Rental income arising from property is accounted for on a straight line basis over the term of the lease.

Fees and other income

Fees from development management service arrangements and other agreements are determined by reference to the relevant agreement and recognised as the services are provided.

Taxation

Current tax

The charge for current taxation is based on the results for the period as adjusted for items that are non-taxable or disallowed. It is calculated using rates and laws that have been enacted or substantively enacted by the balance sheet date. Tax payable upon realisation of revaluation gains on investment property disposals that were recognised in prior periods is recorded as a current tax charge with a release of the associated deferred taxation.

Deferred tax

Deferred tax is provided using the balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the consolidated balance sheet and the corresponding tax base cost used in computing taxable profit.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. It is recognised in the consolidated statement of comprehensive income except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same tax authority.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Under IAS 12 'Income Taxes', deferred tax is recognised for tax potentially payable on the realisation of investment properties at fair values at the balance sheet date.

Share-based payments

The fair value of granting share awards under the Group's performance share plan, and the other share-based remuneration of the Directors and other employees, is recognised through the consolidated statement of comprehensive income. The fair value of shares awarded is calculated by using an option pricing model. The resulting fair value is amortised through the consolidated statement of comprehensive income on a straight line basis over the vesting period. The charge is reversed if it is likely that any non-market based vesting criteria will not be met.

1. Accounting policies continued

Employee Benefit Trust

The Group is deemed to have control of its Employee Benefit Trust (EBT) and it is therefore treated as a subsidiary and consolidated for the purposes of the consolidated accounts. The EBT's investment in the parent company's shares is deducted from equity in the consolidated balance sheet as if they were treasury shares. Other assets and liabilities of the EBT are recognised as assets and liabilities of the Group. Any shares held by the EBT are excluded for the purposes of calculating earnings per share.

Retirement benefits

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the period to which they relate.

Government grants

Government grants received in relation to property asset capital expenditure is generally deducted in arriving at the cost of the relevant asset. Where retention of a government grant is dependent on the Group satisfying certain criteria, it is initially recognised as deferred income. When the criteria for retention have been satisfied, the deferred income balance is netted against the cost of the asset.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when the dividends are paid. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting.

Impairment of non-financial assets (excluding trading properties, investment properties and deferred tax)

Impairment tests on the Group's goodwill are undertaken at each reporting date to determine whether there is any indication of impairment. If such indication becomes evident, the asset's recoverable amount is estimated and an impairment loss is recognised in the consolidated statement of comprehensive income whenever the carrying amount of the asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. The value in use is determined as the net present value of the future cash flows expected to be derived from the asset.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents consists of cash in hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less from inception. For the purposes of the cash flow statement, cash and cash equivalents comprises cash in hand and deposits with banks net of bank overdrafts.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently at amortised cost or their recoverable amount. Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable. The amount of such a provision is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Trade and other payables

Trade and other payables are initially recorded at fair value and subsequently at amortised cost.

Borrowings

Interest-bearing bank loans are initially recorded at fair value, net of any directly attributable issue costs, and subsequently recognised at amortised cost.

1. Accounting policies continued

Financial instruments continued

Borrowing costs

Finance and other costs incurred in respect of obtaining borrowings are accounted for on an accruals basis using the effective interest method and amortised to the consolidated statement of comprehensive income over the term of the associated borrowings.

Borrowing costs directly attributable to the acquisition and construction of investment and trading properties are added to the costs of such properties until the properties are ready for their intended use.

All other borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

Other investments

Other investments comprise investments that have been designated at fair value through profit or loss on the basis that from acquisition they are monitored on a fair value basis so designation results in more relevant financial information.

Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

Areas requiring the use of estimates and critical judgement that may impact on the Group's earnings and financial position include:

Valuation of investment and trading properties

For the purposes of calculating the fair value of its investment property portfolio and the net realisable value of its trading property portfolio, the Group uses valuations carried out by either independent valuers or Directors on the basis of market value in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. The valuations are based upon assumptions including future rental income, sales prices, an estimate of typical profit margins, anticipated maintenance costs, future development costs and appropriate discount rates. The valuers and Directors also make reference to market evidence for comparable property transactions and principal inputs and assumptions.

Distinction between investment properties and trading properties

Where there is a decision to divest any element of a property and it becomes reasonably certain that the element concerned will become the subject of a binding sale contract in due course, then that element is remeasured to fair value at the decision date and transferred to trading properties.

Trading income

When a contract for the sale of a property is judged to be a construction contract (see revenue recognition policy for trading income), revenue is recognised using the percentage-of-completion method as construction progresses. The percentage of completion is estimated by reference to the stage of the projects and contracts – determined based on the proportion of contract costs incurred to date and the estimated costs to complete.

Taxation

There are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. The Group believes that its accruals for tax liabilities are adequate for all open years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve judgements about future events. The Directors have also exercised their judgement in relation to the recognition of certain deferred tax assets and liabilities.

2. Business combination during the period

On 22 May 2014 the Company acquired the entire issued share capital and the issued PECs of Urban&Civic Holdings S.à.r.l., the parent company of a group focused on the delivery of strategic residential land developments in key growth areas of the UK. The principal reason for the acquisition was to create the opportunity to grow a new 'best in class' UK real estate business. The acquisition was satisfied by the issue of 43,084,456 new ordinary shares of 20p each in the Company, representing 67 per cent of the total shares in issue prior to the placing and employee offer (see note 23). Consequently the business combination has been accounted for as a reverse acquisition in accordance with IFRS 3 'Business Combinations' (revised), and accordingly the assets and liabilities of the Company and its subsidiary undertakings, being the acquiree group, have been fair valued.

Details of the fair value of the identifiable assets and liabilities acquired, the purchase consideration and the goodwill arising are as follows:

	Fair value £'000
Non-current assets	
Property, plant and equipment	60
Investments in joint ventures and associates	5,445
Other investment	4,280
Deferred tax assets	11,101
	20,886
Current assets	
Trading properties	45,948
Trade and other receivables	15,017
Cash and cash equivalents	1,518
	62,483
Total assets	83,369
Non-current liabilities	
Borrowings	(10,857)
	(10,857)
Current liabilities	
Borrowings	(4,953)
Trade and other payables	(9,013)
Other liabilities	(1,922)
	(15,888)
Total liabilities	(26,745)
Net assets acquired	56,624
Fair value of consideration given	
Fair value of the Company's issued ordinary share capital at 22 May 2014 (net of own shares held)	56,588
Fair value of share options outstanding at 22 May 2014	491
Total consideration	57,079
Goodwill arising on acquisition	455

2. Business combination during the period continued

The fair value of the consideration given has been calculated by reference to the closing share price of the Company on 21 May 2014.

Fair value adjustments to the net assets acquired predominantly relate to property revaluations, deferred tax thereon and additional deferred tax assets recognised in respect of estimated tax losses that are expected and capable of being utilised as a consequence of the business combination.

Included within acquired receivables are amounts due from joint ventures and associates totalling £5,228,000, which have been fair valued at £Nil based on the expected amounts receivable. Other liabilities represent an acquired contingent liability. Further information in respect of this is included in note 26.

The Directors have considered the incidental amount of resultant goodwill arising on acquisition and have concluded that it should be immediately written off in the consolidated statement of comprehensive income in the post-acquisition period. The goodwill is not deductible for tax purposes.

The Group has completed its fair value assessment and therefore the fair values disclosed are considered to be final.

Acquisition costs of £1,860,000 have been recognised in administrative expenses in the consolidated statement of comprehensive income.

Since 22 May 2014 the acquiree group has contributed £21,373,000 to the revenues of the Group and £6,058,000 to the Group's profit for the period before taxation. If the acquisition had occurred on 1 January 2014, the contribution to the revenue of the Group would have been £33,855,000 and the contribution to the Group's profit before taxation for the period would have been £1,815,000.

3. Revenue and gross profit

	Period ended 30 September 2014 £'000	Year ended 31 December 2013 £'000
Trading property sales	**18,305**	—
Revenue on construction contracts	**1,714**	—
Rental income	**2,240**	2,639
Recoverable property expenses	**227**	289
Project management fees and other income	**741**	—
Revenue	**23,227**	2,928
Cost of trading property sales	**(15,038)**	—
Cost of construction contracts	**(987)**	—
Direct property expenses	**(1,040)**	(1,309)
Recoverable property expenses	**(227)**	(289)
Direct costs	**(17,292)**	(1,598)
Gross profit	**5,935**	1,330

Construction contracts	**Period ended 30 September 2014 Number**	Year ended 31 December 2013 Number
Number of construction contracts	**2**	—

	Period ended 30 September 2014 £'000	Year ended 31 December 2013 £'000
Revenue on construction contracts	**1,714**	—
Costs of construction contracts	**(987)**	—
Profit on construction contracts	**727**	—

Construction contract revenue is recognised in the consolidated statement of comprehensive income in line with the contract stage of completion on the relevant contract, determined using the proportion of total estimated development costs incurred at the reporting date. No advances or retentions have been received for construction contracts.

4. Operating profit

Is arrived at after charging/(crediting):	**Period ended 30 September 2014 £'000**	Year ended 31 December 2013 £'000
Depreciation of property, plant and equipment	**29**	18
Impairment of trade receivables	**—**	25
Operating lease charges – rent of properties	**255**	157
Share-based payment remuneration	**554**	—
Acquisition and Listing costs	**2,775**	—
Impairment of goodwill	**455**	—
Capitalisation of administrative expenses to investment and trading properties	**(3,165)**	(2,133)
Fees paid to BDO LLP in respect of:		
– audit of the Company	**150**	—
Other services:		
– audit of subsidiaries and associates	**50**	—
– corporate finance services	**163**	—
Fees paid to KPMG LLP in respect of:		
– audit of Urban&Civic Holdings S.à.r.l.	**—**	16
Other services:		
– audit of subsidiary companies	**—**	8
– non-audit services	**—**	26

In addition to the amounts disclosed above, BDO LLP charged the Company the following fees:

- £25,000 in relation to audit services in the pre-acquisition period from 1 October 2013 to 22 May 2014; and
- £362,000 in relation to corporate finance services which have been charged to the share premium account.

BDO LLP also charged the acquiree group the following fees in respect of its year ended 30 September 2013:

- £100,000 for the audit of the Company;
- £35,000 for the audit of subsidiaries and associates;
- £25,000 for audit related services; and
- £32,000 for other non-audit services.

5. Segmental information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors. In the year to 31 December 2013 the Group operated in one business segment, being strategic land, and this therefore comprises the results for that year and the balance sheet at 31 December 2013. Following the business combination in May 2014, two distinct business segments are being reported to the chief operating decision-maker. The two principal segments are strategic land and commercial property development. The strategic land segment includes serviced and unserviced land, consented and unconsented land and mixed-use development. The commercial segment includes Central London office developments and commercial regional developments.

Segmental information is reported in the table that follows in respect of the current period in accordance with the requirements of IFRS 8 'Operating Segments'.

Consolidated statement of comprehensive income
for the nine month period ended 30 September 2014

	Strategic land £'000	Commercial £'000	Unallocated £'000	Total £'000
Revenue	**1,854**	**21,373**	**—**	**23,227**
Direct costs	(1,267)	(16,025)	—	(17,292)
Gross profit	**587**	**5,348**	**—**	**5,935**
Acquisition and Listing costs	—	—	(2,775)	(2,775)
Impairment of goodwill	—	—	(455)	(455)
Other administrative expenses	—	—	(4,739)	(4,739)
Total administrative expenses	—	—	(7,969)	(7,969)
Surplus on revaluation of investment properties	5,925	—	—	5,925
Share of post-tax profit from joint ventures	11,297	—	—	11,297
Surplus on revaluation of other investment	—	1,114	—	1,114
Operating profit/(loss)	**17,809**	**6,462**	**(7,969)**	**16,302**
Net finance income /(costs)	(429)	56	3,235	2,862
Profit/(loss) before tax	**17,380**	**6,518**	**(4,734)**	**19,164**

The segmental results that are monitored by the Board include all the separate lines making up the segmental IFRS operating profit. This excludes central overheads and taxation which are not allocated to operating segments.

During the period one commercial customer generated £19,026,000 of revenue representing greater than 80 per cent of the total revenue.

In the year ended 31 December 2013, there were three major customers that generated £309,000, £296,000 and £289,000 of revenue. Each of these represented 10 per cent or more of the total revenue.

5. Segmental information continued

Consolidated balance sheet
as at 30 September 2014

	Strategic land £'000	Commercial £'000	Unallocated £'000	Total £'000
Investment properties	62,896	3,395	—	66,291
Property, plant and equipment	—	—	124	124
Investments in joint ventures and associates	13,573	3,445	—	17,018
Other investment	—	5,394	—	5,394
Intangible assets	—	—	—	—
Deferred tax assets	3,059	5,226	—	8,285
Non-current assets	**79,528**	**17,460**	**124**	**97,112**
Trading properties	49,164	28,951	—	78,115
Trade and other receivables	1,362	10,642	—	12,004
Cash and cash equivalents	—	—	162,762	162,762
Current assets	**50,526**	**39,593**	**162,762**	**252,881**
Trade and other payables	(3,631)	(8,082)	—	(11,713)
Other liabilities	—	(1,922)	—	(1,922)
Deferred tax liabilities	(1,296)	—	—	(1,296)
Total liabilities	**(4,927)**	**(10,004)**	**—**	**(14,931)**
Net assets	**125,127**	**47,049**	**162,886**	**335,062**

6. Finance income and finance costs

	Period ended 30 September 2014 £'000	Year ended 31 December 2013 £'000
Interest receivable from cash deposits	**294**	1
Discount received on early repayment of loans	**3,235**	—
Fair value gain on non-hedging derivative financial instruments	**5**	—
Finance income	**3,534**	1
Interest payable on borrowings	**529**	9,158
Interest capitalised	**(202)**	(6,620)
Fair value loss on non-hedging derivative financial instruments	**—**	5
Charges relating to early repayment of loans	**345**	—
Finance costs	**672**	2,543
Net finance income/(costs)	**2,862**	(2,542)

Interest is capitalised at the same rate as the Group is charged on respective borrowings. There were no significant interest rate swaps in the period and the Group had no outstanding bank borrowings at the end of the period.

During the period the Group completed negotiations with two banks that accepted discounted payments in full and final settlement of their loans. The total discount obtained from these banks amounted to £3,235,000.

7. Directors' remuneration

Details of the directors' remuneration is given in the directors' remuneration report on pages 87 to 98.

8. Employee benefit expenses

Employee benefit expenses (including Directors) are as follows:	**Period ended 30 September 2014 £'000**	Year ended 31 December 2013 £'000
Wages and salaries (including discretionary bonus)	**4,521**	1,808
Employer's national insurance contributions and similar taxes	**628**	236
Defined contribution pension cost	**172**	70
Share-based payments	**554**	—
Total staff costs (including Directors)	**5,875**	2,114
Amount capitalised to investment and trading properties	**(2,633)**	(1,492)
Amount included within operating profit	**3,242**	622

Average number of employees during the year:	**Period ended 30 September 2014 Number**	Year ended 31 December 2013 Number
Head office and property management	**28**	14

9. Tax on profit on ordinary activities

(a) Analysis of charge in the period

	Period ended 30 September 2014 £'000	Year ended 31 December 2013 £'000
Current tax:		
UK corporation tax on profits for the period	**48**	155
Adjustments in respect of previous periods	**—**	5
Total current tax	**48**	160
Deferred tax:		
Origination and reversal of timing differences	**4,110**	(1)
Total deferred tax charge/(credit)	**4,110**	(1)
Total tax charge	**4,158**	159

9. Tax on profit on ordinary activities continued

(b) Factors affecting the tax charge for the period

The tax assessed for the period is higher than (year ended 31 December 2013: lower than) the standard rate of corporation tax in the UK. The differences can be explained below.

	Period ended 30 September 2014 £'000	Year ended 31 December 2013 £'000
Profit attributable to the Group before tax	**19,164**	28,738
Profit multiplied by the average rate of UK corporation tax of 21.49 per cent (year ended 31 December 2013: 23.25 per cent)	**4,118**	6,682
Accelerated capital allowances	**—**	(1)
Expenses not deductible for tax purposes	**726**	14
Differences arising from taxation of chargeable gains and property revaluations	**(60)**	(7,213)
Profits from joint ventures and associates	**(321)**	—
Tax losses and other temporary differences	**—**	672
Changes in tax rates	**(305)**	—
	4,158	154
Adjustments to tax charge in respect of previous periods	**—**	5
Total tax charge	**4,158**	159

(c) Associates and joint ventures

The Group's share of tax on the associates and joint ventures is £Nil (year ended 31 December 2013: £Nil).

10. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on a profit of £15,006,000 (year ended 31 December 2013: £28,579,000) and on 72,138,247 (year ended 31 December 2013: 9,068,855) ordinary shares, being the weighted average number of shares in issue during the period.

Diluted earnings per ordinary share

Awards under the Group's long-term incentive plan are anti-dilutive and therefore have no dilution effect on the reported basic earnings per share.

Weighted average number of ordinary shares	**2014 Number**	2013 Number
In issue at 1 January	**9,074,791**	9,068,124
Effect of shares issued in November 2013	**—**	731
Effect of shares in issue at the date of the reverse acquisition	**10,171,516**	—
Effect of capitalisation of PECs in May 2014	**16,319,656**	—
Effect of placing and employee share offer in May 2014	**36,572,284**	—
Weighted average number of ordinary shares at 30 September (2013: 31 December)	**72,138,247**	9,068,855

The number of ordinary shares in issue during the period ended 30 September 2014 and the year ended 31 December 2013 has been calculated by reference to the capital structure of the Company following the share consolidation during the period.

11. Dividends

No dividends were paid during the current period or prior year.

The Directors are proposing a final dividend of 1.5p (2013: £Nil) per ordinary share totalling £2,107,000 (2013: £Nil). The dividend has not been accrued in the consolidated balance sheet.

12. Investment properties

(i) Carrying amount reconciliation

	£'000
Valuation	
At 1 January 2013	55,000
Additions at cost	14,496
Surplus on revaluation	31,027
Transfers to trading properties	(45,068)
At 1 January 2014	55,455
Additions at cost	3,411
Surplus on revaluation	5,925
Transfers from trading properties	1,500
At 30 September 2014	**66,291**

(ii) Operating lease arrangements

Refer to note 28 for details of the operating leases related to investment properties.

(iii) Items of income and expense

During the period to 30 September 2014, £1,854,000 (year ended 31 December 2013: £2,928,000) was recognised in the consolidated statement of comprehensive income in relation to rental and ancillary income from investment properties. Direct operating expenses, including repairs and maintenance, arising from investment property that generated rental income amounted to £1,267,000 (year ended 31 December 2013: £1,598,000). The Group did not incur any direct operating expenses arising from investment properties that did not generate rental income (year ended 31 December 2013: £Nil).

(iv) Restrictions and obligations

At 30 September 2014 there were no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal (at 31 December 2013: none).

There are no obligations to construct or develop the Group's principal investment property. The Group has an obligation to complete the construction of another investment property that has commenced at the balance sheet date.

At 30 September 2014 contractual obligations to develop investment property amounted to £509,000 (at 31 December 2013: £3,000).

(v) Historical cost and capitalised interest

The historical cost of investment properties as at 30 September 2014 was £45,045,000 (at 31 December 2013: £40,134,000), which included capitalised interest of £10,705,000 (at 31 December 2013: £10,606,000). The average cost of interest capitalised during the period was 2.3 per cent (year ended 31 December 2013: 13.9 per cent).

12. Investment properties continued

(vi) Fair value measurement

The Group's principal investment property, Alconbury Weald, which represents 98 per cent of the period-end carrying value (at 31 December 2013: 100 per cent), is valued on a semi-annual basis by CBRE Limited, an independent firm of Chartered Surveyors, on the basis of fair value. The valuation at each period end is carried out in accordance with guidance issued by the Royal Institution of Chartered Surveyors. The other investment properties are valued by the Directors on the basis of fair value.

Fair value represents the estimated amount that should be received for selling an investment property in an orderly transaction between market participants at the valuation date.

As noted above, the Group's investment properties are all carried at fair value and are classified as level 3 within the fair value hierarchy as some of the inputs used in determining the fair value are based on unobservable market data. The following table summarises the valuation technique used in measuring the fair value of the Group's investment properties, as well as the significant unobservable inputs and their inter-relationship with the fair value measurement.

Valuation technique

Discounted cash flows: the valuation model considers the present value of net cash flows to be generated from a property (reflecting the current approach of constructing the infrastructure, discharging the section 106 costs obligations and then selling fully serviced parcels of land to housebuilders for development), taking into account expected house price/land value growth rates, build cost inflation, absorption rates and general economic conditions. The expected net cash flows are discounted using risk adjusted discount rates and the resultant value is benchmarked against transaction evidence.

Significant unobservable inputs

The key inputs to the valuation included:

- expected annual house price inflation (3.5–5.5 per cent, average 3.6 per cent);
- expected annual cost price inflation (2.0–5.0 per cent, average 2.3 per cent);
- profit on gross development value (20 per cent);
- private residential gross development value (£220–£230 per sq.ft.);
- infrastructure, section 106 and community infrastructure levy (£591,000 per net developable acre); and
- risk adjusted discount rate (10 per cent).

Inter-relationship between significant unobservable inputs and fair value measurement

The estimated fair value would increase (decrease) if:

- expected annual house price inflation was higher (lower);
- expected annual cost price inflation was lower (higher);
- profit on gross development value was lower (higher);
- private residential gross development value was higher (lower);
- infrastructure, section 106 and community infrastructure levy rate per net developable acre was lower (higher); and
- risk adjusted discount rate was lower (higher).

13. Property, plant and equipment

	Leasehold improvements £'000	Motor vehicles £'000	Office equipment £'000	Furniture and fittings £'000	Total £'000
Cost					
At 1 January 2013	—	15	86	27	128
Additions	—	—	9	1	10
At 1 January 2014	—	15	95	28	138
Acquired through business combination (see note 2)	23	—	36	1	60
Additions	—	28	38	4	70
At 30 September 2014	**23**	**43**	**169**	**33**	**268**
Depreciation					
At 1 January 2013	—	13	72	12	97
Charge for the year	—	2	11	5	18
At 1 January 2014	—	15	83	17	115
Charge for the period	3	4	17	5	29
At 30 September 2014	**3**	**19**	**100**	**22**	**144**
Net book value					
At 30 September 2014	**20**	**24**	**69**	**11**	**124**
At 31 December 2013	—	—	12	11	23

No assets were held under finance leases in either the current period or the prior year.

14. Investments

(i) Investments in joint ventures and associates

	Joint ventures £'000	Associates £'000	Total £'000
Cost or valuation			
At 1 January 2013 and 1 January 2014	—	—	—
Acquired through business combination (see note 2)	2,945	2,500	5,445
Additions	476	—	476
Loans advanced	1,800	—	1,800
Share of revaluation uplift on investment property	11,297	—	11,297
Loans repaid	—	(2,000)	(2,000)
At 30 September 2014	**16,518**	**500**	**17,018**

At 30 September 2014 the Group's interests in its joint ventures were as follows:

SUE Developments LP	50%	Property investment
Achadonn Limited	50%	Property development

14. Investments continued

(i) Investments in joint ventures and associates continued

Summarised information on joint ventures

	SUE Developments LP £'000	Achadonn Limited £'000	Total 2014 £'000
Revenue	—	1,659	1,659
Profit/(loss) after tax	22,594	(150)	22,444
Total assets	27,146	12,428	39,574
Other liabilities	(3,600)	(6,367)	(9,967)
Total liabilities	(3,600)	(6,367)	(9,967)
Net assets	**23,546**	**6,061**	**29,607**
The carrying value consists of:			
Group's share of net assets	11,773	—	11,773
Loans	1,800	2,945	4,745
Total investment in joint ventures	**13,573**	**2,945**	**16,518**

SUE Developments LP's principal asset is an investment property carried at fair value and classified as level 3 within the fair value hierarchy as some of the inputs used in determining the fair value are based on unobservable market data. The investment property is valued on a semi-annual basis by CBRE Limited, an independent firm of chartered surveyors using the same valuation technique as adopted for the valuation of the Group's principal investment property, Alconbury Weald (see note 12). The values for the significant unobservable inputs are listed below, whilst their relationship with the fair value measurement is described in note 12.

Significant unobservable inputs

- expected annual house price inflation (3.3–4.3 per cent, average 3.3 per cent);
- expected annual cost price inflation (2.0–5.0 per cent, average 2.3 per cent);
- profit on gross development value (20 per cent);
- private residential gross development value (£220 per sq.ft.);
- infrastructure and section 106 costs (£546,000 per net developable acre); and
- risk adjusted discount rate (10.25 per cent).

14. Investments continued

(i) Investments in joint ventures and associates continued

At 30 September 2014 the Group's interests in its principal associates are as follows:

Terrace Hill Development Partnership	20%	Property development

Summarised information on principal associates

	Terrace Hill Development Partnership £'000
Revenue	628
Profit after tax	226
Total assets	8,042
Other liabilities	(10,342)
Total liabilities	(10,342)
Net liabilities	**(2,300)**
Non-recourse net liabilities	2,300
Adjust for:	
Group's share of net liabilities	—
The carrying value consists of:	
Group's share of net liabilities	—
Loans	500
Total investment in associates at 30 September 2014	**500**
Share of profit acquisition unrecognised profit	45

The Group has no legal or constructive obligations to fund the losses of this associate.

Terrace Hill Development Partnership has not been equity accounted for as the entity has preferential investors that will receive their return before the Group. When the entity can satisfy the obligations to those investors, equity accounting will resume. Terrace Hill Development Partnership is classified as an associate due to the significant influence being exercised by the Group over its operating activities. The investment in Terrace Hill Development Partnership is carried at cost and subject to regular impairment reviews. The carrying value of this associate is £500,000.

(ii) Other investment

	£'000
At 1 January 2013 and 1 January 2014	—
Acquired through business combination (see note 2)	4,280
Surplus on revaluation	1,114
At 30 September 2014	**5,394**

The other investment represents the fair value of the Group's minority share of the net assets attributable to the equity members of Howick Place JV S.à.r.l.

A list of the Group's principal subsidiaries is included on page 151 of the Report and Accounts.

15. Goodwill

	£'000
Cost or valuation	
At 1 January 2014	—
Arising on business combination (see note 2)	455
At 30 September 2014	**455**
Amortisation and impairment	
At 1 January 2014	—
Impairment in the period	(455)
At 30 September 2014	**(455)**
Net book value	
At 30 September 2014	**—**
At 31 December 2013	—

The goodwill arose on the business combination described in note 2 to the financial statements. The Directors have considered the incidental amount of resultant goodwill arising on acquisition and have concluded that it should be immediately written off in the consolidated statement of comprehensive income in the post-acquisition period. See note 2 for further information.

16. Deferred tax

The gross movement on the deferred tax account is as follows:

	Period ended 30 September 2014 £'000	Year ended 31 December 2013 £'000
At 1 January	**(2)**	(3)
Arising on business combination (see note 2)	**11,101**	—
Movement in the period (see note 9)	**(4,110)**	1
At 30 September (2013: 31 December)	**6,989**	(2)

The deferred tax balances are made up as follows:

	At 30 September 2014 £'000	At 31 December 2013 £'000
Deferred tax assets		
Tax losses	**8,285**	—
	8,285	—
Deferred tax liabilities		
Short-term timing differences	**—**	2
Revaluation surpluses	**1,296**	—
	1,296	2

At 30 September 2014, the Group has unused tax losses of £45,308,000 (at 31 December 2013: £Nil), of which £41,425,000 (at 31 December 2013: £Nil) has been recognised as a deferred tax asset. A deferred tax asset in respect of tax losses of £3,883,000 (at 31 December 2013: £Nil) has not been recognised as it is not considered sufficiently certain that there will be appropriate taxable profits available in the foreseeable future against which these losses can be utilised.

Under IAS 12 'Income Taxes' deferred tax is recognised for tax potentially payable on the realisation of investment properties at fair value at the balance sheet date. No deferred tax asset is recognised in respect of losses if there is uncertainty over future recoverability.

17. Trading properties

	Period ended 30 September 2014 £'000	Year ended 31 December 2013 £'000
At 1 January	**45,545**	—
Additions at cost	**4,362**	477
Acquired through business combination (see note 2)	**45,948**	—
Transfers (to)/from investment properties	**(1,500)**	45,068
Disposals	**(16,240)**	—
At 30 September (2013: 31 December)	**78,115**	45,545

During the period to 30 September 2014 a trading property with a book value of £1,500,000 was transferred to investment properties following a decision to hold the property for income generation. In the prior period investment properties with a total carrying value of £45,068,000 were transferred to trading properties at fair value following a decision to develop the properties for sale.

Capitalised interest of £307,000 is included within the carrying value of trading properties as at 30 September 2014 (at 31 December 2013: £204,000).

18. Trade and other receivables

	At 30 September 2014 £'000	At 31 December 2013 £'000
Trade receivables	**492**	423
Less: provision for impairment of trade receivables	**(2)**	(43)
Trade receivables (net)	**490**	380
Other receivables	**2,703**	629
Amounts recoverable under contracts	**6,453**	—
Prepayments and accrued income	**2,358**	519
	12,004	1,528

The ageing of trade receivables was as follows:	At 30 September 2014 £'000	At 31 December 2013 £'000
Up to 30 days	**105**	52
31 to 60 days	**23**	3
61 to 90 days	**—**	7
Over 90 days	**211**	19
Total	**339**	81
Amounts not yet due	**151**	299
Trade receivables (net)	**490**	380

There were no amounts past due but not impaired at 30 September 2014 (at 31 December 2013: none).

18. Trade and other receivables continued

Included within amounts recoverable under contracts at the period end was the following amount relating to construction contracts:

	At 30 September 2014 £'000	At 31 December 2013 £'000
Contract costs incurred plus recognised profits less recognised losses to date	**991**	—
Less: progress billings	**—**	—
Contracts in progress at the balance sheet date	**991**	—

At 30 September 2014 the Group was due £4,220,000 (at 31 December 2013: £Nil) from joint ventures and associates which has been fully provided against. The movement in the allowance for impairment in respect of these amounts during the period was as follows:

	Period ended 30 September 2014 £'000	Year ended 31 December 2013 £'000
At 1 January	**—**	—
Acquired through business combination (see note 2)	**5,228**	—
Amounts recovered	**(1,008)**	—
At 30 September (2013: 31 December)	**4,220**	—

The allowance is calculated with reference to the net asset values in the joint ventures and associates.

19. Trade and other payables

	At 30 September 2014 £'000	At 31 December 2013 £'000
Trade payables	**2,237**	631
Taxes and social security costs	**498**	133
Other payables	**880**	—
Accruals	**6,780**	1,246
Deferred income	**1,318**	342
	11,713	2,352

During the period £5,000,000 of Building Foundations for Growth grant funding was awarded by Central Government to accelerate specific enabling works at Alconbury Weald. Prior to the period end, £1,000,000 was received and forms part of the deferred income balance. The entire £5,000,000 is expected to be received and spent within 12 months.

20. Borrowings

Non-current	At 30 September 2014 £'000	At 31 December 2013 £'000
Bank loan	—	9,311
Preferred Equity Certificates (PECs)	—	71,389
	—	80,700

Maturity profile	At 30 September 2014 £'000	At 31 December 2013 £'000
Between one and five years	—	9,311
More than five years	—	71,389
	—	80,700

During the period all bank loans were repaid.

On 15 May 2014 PECs with a nominal value of £45,000, together with accrued interest of £37,000, were redeemed at par.

On 22 May 2014 PECs with a nominal value of £49,114,000, together with accrued interest of £27,408,000, were exchanged for 34,009,665 ordinary shares of 20p each in the Company.

21. Other liabilities

Acquired contingent liabilities	£'000
At 1 January 2013 and 1 January 2014	—
Acquired through business combination (see note 2)	1,922
At 30 September 2014	**1,922**

Other liabilities relate to a contingent liability that was acquired as part of the business combination in the period. It is carried at its acquisition date fair value and relates to a potential tax liability.

22. Financial instruments

(a) Capital risk management

The Group's primary objective with regards to capital management is to continue as a going concern for the foreseeable future.

The Group's capital comprises equity attributable to shareholders, cash and cash equivalents and borrowings, which have been put in place historically and which the Group anticipates will be put in place in the future.

Although the Group aims to ensure borrowings are secured against specific property assets without further recourse, banking covenants have previously, and are expected to in the future, place responsibilities on the Group to manage capital to ensure that assets are safeguarded and early debt repayments or other financial penalties are not forthcoming.

The Group's capital structure is managed through close monitoring of the Group's business plan, which encompasses a review of dividend proposals, proposed repayments of shareholder capital as well as identifying any required asset realisations and shares issues.

The Group is not subject to any externally imposed capital requirements.

Details of the Group's significant accounting policies, including the basis on which income and expenses are recognised through the income statement and the basis of measurement, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1.

(b) Financial risk management

The Group's principal financial instruments at 30 September 2014 comprise cash and short-term deposits. The main purpose of these financial instruments is to provide finance for the Group's operations at appropriate cost and risk levels.

The Group has various other financial instruments such as trade and other receivables, amounts recoverable under contracts and trade and other payables that arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and these are summarised below. The magnitude of the risk that has arisen over the period is detailed below:

(i) Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in interest rates.

The Group holds significant cash balances on short-term deposit. The Group's policy is to monitor the level of these balances to ensure that funds are available as required, recognising that interest earnings will be subject to interest rate fluctuations.

When necessary and considered appropriate, the Group borrows cash in the form of loans, which are usually subject to interest at floating rates. It is recognised that rates will fluctuate according to changes in LIBOR and the bank base rate. The Group is cognisant at all times of movements in interest rates and will, as appropriate, enter into interest rate swaps to maintain a balance between borrowings that are subject to floating and fixed rates. The Group's exposure to interest rate risk in respect of its financial liabilities will therefore relate to the effect of a rate change on the fair value of any derivative financial instruments it holds and the cost of servicing any floating rate borrowings.

Market rate sensitivity analysis

The analysis below shows the sensitivity of the statement of comprehensive income and net assets to a 0.5 per cent change in interest rate on the Group's financial instruments that are affected by market risk.

0.5 per cent increase in interest rates	**At 30 September 2014 £'000**	At 31 December 2013 £'000
Interest on borrowings	**—**	(47)
Interest on cash deposits	**796**	3
Total impact on pre-tax profit and equity – gain/(loss)	**796**	(44)

0.5 per cent decrease in interest rates	**At 30 September 2014 £'000**	At 31 December 2013 £'000
Interest on borrowings	**—**	47
Interest on cash deposits	**(796)**	(3)
Total impact on pre-tax profit and equity – (loss)/gain	**(796)**	44

22. Financial instruments continued

(b) Financial risk management continued

ii) Credit risk

The Group's principal financial assets are cash, trade and other receivables, amounts recoverable under contracts, loans advanced to joint ventures and associates and an amount recoverable from the Group's other investment.

Cash deposits are placed with a range of banks to minimise the risk to the Group. Details are provided in the table set out below of the relevant financial institutions pooled by their respective Standard and Poor long-term credit ratings or Fitch long-term credit ratings where Standard and Poor ratings are unavailable.

The principal risk is therefore deemed to arise from trade and other receivables, amounts recoverable under contracts, loans advanced to joint ventures and associates and the amount recoverable from the Group's other investment. Trade receivables from the sale of properties are secured against those properties until the proceeds are received. Rental receivables are unsecured but there is no significant concentration of credit risk as no tenant accounts for more than 9 per cent of total rent. Credit checks, rental deposits and third party guarantees are used in isolation or in combination to mitigate against potential financial loss arising from defaults where considered necessary. Other receivables are predominantly due from local authorities, which are not considered to have a high credit risk. Amounts recoverable under contracts are due from the ultimate purchaser of one development, and therefore represent a concentration of credit risk. However extensive financial due diligence was carried out on this purchase prior to the transaction being entered into in order to mitigate this risk. The Group's joint ventures and associates are structured, with the assistance of professional advisers, in a way that provides the Group with maximum flexibility and security. Furthermore, robust controls and procedures are applied to these interests in a manner that is consistent with other Group operations. The Group's other investment represents a minority interest in an entity undertaking a property development in Central London. The Group is entitled to a priority return and the Board annually reviews the business plan of this entity.

Credit ratings of the financial institutions holding the Group's cash deposits as at 30 September 2014 are shown below.

Financial institution	Long-term credit rating	Cash at bank £'000	Short term deposits £'000	Total £'000
Handelsbanken, HSBC, Wells Fargo	AA-	584	71,396	71,980
Barclays, Credit Agricole, Helaba, ING Bank N.V., KBC, Lloyds, Nationwide, Santander	A	618	56,613	57,231
Bank of Scotland, RBS	A-	9,660	7,862	17,522
Close Brothers	A	—	7,941	7,941
Aareal	A-	—	7,935	7,935
Co-operative	B	153	—	153
		11,015	**151,747**	**162,762**

No prior period analysis has been provided due to the limited size and distribution of the Group's cash balances at 31 December 2013.

(iii) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash balances and loans. Cash flow and funding needs are regularly monitored.

22. Financial instruments continued

(c) Categories of financial assets and financial liabilities

	At 30 September 2014 Carrying value £'000	At 30 September 2014 Fair value £'000	At 31 December 2013 Carrying value £'000	At 31 December 2013 Fair value £'000
Current financial assets – loans and receivables				
Cash and cash equivalents	**162,762**	**162,762**	1,188	1,188
Trade and other receivables	**1,152**	**1,152**	831	831
Amounts recoverable on contracts	**6,453**	**6,453**	—	—
Total current financial assets	**170,367**	**170,367**	2,019	2,019
Non-current financial assets – loans and receivables				
Loans advanced to joint ventures and associates	**5,245**	**5,245**	—	—
Non-current financial assets – fair value through profit and loss				
Other investment	**5,394**	**5,394**	—	—
Total non-current financial assets	**10,639**	**10,639**	—	—
Total financial assets	**181,006**	**181,006**	2,019	2,019
Current financial liabilities – amortised cost				
Trade payables	**2,237**	**2,237**	631	631
Other payables	**218**	**218**	1,246	1,246
Total current financial liabilities	**2,455**	**2,455**	1,877	1,877
Non-current financial liabilities – amortised cost				
Preferred Equity Certificates (PECs)	—	—	71,389	71,389
Loans	—	—	9,311	9,311
Non-current financial liabilities – fair value through profit and loss				
Interest rate swaps	—	—	5	5
Total non-current financial liabilities	—	—	80,705	80,705
Total financial liabilities	**2,455**	**2,455**	82,582	82,582

The maximum exposure to credit risk from the financial assets, excluding cash, is £18,244,000 (at 31 December 2013: £831,000).

At 30 September 2014 the other investment was designated at fair value and categorised as level 3 within the fair value hierarchy as some of the inputs used in determining the fair value were based on unobservable market data. The investment has been valued by reference to the underlying net asset value of the investee entity. This net asset value includes an investment property that has been valued by an independent firm of chartered surveyors using a yield methodology. An increase/decrease in the value of the investment property would result in an increase/decrease in the carrying value of the Group's investment.

At 30 September 2014 no financial liabilities were designated at fair value. At 31 December 2013 the interest swaps were carried at fair value and categorised as level 2 within the fair value hierarchy as their fair value was determined from observable inputs.

22. Financial instruments continued

(c) Categories of financial assets and financial liabilities continued

No maturity analysis is presented in respect of the current period following the repayment of loans and the capitalisation of the PECs. The maturity analysis of the undiscounted contractual cash flows relating to financial liabilities as at 31 December 2013 is presented below:

At 31 December 2013	Currency	Nominal interest rate	Year of maturity	Carrying amount £'000	Contractual cash flow £'000	In less than one year £'000	Between one and two years £'000	In more than five years £'000
Preferred Equity Certificates (PECs)								
PECs issued in 2009	Sterling	14.07%	2059	54,676	399,867	—	—	399,867
PECs issued in 2011	Sterling	14.07%	2061	15,711	118,926	—	—	118,926
PECs issued in 2012	Sterling	14.07%	2062	1,156	8,949	—	—	8,949
Bank facilities arranged in 2013	Sterling	LIBOR +275 bps	2015	9,482	10,046	399	9,647	—
Derivatives arranged in 2013	Sterling	0.81%	2015	5	4	10	(6)	—
Unamortised arrangement costs				(325)	—	—	—	—
Total				80,705	537,792	409	9,641	527,742

(d) Interest rate risk profile of financial assets and liabilities

The interest rate risk profile of financial assets and liabilities of the Group at 30 September 2014 was as follows:

	Total £'000	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets on which no interest is earned £'000
Total financial assets	**181,006**	**—**	**159,240**	**21,766**

	Total £'000	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities on which no interest is earned £'000
Total financial liabilities	**2,455**	**—**	**—**	**2,455**

22. Financial instruments continued

(d) Interest rate risk profile of financial assets and liabilities continued

The interest rate risk profile of financial assets and liabilities of the Group at 31 December 2013 was as follows:

	Total £'000	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets on which no interest is earned £'000
Total financial assets	2,019	—	734	1,285

	Total £'000	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities on which no interest is earned £'000
Total financial liabilities	82,582	9,311	71,394	1,877

The floating rate financial liabilities comprised a revolving credit facility that was repaid in the current period. The average variable interest rate applicable to the revolving credit facility was LIBOR plus 2.75 per cent. In order to protect the Group from fluctuations in interest rates, the Group entered into interest rate swap contracts in relation to 50 per cent of the facility which fixed LIBOR at 0.81 per cent.

23. Share capital

Urban&Civic plc (formerly Terrace Hill Group plc)	**At 30 September 2014 £'000**	At 30 September 2013 £'000
Issued and fully paid		
140,497,109 (2013: 211,971,299) ordinary shares of 20p each (2013: 2p each)	**28,099**	4,239

Urban&Civic Holdings S.à.r.l.	**At 30 September 2014 £'000**	At 31 December 2013 £'000
Issued and fully paid		
1,500,000 (2013: 1,500,000) ordinary shares of £1 each	**1,500**	1,500

Movements in ordinary share capital in issue

Ordinary shares	Issued and fully paid £'000	Number
At 1 January 2014	1,500	1,500,000
Shares eliminated on acquisition of Urban&Civic Holdings S.à.r.l.	(1,500)	(1,500,000)
	—	—
Ordinary shares in issue at date of acquisition	4,239	21,197,129
Ordinary shares issued in consideration for Urban&Civic Holdings S.à.r.l. shares	1,815	9,074,791
Ordinary shares issued in consideration for Urban&Civic Holdings S.à.r.l. PECs	6,802	34,009,665
Ordinary shares issued in respect of placing	15,111	75,555,556
Ordinary shares issued in respect of employee offer	132	659,968
At 30 September 2014	**28,099**	**140,497,109**

On 22 May 2014 the Company's existing ordinary shares of 2p each were consolidated into ordinary shares of 20p each on the basis of one new ordinary share for every ten existing ordinary shares held.

24. Reserves

The movement on reserves in the period (2013: year) is set out in the consolidated statement of changes in equity on page 110.

The nature and purpose of the Group's reserves are:

Share premium account: represents the excess of the value of shares issued over their nominal amount.

Capital redemption reserve: represents the amount paid to purchase issued shares for cancellation at their nominal value.

Own shares: represents the amount paid to purchase issued shares in connection with the employee share-based payment plan.

Other reserve: represents a non-distributable capital reserve arising on the acquisition of subsidiary undertakings.

Retained earnings: represents cumulative net gains and losses recognised in the consolidated statement of comprehensive income and reserve moments in relation to share-based payments.

25. Net asset value per share

Net asset value per share is calculated as the net assets of the Group attributable to shareholders at each balance sheet date, divided by the number of shares in issue at that date.

	At 30 September 2014	At 31 December 2013
Net asset value (£'000)	**335,062**	20,680
Number of ordinary shares in issue	**140,497,109**	9,074,791
NAV per share	**238.5p**	227.9p

The number of ordinary shares in issue at 31 December 2013 has been calculated by reference to the capital structure of the Company following the share consolidation during the period ended 30 September 2014.

26. Contingent liabilities, capital commitments and guarantees

The Group has contingent tax liabilities relating to the pre-acquisition activities of the business acquired in the period which have been estimated at £3,841,000. The Directors assessed the fair value of this contingent liability at the date of the business combination to be £1,922,000 and this amount is included within other liabilities at 30 September 2014 (see notes 2 and 21). Therefore, the estimated unprovided exposure at 30 September 2014 is £1,919,000.

The Group has given a guarantee of £600,000 (at 31 December 2013: £Nil) as part of its development obligations.

Capital commitments relating to the Group's development sites are as follows:

	At 30 September 2014 £'000	At 31 December 2013 £'000
Contracted but not provided for	**13,810**	3

27. Share-based payments

The Group operates an equity-settled share-based payment scheme for all executive Directors and certain senior management.

Options are granted over the Company's shares that are capable of vesting on the third anniversary of issue dependent on certain performance conditions having been met. On 30 September 2014, options over 2,145,032 shares were awarded to Directors and other participating staff. The performance conditions attached to these awards are as follows:

- EPRA Triple Net Asset Value must increase by greater than 3 per cent per annum more than RPI for 25 per cent vesting and must increase by greater than 12.5 per cent per annum more than RPI for 100 per cent vesting. Shares will vest on a pro-rated, straight line basis, for out performance between 3 per cent per annum and 12.5 per cent per annum; and
- Total Shareholder Return must be equal to the movement in the FTSE 350 Real Estate Index for 25 per cent vesting and must fall within the upper quartile of relative performance of the FTSE 350 Real Estate Index for 100 per cent vesting. Shares will vest on a pro-rated, straight line basis, for out performance between the medium and upper quartile.

Awards will lapse if not vested at the end of the vesting period.

The performance conditions for the awards granted in the period run from 22 May 2014 to 30 September 2017.

Of the 1,046,095 awards acquired on business combination, 59,406 had vested on 30 September 2011 and 325,703 had lapsed on 30 September 2014. The remaining 660,986 of awards have a performance condition period that expires on 30 September 2015.

	Period ended 30 September 2014			
	Number of share awards granted	Weighted average exercise price	Fair value of award at date of grant	Share price at date of grant
Awards outstanding at 1 January 2014	—	—		
Acquired on business combination	**1,046,095**	**20.00p**		
Awards exercised	**(59,406)**	**20.00p**		
Awards lapsed	**(325,703)**	**20.00p**		
Awards granted (date of grant: 30 September 2014)	**2,145,032**	**20.00p**	**134.92p – 214.22p**	**233.5p**
Awards outstanding at 30 September 2014	**2,806,018**	**20.00p**		

The fair value of share awards is calculated by using an option pricing model involving six variables: share price, exercise price, expected term, expected dividend yield, expected volatility and risk free interest rate. In respect of the share awards in the period, the values assigned to the variables are: 233.50p grant date share price, 20.00p exercise price, expected term of three years, 0.00 per cent expected dividend yield, 39.10 per cent expected volatility and 1.22 per cent expected risk free interest rate.

This value is charged to the consolidated statement of comprehensive income over the vesting period. The charge to the consolidated statement of comprehensive income for the period was £554,000 (year ended 31 December 2013: £Nil).

The weighted average share price on the date of exercise of the awards exercised in the period was 254.0p.

The Company established the Urban&Civic plc Employee Benefit Trust (the 'Trust'), to be used as part of the remuneration arrangements for employees. The purpose of the Trust is to facilitate the ownership of shares by or for the benefit of employees by the acquisition and distribution of shares in the Company. The Trust purchases shares in the Company to satisfy the Company's obligations under its share-based payment plans.

On 30 September 2014 the Trust held 42,594 ordinary 20p shares in Urban&Civic plc at a cost of £254,000, which had a market value of £114,000.

28. Leases

Operating lease commitments where the Group is the lessee

The future aggregate minimum lease rentals payable under non-cancellable operating leases are as follows:

Land and buildings	At 30 September 2014 £'000	At 31 December 2013 £'000
In one year or less	**1,508**	181
Between one and five years	**4,949**	12
In five years or more	**178**	—
	6,635	193

Operating lease commitments where the Group is the lessor

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

Land and buildings (including investment property)	At 30 September 2014 £'000	At 31 December 2013 £'000
In one year or less	**1,897**	591
Between one and five years	**4,582**	—
In five years or more	**1,951**	—
	8,430	591

29. Post balance sheet events

Since 30 September 2014 the Group has received a resolution to grant planning permission, subject to the completion of section 106 and section 278 agreements, for a 99,659 sq.ft. foodstore, along with 32,000 sq.ft. of industrial development at Altira Business Park in Herne Bay, Kent. The impact of this event increases the net realisable value of this property interest. The trading property carrying value of the Herne Bay development at 30 September 2014 was £3,626,000 (at 31 December 2013: £Nil).

On 1 December 2014 the Group exchanged contracts to acquire two prime sites, aggregating almost three acres in the centre of Manchester, for a total consideration of £22,450,000.

30. Related party transactions

Key management personnel

For the period to 22 May 2014, the date of the transaction, Nigel Hugill and Robin Butler were considered to be the key management personnel of the Group. From 22 May 2014 all the Directors of the Company are considered to be key management personnel. The combined emoluments for the key management personnel, based upon amounts included in the Group financial statements, are set out below:

	Period ended 30 September 2014 £'000	Year ended 31 December 2013 £'000
Emoluments	**2,274**	632
Amounts paid to third parties in respect of Directors' services	**14**	—
Share-based payment expense	**270**	—
	2,558	632

Included within the emoluments above are £74,000 of pension contributions made during the period in respect of key management personnel (year ended 31 December 2013: £Nil).

Compensation payments

During the period the Group made a £700,000 payment to Robert Adair, the former Chairman of the Company, as compensation for loss of office and in lieu of his entitlement under the pre-existing performance share plan. As part of his settlement agreement the Group has also committed to pay him £200,000 when the Group receives an implementable planning consent for its site in Herne Bay. This amount is included within accruals at 30 September 2014.

Shareholder transactions

GIP U&C S.à.r.l. was the immediate holding and controlling company of Urban&Civic Holdings S.à.r.l. up to 21 May 2014 and received the following payments in respect of monitoring services:

	Period ended 30 September 2014 £'000	Year ended 31 December 2013 £'000
GIP U&C S.à.r.l.	**5**	10

30. Related party transactions continued

Shareholder interests

The interests of key management personnel in the share capital of the Company at 30 September 2014 are set out in the directors' remuneration report on page 96. The interests of GIP U&C S.à.r.l. and the key management personnel, including immediate family interests, in the share capital and PECs of Urban&Civic Holdings S.à.r.l. up to 21 May 2014 were as follows:

	At 21 May 2014		At 31 December 2013	
	Ordinary shares of £1 each Number	PECs £'000	Ordinary shares of £1 each Number	PECs £'000
GIP U&C S.à.r.l.	1,200,000	75,867	1,200,000	70,810
Nigel Hugill	120,000	311	120,000	311
Robin Butler	120,000	311	120,000	311

The movement in PECs in the period comprises accrued interest and an additional issue to GIP U&C S.à.r.l. of £4,985,000.

On 22 May 2014 the issued share capital of Urban&Civic Holdings S.à.r.l. and the outstanding PECs, including accrued interest, were exchanged for 43,084,456 ordinary shares of 20p each in the Company.

Under an agreement dated 28 April 2014, GIP U&C S.à.r.l. has undertaken not to dispose of any of its shares in the Company for a period of 12 months from 22 May 2014.

Under an agreement dated 28 April 2014, Robert Adair (for himself and on behalf of his trusts) has undertaken not to dispose of any of his shares in the Company for a period of 12 months from 22 May 2014 unless notice of three business days is received by the broker and all reasonable requirements in relation to the timing and execution of the transaction are adhered to.

Fees, other income and amounts due from joint ventures and associates

The following amounts are due from the Group's joint ventures and associates. These sums are included in receivables apart from amounts due from Achadonn Limited, which represent part of the net investment in that company.

	At 30 September 2014 £'000	At 31 December 2013 £'000
Terrace Hill Residential PLC	**4,220**	—
Achadonn Limited	**2,945**	—
	7,165	—

Amounts due from Terrace Hill Residential PLC have been fully provided against at 30 September 2014 and were fair valued at £Nil at the date of the business combination.

	Notes	30 September 2014 £'000	30 September 2013 £'000
Fixed assets			
Investments	4	**291,508**	43,151
		291,508	43,151
Current assets			
Debtors due within one year	5	**17,432**	2,548
Cash at bank and in hand		**462**	564
		17,894	3,112
Creditors: amounts falling due within one year	6	**(9,439)**	(7,910)
Net current assets/(liabilities)		**8,455**	(4,798)
Total assets less current liabilities		**299,963**	38,353
Capital and reserves			
Share capital	9	**28,099**	4,239
Share premium account	10	**168,186**	18,208
Share scheme reserve	10	**2,440**	1,396
Own shares	10	**(254)**	(609)
Capital redemption reserve	10	**849**	849
Merger reserve	10	**94,095**	7,413
Profit and loss account	10	**6,548**	6,857
Shareholders' funds		**299,963**	38,353

The financial statements were approved by the Board and authorised for issue on 22 December 2014 and were signed on its behalf by:

Nigel Hugill
Director

Jon Austen
Director

The notes on pages 145 to 150 form part of these parent company financial statements.

1. Accounting policies

Accounting convention

The financial statements of he Company have been prepared under UK GAAP and the historical cost convention and in accordance with the Companies Act 2006. The comparative period information reflects the Company-only balance sheet and notes for Urban&Civic plc (previously named Terrace Hill Group plc). This differs from the comparatives shown in the Group accounts, which are those for the Urban&Civic Holdings S.à.r.l. Group. This difference arises due to the nature of the transaction described in note 2 to the consolidated financial statements whereby reverse acquisition accounting was applied to account for the transaction.

During the period the Company has adopted FRS 26 'Financial Instruments: Recognition and Measurement'. The impact on the financial statements has only been in relation to presentation and disclosure.

The Company has taken exemption under FRS 1 'Cash Flow Statements' not to present a cash flow statement. A consolidated cash flow statement is presented on page 111 of the Group financial statements.

Rental income

Rental income arising from properties is accounted for on a straight line basis over the term of the lease.

Share-based payments

The fair value of granting share awards under the performance share plan and the other share-based remuneration of the Directors and other employees is recognised through the profit and loss account. The fair value of shares awarded is calculated by using an option pricing model. The resulting fair value is amortised through the profit and loss account on a straight line basis over the vesting period. The charge is reversed if it is likely that any non-market based criteria will not be met.

Where the Company grants rights in its equity directly to an employee of a subsidiary, the transaction is accounted for as an equity-settled transaction. In the financial statements of the Company, the grant of rights is recognised as a capital contribution made to the subsidiary.

Investments

The investments in subsidiary companies are included in the Company's balance sheet at cost less provision for impairment.

Where the Company has a legal obligation to a third party in relation to the losses of an associate, the Company fully provides for its share and the charge is recognised in the profit and loss account of the Company.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when the dividends are paid. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting.

Deferred tax

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the Company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Trade and other debtors

Trade and other debtors are initially recognised at fair value and subsequently at amortised cost or their recoverable amount. Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable. The amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade debtors, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses. On confirmation that the trade debtor will not be collectable the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

Financial liabilities including trade creditors, other creditors, accruals and amounts due to Group undertakings are originally recorded at fair value and subsequently stated at amortised cost under the effective interest method.

2. Profit/(loss) attributable to members of the parent company

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The Company loss for the year to 30 September 2014 of £309,000 (year ended 30 September 2013: £1,890,000 loss) comprises a loss after tax of £830,000 for the period from 1 October 2013 to 21 May 2014 and a profit of £521,000 for the period from 22 May 2014 to 30 September 2014. The Group consolidated financial statements therefore include a profit of £521,000 for the period attributable to the Company.

3. Directors' and auditors' remuneration

Directors' remuneration is given in the directors' remuneration report on pages 87 to 98. Details of the remuneration paid to the Company's auditors, BDO LLP, for audit and non-audit services provided are given in note 4 to the Group financial statements on page 120.

4. Investments

	£'000
Cost or valuation	
At 1 October 2013	59,156
Additions (see below)	247,313
Capital contribution on the granting of share scheme options to employees of subsidiaries	1,044
At 30 September 2014	**307,513**
Cost	307,513
Valuation	—
	307,513
Amounts written off	
At 1 October 2013 and 30 September 2014	**16,005**
Net book value	
At 30 September 2014	**291,508**
At 30 September 2013	43,151

There were two principal investment additions in the year:

- the Company subscribed for £150,000,000 worth of shares in an existing subsidiary company; and
- the Company acquired Urban&Civic Holdings S.à.r.l. at a cost of £97,159,000 as described in note 2 to the consolidated financial statements.

A list of the Company's principal subsidiaries is included on page 151 of these Report and Accounts.

5. Debtors

	At 30 September 2014 £'000	At 30 September 2013 £'000
Amounts due within one year:		
Trade debtors	**10**	130
Prepayments and accrued income	**361**	335
Amounts due from subsidiaries	**16,623**	2,063
Other debtors	**438**	20
	17,432	2,548

6. Creditors

	At 30 September 2014 £'000	At 30 September 2013 £'000
Amounts due within one year:		
Bank loans and overdrafts	–	700
Trade creditors	**155**	469
Accruals and deferred income	**2,015**	1,203
Amounts due to subsidiaries	**6,976**	5,067
Other creditors	**293**	471
	9,439	7,910

7. Related party transactions

The Company has taken advantage of the exemption allowed by FRS 8 'Related Party Transactions' not to disclose any transactions with other Group entities that are wholly owned within the Group.

The Company has previously made a loan of £4,220,000 (at 30 September 2013: £4,220,000) to Terrace Hill Residential PLC, an associated undertaking, which is fully provided against at the year end (year ended 30 September 2013: fully provided).

8. Deferred tax

Movements in deferred tax assets are shown below:

	At 30 September 2014 £'000	At 30 September 2013 £'000
At 1 October	–	1,382
Profit and loss account credit	–	(1,382)
At 30 September	–	–

9. Share capital

	At 30 September 2014 £'000	At 30 September 2013 £'000
Issued and fully paid		
140,497,109 (2013: 211,971,299) ordinary shares of 20p each (2013: 2p each)	**28,099**	4,239

Movements in ordinary share capital in issue

Ordinary shares	Issued and fully paid £'000	Number
At 1 October 2013	4,239	211,971,299
Share consolidation	—	(190,774,170)
Ordinary shares	4,239	21,197,129
Ordinary shares issued in consideration for Urban&Civic Holdings S.à.r.l. shares	1,815	9,074,791
Ordinary shares issued in consideration for Urban&Civic Holdings S.à.r.l. PECs	6,802	34,009,665
Ordinary shares issued in respect of placing	15,111	75,555,556
Ordinary shares issued in respect of employee offer	132	659,968
At 30 September 2014	**28,099**	**140,497,109**

On 22 May 2014, the Company's existing ordinary shares of 2p each were consolidated into ordinary shares of 20p each on the basis of one new ordinary share for every ten existing ordinary shares held.

10. Reserves

	Share premium £'000	Share scheme reserve £'000	Own shares £'000	Capital redemption reserve £'000	Merger reserve £'000	Profit and loss account £'000
At 1 October 2012	18,208	990	(609)	849	7,413	8,747
Loss for the year	—	—	—	—	—	(1,890)
Share-based payments	—	406	—	—	—	—
At 1 October 2013	18,208	1,396	(609)	849	7,413	6,857
Loss for the year	—	—	—	—	—	(309)
Settlement of share options exercised	—	—	355	—	—	—
Arising on acquisition of Urban&Civic Holdings S.à.r.l.	—	—	—	—	86,682	—
Proceeds from shares issued	156,242	—	—	—	—	—
Fees and expenses associated with shares issued	(6,264)	—	—	—	—	—
Share-based payments	—	1,044	—	—	—	—
At 30 September 2014	**168,186**	**2,440**	**(254)**	**849**	**94,095**	**6,548**

Details of own shares held by the Employee Benefit Trust are shown in note 11.

11. Share-based payments

The Company operates an equity-settled share-based payment scheme for all executive Directors and certain senior management.

Options are granted over the Company's shares that are capable of vesting on the third anniversary of issue dependent on certain performance conditions having been met. On 30 September 2014, options over 2,145,032 shares were awarded to Directors and other participating staff. The performance conditions attached to these awards are as follows:

- EPRA Triple Net Asset Value must increase by greater than 3 per cent per annum more than RPI for 25 per cent vesting and must increase by greater than 12.5 per cent per annum more than RPI for 100 per cent vesting. Shares will vest on a pro-rated, straight line basis, for out performance between 3 per cent and 12.5 per cent per annum; and
- Total Shareholder Return must be equal to the movement in the FTSE 350 Real Estate Index for 25 per cent vesting and must fall within the upper quartile of relative performance of the FTSE 350 Real Estate Index for 100 per cent vesting. Shares will vest on a pro-rated, straight line basis, for out performance between the medium and upper quartile.

Awards will lapse if not vested at the end of the vesting period.

The performance conditions for the awards granted in the period run from 22 May 2014 to 30 September 2017. The remaining 660,986 of awards have a performance condition period that expires on 30 September 2015.

	Period ended 30 September 2014			
	Number of share awards granted	Weighted average exercise price	Fair value of award at date of grant	Share price at date of grant
Awards outstanding at 1 October 2013	13,276,581	2.00p		
Revised following share consolidation	1,327,658	20.00p		
Awards lapsed	(607,266)	20.00p		
Awards exercised	(59,406)	20.00p		
Awards granted (date of grant: 30 September 2014)	2,145,032	20.00p	134.92p–214.22p	233.5p
Awards outstanding at 30 September 2014	**2,806,018**	**20.00p**		

	Year ended 30 September 2013			
	Number of share awards granted	Weighted average exercise price	Fair value of award at date of grant	Share price at date of grant
Awards outstanding at 1 October 2012	8,254,851	2.00p		
Awards granted (date of grant: 7 June 2013)	8,811,499	2.00p	17.53p–19.41p	21.38p
Awards lapsed in the period	(3,789,769)	2.00p		
Awards outstanding at 30 September 2013	13,276,581	2.00p		

11. Share-based payments continued

The fair value of share awards is calculated by using an option pricing model involving six variables: share price, exercise price, expected term, expected dividend yield, expected volatility and risk free interest rate. In respect of the share awards in the current year, the values assigned to the variables are: 233.50p grant date share price, 20.00p exercise price, expected term of three years, 0.00 per cent expected dividend yield, 39.10 per cent expected volatility and 1.22 per cent expected risk free interest rate. In respect of the share award in the prior year, the values assigned to the variables were: 21.38p grant date share price, 2.00p exercise price, expected term of three years, 0.00 per cent expected dividend yield, 36.60 per cent expected volatility and 0.55 per cent expected risk free interest rate.

On the basis that all awards made relate to employees of subsidiaries, this value is recognised as a capital contribution to those subsidiaries over the vesting period and is added to the cost of the relevant investment. The total capital contribution for the year was £1,044,000 (2013: £406,000).

The weighted average share price on the date of exercise of the awards exercised in the period was 254.0p.

The Company established the Urban&Civic plc Employee Benefit Trust (the 'Trust') to be used as part of the remuneration arrangements for employees. The purpose of the Trust is to facilitate the ownership of shares by or for the benefit of employees by the acquisition and distribution of shares in the Company. The Trust purchases shares in the Company to satisfy the Company's obligations under its share-based payment plans.

On 30 September 2014 the Trust held 42,594 ordinary 20p shares (2013: 1,020,000 ordinary 2p shares) in Urban&Civic plc at a cost of £254,000 (2013: £609,000), which had a market value of £114,000 (2013: £230,000).

12. Reconciliation of movement in shareholders' funds

	At 30 September 2014 £'000	At 30 September 2013 £'000
Loss for the financial year	**(309)**	(1,890)
Share-based payments	**1,044**	406
Acquisition of Urban&Civic Holdings S.à.r.l.	**95,299**	—
Other issue of shares in the year (nominal value)	**15,243**	—
Premium on shares issued in the year (net of expenses)	**149,978**	—
Employee options satisfied from own share reserves	**355**	—
Net increase/(reduction) to shareholders' funds	**261,610**	(1,484)
Opening shareholders' funds	**38,353**	39,837
Closing shareholders' funds	**299,963**	38,353

13. Financial commitments

The Company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	
	At 30 September 2014 £'000	At 30 September 2013 £'000
Operating leases which expire:		
Between one and five years	**1,175**	—
After five years	**70**	1,245
	1,245	1,245

14. Contingent liabilities and guarantees

The Company has given a guarantee of £600,000 (2013: £600,000) as part of its development obligations.

15. Business combination in the year

On 22 May 2014, the Company acquired the entire share capital and the then outstanding Preferential Equity Certificates of Urban&Civic Holdings S.à.r.l. See note 2 to the Group financial statements for more details on the Transaction.

At 30 September 2014 the principal subsidiaries, held directly or indirectly by the Company, were as follows:

Incorporated in the United Kingdom, unless otherwise indicated	Proportion of voting rights and ordinary shares held	Nature of business
Clansman Homes Limited	100%	Property development
Middlehaven Properties Limited	100%	Property development
PCG Investments Limited	100%	Investment holding company and property development
PCG Residential Lettings Limited	100%	Investment holding company and property development
Terrace Hill (Axminster) Limited	100%	Property development
Terrace Hill (Baltic) Limited	100%	Property development
Terrace Hill (Carluke) Limited	100%	Property development
Terrace Hill (Central Scotland) Limited	100%	Property development
Terrace Hill (Feethams) Limited	100%	Property investment and development
Terrace Hill (Herne Bay) Limited	100%	Property development
Terrace Hill (Howick Place) Investments Limited	100%	Investment holding company
Terrace Hill (Kilmarnock) Limited	100%	Property development
Terrace Hill (Middlehaven) Limited	100%	Investment holding company and property development
Terrace Hill (Middlesbrough) Limited	100%	Property development
Terrace Hill (Patna) Limited	100%	Property development
Terrace Hill (Property Developments) No 2 Limited	100%	Property development
Terrace Hill (Property Investment No 1) Limited	100%	Property investment
Terrace Hill (Property Investment No 2) Limited	100%	Property investment
Terrace Hill (Redcliff Street) Limited	100%	Property development
Terrace Hill (Shotts) Limited	100%	Property development
Terrace Hill (Skelton) Limited	100%	Property development
Terrace Hill (Sunderland) Limited	100%	Property development
Terrace Hill (Victoria Street) Limited	100%	Property development
Terrace Hill Developments Limited	100%	Property development
Terrace Hill Limited	100%	Investment holding company and property development
Terrace Hill North East Limited	100%	Investment holding company and property development
Terrace Hill Projects Limited	100%	Project co-ordination and management services
Terrace Hill Southampton Limited	100%	Property development
Urban&Civic (Management) Limited	100%	Management and administration
Urban&Civic Holdings S.à.r.l. (incorporated in Luxembourg)	100%	Investment holding company
Urban&Civic Alconbury Limited	100%	Property investment and development
Urban&Civic Rugby Limited	100%	Property investment and development
Urban&Civic Rugby (Member) Limited	100%	Property investment and development
Urban&Civic UK Limited	100%	Management and administration
Urban&Civic Waterbeach Limited	100%	Property investment and development
Westview Investments Limited	100%	Investment holding company and property development

The Group has taken advantage of the exemption in section 410 of the Companies Act 2006 only to disclose a list comprising solely of the principal subsidiaries. A full list of subsidiaries will be sent to Companies House with the next annual return.

Acquiree group	Terrace Hill Group plc and subsidiaries at 21 May 2014
Company	Urban&Civic plc (formerly known as Terrace Hill Group plc)
Consideration shares	On 22 May 2014, the Company issued 43,084,456 ordinary shares of 20p each in consideration for the entire issued share capital of Urban&Civic Holdings S.à.r.l. and Preferred Equity Certificates in issue
Employee share offer	The 22 May 2014 issue of 659,968 new ordinary shares of 20p each at 225p per share
EPRA	European Public Real Estate Association
EPRA net asset value (EPRA NAV)	Net assets attributable to equity shareholders of the Company, adjusted for the revaluation surpluses on trading properties and eliminating any deferred taxation liability for revaluation surpluses
EPRA triple net asset value (EPRA NNNAV)	EPRA net asset value, adjusted for deferred taxation on valuation surpluses on investment and trading properties
Estimated rental value	Open market rental value that could reasonably be expected to be obtained for a new letting or rent review at a particular point in time
Group	Urban&Civic plc and subsidiaries
Gross development value (GDV)	Sales value once construction is complete
Gearing	Group bank borrowings as a proportion of net asset value
Initial yield	Annualised net rent as a proportion of property value
Key performance indicators (KPIs)	Significant areas of Group operations that have been identified by the Board capable of measurement and are used to evaluate Group performance
Listing	The 22 May 2014 transfer of Urban&Civic plc from the Alternative Investment Market (AIM) to the standard listing segment of the Official List and admission to trading on the London Stock Exchange
Net asset value (NAV)	Value of the Group's balance sheet attributable to the owners of the Company
Official List	A definitive record, maintained by the Financial Conduct Authority, confirming that a company's shares are listed on the London Stock Exchange
Placing	The 22 May 2014 issue of 75,555,556 new ordinary shares of 20p each at the placing price
Placing price	225p per ordinary share
Preferred Equity Certificates (PECs)	Non-cancellable, fixed interest rate, subordinated loans
Private rented sector (PRS)	A sector of the real estate market where residential accommodation is privately owned and rented out as housing, usually by an individual landlord, but potentially by housing organisations
Share consolidation	Every 10 ordinary shares of 2p each were consolidated into one ordinary share of 20p each in the capital of the Company on 21 May 2014
Terrace Hill group	Terrace Hill Group plc and subsidiaries at 21 May 2014
Terrace Hill Group plc	Parent company of the Terrace Hill Group plc group of companies at 21 May 2014
Total return	Movement in the value of net assets, adjusted for dividends paid, as a proportion of opening net asset value
Total shareholder return (TSR)	Growth in the value of a shareholding, assuming reinvestment of any dividends into shares, over a period
Transaction	The 22 May 2014 reverse acquisition of Terrace Hill Group plc by Urban&Civic Holdings S.à.r.l.
Transaction closing date	21 May 2014
Urban&Civic group	Urban&Civic Holdings S.à.r.l. and subsidiaries
Urban&Civic plc	Parent company of the Group, which was formerly known as Terrace Hill Group plc
Voids	Period of non-occupancy of a lease

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