London Stock Exchange

RNS Final Results

RESULTS FOR THE YEAR TO 30 SEPTEMBER 2020

URBAN&CIVIC PLC

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Urban&Civic plc

("Urban&Civic", the "Company" or the "Group")

RESULTS FOR THE YEAR TO 30 SEPTEMBER 2020

Urban&Civic plc (LSE: UANC) announces its unaudited results for the year ended 30 September 2020.

	Year ended 30 September 2020	Year ended 30 September 2019
EPRA NAV (£m)	**499.1**	527.5
EPRA NAV per share (p)	**343.2**	360.3
Large site discount per share (p)	**142**	135
EPRA NAV + large site discount per share (p)	**485.2**	495.3
(Loss)/profit before tax (£m)	**(8.1)**	16.3
Strategic site plot completions	**844**	665
Total shareholder return (per cent)	**(34.1)**	7.8
Dividend per share (p)	**-**	3.9

Recommended offer from Wellcome Trust -

- **Recommended offer for an acquisition by Wellcome Trust; acquisition consideration represents full recognition of Urban&Civic's unaudited EPRA NAV of 343.2p per share at 30 September 2020**
- **Cash offer above up to date EPRA NAV means that Urban&Civic outperformed the FTSE 350 Real Estate Index by some 70 per cent from 2014 listing up to the day of offer announcement**
- **Acquisition affords the potential for further growth via additional strategic projects and partnerships**

Financial highlights -

- Headline EPRA net asset value per share down 4.7 per cent over the year at 343.2p (30 September 2019: 360.3p), but up 2.4 per cent since March (31 March 2020: 335.1p) reflecting valuation uncertainties in light of Covid-19 crisis
- Group share of current contracted forward revenues stable at £101.6 million (30 September 2019: £101.7 million)
- Loss before tax for the year of £8.1 million (profit for the year ended 30 September 2019 of £16.3m); fall predominantly due to property revaluations and lower land promotion and commercial property sales
- Large site discount at £206 million (41 per cent of EPRA NAV); or 142p per share
- EPRA net assets per share + large site discount (343.2p + 142p) = 485.2p at 30 September 2020: 2.0 per cent down on September 2019

Operational highlights -

- Reservations at the five strategic sites in delivery up 29 per cent in the fourth quarter to September 2020 on pre lockdown levels
- Large scale planning approvals secured at Manydown and Key Phase 1 of Waterbeach, with four consecutive planning applications approved for Catesby
- Four new licences with housebuilders close to signature, including repeat contracts with existing customers
- Acceleration in aggregate spend through the pandemic underpinned by expansions in project facilities made available from Homes England; £31 million increase across four facilities

Commenting on the results, Nigel Hugill, Chief Executive, said:

"The fundamental strength of the Urban&Civic model has been demonstrated through this most testing of years. Confident capital investment and rethought housebuyer priorities have contributed to post July sales and prices reaching best ever levels. Urban&Civic champions Master Development and continues to attract material new opportunities for growth requiring additional financing to support an unambiguous net money out 5-7 years; net money back 15 + years model. The alignment with the investment horizons and community building aspirations of Wellcome is very evident. Nevertheless, the support of shareholders since listing in May 2014 has been vital to the achievement of the leading position we enjoy today."

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Chief Executive's Statement

Introduction
External considerations dominate our corporate commentary this year: first the initial national lockdown from March through to June, followed by a modified reintroduction in the current month of November. Second and most recently, the recommended offer from Wellcome, to be implemented via a Court Scheme of Arrangement, announced a fortnight ago. The March lockdown brought housebuilding to a halt and deferred a proportion of guided receipts from otherwise escalating sales, most of which have been shifted into the current financial year 2020/21. Those licence sales are not like airline seats lost forever; completions and new reservations recovered strongly from July through to September, despite the challenges of socially distanced working and sales office visits. Nevertheless, cash receipts of £41.6 million for the financial year to 30 September 2020 were substantially lower than we had anticipated last November.

Urban&Civic was established in the teeth of the last recession and has built a strong and burgeoning reputation. I remain confident that the model is resilient. Our immediate response to the challenges brought about by Covid-19 has been to seek out new acquisition opportunities whilst maintaining, on occasion even accelerating, infrastructure investment. Notwithstanding, much of the existing momentum derives from platform advantage attaching to our position and standing as the leading Master Developer in the UK. Falls in domestic Real Estate indices and the Urban&Civic price prior to the Wellcome offer impacted directly upon the ability of the Company to exploit that advantage. A further consideration is that the pandemic is causing timelines on the adoption of revised Local Plans to be put back. It may also be that the level of future housing requirements becomes reappraised or, at least, deprioritised for a while. The structural undersupply in new residential planning consents in South East England is such that those administrative delays will not last forever but the slow down could become counted in years and not just months.

Recommended Offer from Wellcome
Set in that context, the Board believes that the acquisition by Wellcome provides a persuasive outcome for all stakeholders. First and foremost, for our loyal and supportive specialist shareholder base, many of whom have been with us since the Company came to market at 225p in May 2014. The all cash offer of 345p per share is above up to date EPRA NAV and means that UANC outperformed the FTSE 350 Real Estate Index by some 70 per cent from listing up to the day of offer announcement.

The second significant point of entry was in July 2018 via the sell down by GI Partners, our original financial backer, this time at 305p per share. The outperformance against the same index up to the day of the Wellcome offer announcement was 26 per cent. There has been some upward movement in the sector since, but the offer is at a level that secures good relative returns and affords market reinvestment opportunities for those investors that so choose.

The offer from Wellcome rests on comprehensive industrial logic sustained by a joint determination to continue to expand the contribution of large strategic sites in meeting residential need in South East England. We have built strong stakeholder relationships and have the benefit of aligned funding from Homes England but those are not privileges that we can park, nor take for granted. Any inhibition on putting ourselves forward for new projects risks diminishing current competitive advantage and, most likely, would count against the Company in terms of share price performance.

The acquisition affords the potential for further growth via additional strategic projects and partnerships attracted by the specific business model created by Urban&Civic as endorsed by one of the largest charitable trusts in the world. Wellcome is a property expert and has a formidable record in early-stage identification of alternative asset class investment. We know each other well as existing partners on the development of Manydown with Basingstoke and Hampshire Councils. We share similar values in generating commercial reward through the creation of life enhancing places. The introduction of additional patient institutional capital is a key component of successful large site delivery. We have seen the first stirrings, most noticeably with Legal & General increasing strategic investment allocations and large sized international investors moving heavily into the related build to rent market.

Summary of 2020 results and evaluation of the impact of the pandemic
Share price considerations aside, the impact of the pandemic upon immediate business activities to date has proved lower than seemed likely at the May 2020 publication of our interim results. Development of all our sites has continued with improved demand for new homes from housebuyers over that experienced in the early months of the year. EPRA net asset value per share was down just less than 5 per cent compared with last year to 343.2p as at 30 September 2020 but up 2.4 per cent on the March 2020 interim, when values are still falling elsewhere. The equivalent movements in EPRA NAV were down 5.4 per cent on the year to £499.1 million at 30 September 2020 but up 2.3 per cent on March. EPRA NNNAV per share was down 4.5 per cent year on year to 324.3p at September 2020 but again up 1.9 per cent on March. There are no obvious signs of conditions in the land market moving in favour of the housebuilders as several had publicly anticipated.

Adverse valuation movements accounted for more than half the reported pre tax loss of £8.1 million compared with a profit of £16.3 million in the previous year to September 2019. The remainder of the loss reflects delayed receipts arising principally from the lack of new house sales on plots under licence during the initial lockdown.

House sales recovered after July across all projects in delivery but not sufficiently to compensate for what was essentially a four month interruption between March and June. As a consequence, realisations for the year to 30 September totalled 844 units, compared with 665 for a full twelve months last year. Moreover, the trend remains upward: reservations in the fourth quarter from July to September were approximately 29 per cent above pre lockdown levels in January through March. Reservation prices remain at or above pre lockdown averages across all five sites in delivery. There is the possibility that conditions become harder as unemployment bites through the winter but my expectation is otherwise that the previous pattern of asset growth will be restored. Contracted forward receipts as at 30 September totalled £101.6 million on already serviced plots. Minimums represented 2.7 years sales at an average premium of 70 per cent to existing book. The large site discount increased to 142p per share up from 135p 12 months previous. The difference is explained substantially by new licence agreements signed at Alconbury in the first half of the financial year and movements out in discount rates from last September to reflect heightened uncertainties.

Particular points of note
My expectation is that Covid-19 will be seen eventually as reinforcing to the Master Developer model and the uber collaborative approach that extends across the entire range of our activities. Homebuyers' criteria appear to be shifting, newly focussing on the range of local facilities and how groups have been pulling together in these unsettling times. Never has a strong and positive community proved such a desirable asset. Fostering that interaction is a practical demonstration of our self sustaining ESG credentials. The teams have ensured that onsite green spaces have remained open and managed throughout and that playgrounds were brought back into use just as soon as the Government limitations were relaxed. Local initiatives have been supported and events which would normally take place together, such as the Easter Egg hunt, have transformed into door to door visits for families with children.

We continue to work safely in maintaining infrastructure investment, notably on first phase enabling works for Zones II and III at Priors Hall, Corby and on our schools programme, which must now be the longest own account list in the country. The primary school at Wintringham, St Neots, has welcomed early transferring pupils, ahead of first housing completions by Christmas. Last month, the Secretary of State for Housing, Rt Hon Robert Jenrick formally commenced the build of a new primary school at Middlebeck, in his Newark constituency, for opening in September 2021. The secondary school at Houlton, Rugby remains on schedule for September 2021 opening. Contractors have been instructed for the new Secondary Education Campus at Alconbury for opening 2023/4. Preparations are being made for the first primary school at Waterbeach, where initial infrastructure works have already commenced.

The acceleration in aggregate spend through the pandemic has been underpinned by expansions in project facilities being made available from Homes England. The enlargement across four facilities aggregates to £31 million of which the Group share represents £25 million. Project funding from Homes England and the Department for Education now totals £296 million, of which Urban&Civic's pro-rata share is £235 million. Total amounts advanced at 30 September were £199 million, of which the group share was £154 million. Interest, where applied, remains accrued and payable only out of realised proceeds. The average term length of the facilities exceeds nine years. Homes England has been instrumental in our large site development and the understanding is that the funding relationship will be maintained following the acquisition by Wellcome to recognise the core alignment with UK Government priorities.

There has been progress in our planning pipeline, following an initial lockdown hiatus whilst Local Authorities got used to the technology of virtual engagement and committee meetings. Zoom decision making has started to evolve into an efficient and often less emotionally charged system.

Large scale approvals such as Manydown and the Key Phase 1 of Waterbeach have passed the virtual test. The second half of the revised planning applications at Priors Hall, increasing overall numbers and altering the weighting in favour of neighbouring East Northamptonshire, comes before Corby Borough Council later this month. Catesby enjoyed a stellar run with four consecutive applications approved by virtual committees in June. However, it is not all one way. Time has been lost against programme elsewhere through administrative interruptions, notably at Grange Farm that will open up a second sales front at Alconbury and at Bowmans Cross, which requires release from the Green Belt in Hertfordshire. That release is predicated on the adoption of a new Local Plan, the preparation of which has been delayed and is not now expected for public examination until early 2022. We have made representations on the Planning White Paper published in August, which as drafted risks undermining important presumptions underpinning large project delivery.

The Company approach to ensuring compliance with government advice has been founded on a clear and well communicated focus. It is particularly pleasing that, when asked in May 2020, 97 per cent of staff confirmed they were either very satisfied or satisfied with internal communications in comparison with 47 per cent in May 2019. This improvement is a result of decisions we took last year to invest in technology. Thankfully, we were correspondingly well prepared to move to homeworking in March.

Build to rent

As part of our increasing diversification and in response to numerous enquiries, Urban&Civic issued a semi formal prospectus in October to the Build to Rent investor market to identify a key strategic partner across our portfolio. Demand for single family housing to rent outside metropolitan locations is increasing. Investment yields appear to be coming down, attracted by low leakage between gross and net income, partly accounted for by longer than average rental occupations.

Build to Rent has the capacity to not only increase the diversification of supply but also increase absorption rates without cannibalising sales to homeowners, which are the mainstay of our model. We would expect this to evolve significantly during 2021 as initial responses have been promising.

Catesby
The impact of the second lockdown implemented just over two weeks ago remains to be seen but the Catesby picture in late Summer through to Autumn remained generally encouraging. Contrary to mid-year expectations, housebuilder demand for land parcels in good locations has been such that realisations have recommenced, with a first post lockdown sale completing just after the Group financial year end. Catesby currently has a further four consented sites awaiting local authority finalisations. Again, average contracted and indicated prices are at least matching pre lockdown expectations.

Total promoted pipeline of homes for which consents have been applied or applications are in the course of being worked up totals a record 15,000 units. The August White Paper proposals are generally favourable for Catesby. The clear recognition that the shortfall in planning consents against demand is restricted to the South East and the southern part of the East of England ought to inform local policy and will assist in strengthening targets. The commitment remains to move towards 300,000 new homes a year. That aspiration can only be approached by building more homes where the gap between demand and supply is widest. Criticising the application of algorithms is only to shoot the messenger. Catesby benefits from being seen to be part of a planning expert organisation with strong financial backing; weaker and less technical land promoters look set to continue to struggle.

Maintained commitment to a broadening range of stakeholders
Urban&Civic is bound by a collective determination that business results and positive societal and environmental impact can be mutually reinforcing. We have always believed in doing things right and from our earliest report and accounts explained how we are working with a wide range of stakeholders to do so. The nature of large site delivery not only demands such engagement but also ensures that we are able to leverage our investment in green spaces, schools, community places and demonstrable quality to maximum effect. The proposed acquisition by Wellcome will involve no let up in those priorities. Quite the reverse. Nor will we backtrack on the introduction of bespoke systems for more empirical testing of defined objectives. We know what we are doing to help regenerate the natural capital of the countryside and reverse declining biodiversity but we need better and consistent quantification. As the investment market has sought to codify ESG and the number of sites for which we are responsible has increased, we are refining a methodology to objectively measure and assess that which we have always done.

Last year we explained that we were moving towards a Sustainability Framework that centred around five capitals. These five capitals, physical, social, economic, natural and human, reflect the importance we place on building quality communities that bring people together, whilst protecting the environment. We illustrated these capitals by reflecting on the delivery of Key Phase 1 at Alconbury Weald. This year we have progressed our Sustainability Framework further and are reporting on 15 metrics which show progress across the five capitals at a business wide level. Next year we will launch the full Sustainability Framework and report consistently against it. In formalising our approach, we have very specifically not resorted to tick box corporate compliance. Rather we are developing a measurable Framework that will help us deliver strategic sites better and with wider benefits. Moreover, the capacity to demonstrate measurable benefits on existing projects will hopefully set us apart in winning future business.

Outlook
Demand is holding up well and the immediate outlook remains good. There has been a marked improvement in conditions from the interim commentary in June, with good performance from all five strategic sites in delivery. Reservations in the fourth quarter from July to September were approximately 29 per cent above pre lockdown levels in January through March. Reservation prices were at or above pre lockdown averages across all five sites. The picture for Catesby, was similarly encouraging, with indicated prices at least matching pre lockdown expectations.

As part of the offer announcement, we were required to comment right up to date. The last month has been quieter in terms of new reservations but this more likely reflects school holidays and a second lockdown than any immediate change in housebuyer demand. Our projects in delivery are back towards three years forward sold following a new licence agreement with underwritten receipts at the equivalent of 90 per cent of current average house prices in areas of good affordability. We share an element of exposure to any falls in new house prices but the structure of our licences collars current downside risk to an average of not much more than 10 per cent. Minimum commitments ensure that, absent sales, cash receipts are delayed six to nine months but not lost.

Four further new licences with housebuilders are close to signature, including repeat contracts with existing customers. A majority are expected to be completed before the end of the calendar year. There is also a crucial difference in approach to the land market: housebuilders are looking to preserve immediate margin; Urban&Civic is acquiring for the future. The relationship is not zero sum.

We are experiencing some cost advantages in so far as the tenders on new works are deflating. Pricing on infrastructure spend is consistently coming in below quantity surveying estimates. Actual tender returns in 2020 have averaged between 1 and 4 per cent below business plan expectations. Current evidence is for a continuation well into 2021. Contractors increasingly recognise the financial security of infrastructure spend backed by Homes England when submitting tender bids.

On the basis of experience of the first lockdown, no materially negative impacts are anticipated over the longer term from the additional Government restrictions that came into force on 5 November 2020. Rather, the new restrictions may act further to consolidate a rethinking of housebuyer priorities to the importance attached to more space, walking children to school, access to green spaces and reliable broadband that is already working in favour of our projects and business model. An additional practical consequence could be to reduce the immediate availability of newly consented residential applications in supply constrained areas, which would be to our marginal further advantage in the first few months of 2021.

The Master Developer model is designed to run through economic cycles. Recessions do not last 15 years, unlike our projects. We face the future with confidence and the strength of our market positioning. I predict that a direct and stronger alignment between a Government push for green recovery, renewed investor ESG focus and rethought homebuyer priorities will all work to the eventual advantage of our business model. Meanwhile, large site discount + minimums + Homes England funding provide triple layers of defensiveness for projects in delivery. On the other hand, necessarily, the business is laying down infrastructure now for five years' time. That is tough for the stock market to reward positively, given still prevailing anxieties.

Dividend
The Board confirmed an expectation to resume the payment of dividends in the normal course for the year ended 30 September 2020 as part of a positive trading update made last month. That expectation has become superseded by events. The offer from Wellcome announced subsequent to that trading statement includes the right to reduce the consideration by the amount of any dividend which is paid or becomes payable. As a consequence, the Board does not intend to set a dividend in respect of the financial year ended 30 September 2020 pending completion. However, in the event the acquisition does not complete by 28 February 2021, we will review the position and declare such dividend as the Board considers appropriate at the time.

Huge thanks
I would like to record my personal appreciation in what may prove to be the last report and accounts as a public company. Much has been achieved over ten years but there is more to do. I take great pride in the manner in which a nucleus of senior management, still together since the outset, has been supplemented by some of the most able practitioners in our industry and a cohort of young joiners who are already showing their worth. Altogether a growing family that could not have pulled harder together over last few months. Wellcome came in at above net asset value and share our aspirations and objectives. The strength of their backing will help drive accelerated delivery and make us hard to beat in securing new projects when many around are losing their nerve.

All strong families rely ultimately upon their providers. The duration and time horizons on strategic residential sites are such that UANC is not the easiest stock to hold, particularly at times of heightened uncertainty. Our shareholders have been ever questioning but always with us. Many have become friends.

Salus and huge thanks to all.

Nigel Hugill
Chief Executive
19 November 2020

Financial Review

Introduction
The Group currently generates most of its gross profits through the sale of serviced land parcels at its strategic sites and also through its land promotion activities. It is therefore not surprising that Covid-19 interruption has had a commensurate impact on not only reported profits, but also property valuations, as the Group's valuers (CBRE) seek to reflect market conditions in turbulent times.

The loss before tax for the year to 30 September equated to £8.1 million compared to a profit last year of £16.3 million, reflecting property revaluation deficits and write downs, lower Catesby land promotion profits, losses at the Group's hotel in Manchester and lower commercial sales during the year.

The Group's EPRA metrics have also fallen; by around 5 per cent for the full year, compared to 7 per cent in the first half which also compares to annual growth rates of around 8.5 per cent per annum between 2014 listing and 30 September 2019.

Fourth quarter reservations were up around 29 per cent when compared to January to March of this year which, along with continued housebuilder interest in acquiring serviced land parcels and maintained or improving sales prices for both homes and land parcels, has resulted in the Group's

independent valuers (CBRE) increasing their valuations relative to the first half, although marking them down overall on 30 September 2019 figures; Wintringham being the exception where sales evidence was in existence for the first time, at price levels higher than previous forecasts.

The Group's forward contracted sales remain strong and currently amount to £101.6 million receivable over an average period of 2.7 years (down from £101.7 million and 3.3 years at 30 September 2019). These forward contracts specify minimum annual sums which the housebuilders are required to pay whether houses are built or not. The minimums due in the year to 30 September 2020 totalled £7.7 million and these were received in full under four contracts.

Residential sales equivalent to 844 plots were made in the year, generating £41.6 million of cash for the Group. This total is up 26.9 per cent over last year and, although it represents only 69.3 per cent of the £60 million annual cash generation target set in November 2019, this was £6.6 million higher than our revised expectations published in the half year presentation (which can be found on our website).

Key Performance Indicators

The Group's Key Performance Indicators for the year to 30 September 2020 remain consistent with last year:

	Year ended 30 September 2020	Year ended 30 September 2019	Annual increase/ (decrease)
EPRA NAV (EPRA net assets)	**£499.1m**	£527.5m	(5.4)%
EPRA NAV per share	**343.2p**	360.3p	(4.7)%
EPRA NNNAV (EPRA triple net assets)	**£471.7m**	£497.0m	(5.1)%
EPRA NNNAV per share	**324.3p**	339.5p	(4.5)%
Total shareholder return	**(34.1)%**	7.8%	
Total NAV return	**(3.7)%**	8.6%	
Gearing - EPRA NAV basis	**25.9%**	19.9%	
Strategic site plot completions[1,2]	**844 plots**	665 plots	26.9%
Europa Way plots completions	**176 plots**	401 plots	
Cash flow generation from plot completions[3]	**£41.6m**	£34.3m	21.3%
(Loss)/profit before tax	**£(8.1)m**	£16.3m	(150)%
Large site discount per share[4]	**142p**	135p	5.2%
EPRA NAV per share + large site discount per share (gross of tax)[5]	**485.2p**	495.3p	(2.0)%

1. Includes 513 of actual plot completions and land sales equivalent to 331 plots (Alconbury: 9; Rugby: 246; Priors Hall: 14; Newark: 52; Wintringham: 10).
2. Actual plot completions include 135 plots at Alconbury (six months ended 31 March 2020: 55; year ended 30 September 2019: 144); 169 at Rugby (six months ended 31 March 2020: 93; year ended 30 September 2019: 155); 75 at Newark (six months ended 31 March 2020: 35; year ended 30 September 2019: 87); 41 plots from new contracts at Priors Hall and 93 plots from pre-acquisition contracts at Priors Hall (six months ended 31 March 2020: 38; year ended 30 September 2019: 279).
3. Represents Urban&Civic's (U&C's) share of cash generated by strategic site plot completions only.
4. Large site discount represents the difference between the unserviced land values ascribed by CBRE strategic site valuations (which consider site scale and build-out duration among other matters) and the current retail prices being achieved on smaller parcel sales.
5. EPRA NNNAV per share + large site discount per share (net of tax) equates to 439.3p (31 March 2020: 435.8p; 30 September 2019: 448.9p). The tax allowance was calculated by applying a tax rate of 19 per cent to the gross large site discount.

We maintain that EPRA NAV metrics remain the most reliable and therefore most appropriate principal measures by which to assess business performance, despite Covid-19 disruptions this year.

We continue to engage CBRE Limited (independent valuers) to provide Red Book valuations for all our consented strategic land sites (as well as certain other assets) and at 30 September 2020 92 per cent of the property portfolio was valued by CBRE.

Net Asset Value - EPRA and IFRS

Presented below is a non-statutory analysis detailing the movements in EPRA NAV over the last two years:

	Year ended 30 September 2020				Year ended 30 September 2019	
	Group £m	**Joint ventures £m**	**Total £m**	**Pence per share**	Total £m	Pence per share
Profit on property sales[1,2]	**13.7**	**4.9**	**18.6**	**12.8**	27.4	18.7
Rental, hotel and other property profits	**(0.3)**	**(0.2)**	**(0.5)**	**(0.3)**	2.3	1.6
Project management fees and other income	**2.5**	**-**	**2.5**	**1.7**	2.9	2.0
Revaluation of investment properties and write downs of trading properties[3,4]	**(8.3)**	**(0.7)**	**(9.0)**	**(6.2)**	5.1	3.5
Administrative expenses	**(17.9)**	**(0.5)**	**(18.4)**	**(12.6)**	(20.0)	(13.7)
Tax and other income statement and retained earnings movements	**(1.4)**	**-**	**(1.4)**	**(1.0)**	(5.1)	(3.5)
Total comprehensive income movement	**(11.7)**	**3.5**	**(8.2)**	**(5.6)**	12.6	8.6
Dividends paid	**(3.6)**	**-**	**(3.6)**	**(2.5)**	(5.2)	(3.5)
Other equity movements	**2.1**	**-**	**2.1**	**1.4**	3.3	2.3
Effect of IFRS 15 adoption[2]	**-**	**-**	**-**	**-**	3.2	2.2
IFRS movement	**(13.2)**	**3.5**	**(9.7)**	**(6.7)**	13.9	9.6
Revaluation of retained trading properties[4]	**(5.5)**	**(7.2)**	**(12.7)**	**(8.8)**	39.3	26.8
Release of trading property revaluations on disposals[2]	**(6.6)**	**-**	**(6.6)**	**(4.5)**	(4.7)	(3.2)
Deferred taxation	**0.6**	**-**	**0.6**	**0.4**	1.0	0.7
Effect of IFRS 15 adoption[4]	**-**	**-**	**-**	**-**	(3.2)	(2.2)
Effect of shares and dilutive options	**-**	**-**	**-**	**2.5**	-	(3.2)
EPRA NAV movement	**(24.7)**	**(3.7)**	**(28.4)**	**(17.1)**	46.3	28.5
Deferred taxation	**3.1**	**-**	**3.1**	**1.9**	(7.4)	(4.9)
EPRA NNNAV movement	**(21.6)**	**(3.7)**	**(25.3)**	**(15.2)**	38.9	23.6
EPRA NAV at start of year			**527.5**	**360.3**	481.2	331.8
EPRA NAV at end of year			**499.1**	**343.2**	527.5	360.3
EPRA NNNAV at start of year			**497.0**	**339.5**	458.1	315.9
EPRA NNNAV at end of year			**471.7**	**324.3**	497.0	339.5

1. Comprises profits from trading property sales (£12.1 million) and construction contracts (£1.2 million), whether earned by subsidiaries or joint ventures, as well as losses on the disposal of investment properties (£(0.9) million) and unwinding discounts applied to long-term residential property sales debtors (£6.2 million, including £4.1 million within subsidiaries).
2. Total classified as profit on property sales for the purposes of the below EPRA NNNAV growth commentary.
3. Comprises deficits on the revaluation of investment properties (£6.1 million) and trading property write downs (£2.6 million) and deficits on revaluation of overage elements that were acquired with the Priors Hall asset (£(0.3) million). 30 September 2019 comparable comprises £5.8 million of investment property revaluation surpluses and trading property write downs of £0.7 million
4. Total classified as property revaluations for the purposes of the below EPRA NNNAV growth commentary.

From the table above it can be noted that property revaluations (identified by a superscript 4.) accounted for (15.0)p of the Group's (15.2)p EPRA NNNAV contraction, while overheads, dividends and the dilutive effect of share options have netted a further (12.6)p from EPRA NNNAV. Profits on property sales contributed a positive 8.3p (identified by a superscript 2.).

A more detailed reconciliation between IFRS, EPRA NAV and EPRA NNNAV is provided in note 18.

Consolidated statement of comprehensive income

Gross profit and loss after tax (including the Group's share of joint ventures) have fallen £15.7 million and £20.8 million respectively. The decreases in profitability are predominantly due to reduced sales completions and downward property revaluations:

	Year ended 30 September 2020			Year ended 30 September 2019		
	Group £m	**Joint ventures £m**	**Total £m**	Group £m	Joint ventures and associates £m	Total £m
Revenue	**57.2**	**23.2**	**80.4**	102.1	29.4	131.5
Profit on trading property sales and construction contracts[1]	**10.5**	**2.8**	**13.3**	16.7	7.2	23.9
Rental, hotel and other property (losses)/profits	**(0.3)**	**(0.2)**	**(0.5)**	2.3	-	2.3
Project management fees and other income[2]	**2.5**	**-**	**2.5**	2.9	-	2.9
Write down of trading properties[3]	**(1.9)**	**(0.7)**	**(2.6)**	(0.7)	-	(0.7)

Gross profit	**10.8**	**1.9**	**12.7**	21.2	7.2	28.4
Administrative expenses	**(17.9)**	**(0.5)**	**(18.4)**	(19.9)	(0.1)	(20.0)
(Deficit)/surplus on revaluation of investment properties[3]	**(6.1)**	**-**	**(6.1)**	5.8	-	5.8
(Deficit)/surplus on revaluation of receivables[1]	**(0.3)**	**-**	**(0.3)**	0.9	-	0.9
Share of post-tax profit from joint ventures and impairment of loans to joint ventures	**3.5**	**(3.5)**	**-**	8.0	(8.0)	-
Loss on disposal of investment properties[1]	**(0.9)**	**-**	**(0.9)**	-	-	-
Unwinding of discount applied to long-term debtors[1]	**4.1**	**2.1**	**6.2**	1.7	0.9	2.6
Tax and other income statement movements	**(1.4)**	**-**	**(1.4)**	(5.1)	-	(5.1)
(Loss)/profit after tax	**(8.2)**	**-**	**(8.2)**	12.6	-	12.6

1. Total classified as profit on property sales in the EPRA movement table above.
2. Recurring project management fees comprise £2.1 million of the total (30 September 2019: £2.1 million) and are earned through recharging administrative expenses to joint venture partners where Group employees are engaged in joint venture activities.
3. Total classified as revaluation of investment properties and write downs of trading properties in the EPRA movement table above.

Gross profit

The £15.7 million fall in gross profit in the year (from £28.4 million to £12.7 million, including £1.9 million generated by joint ventures) reflects reduced profits on trading property sales and construction contracts (down £10.6 million to £13.3 million), greater trading property write downs (up £1.9 million to £2.6 million), reduced property management fees (down £0.4 million to £2.5 million) and losses generated by hotel operations as a result of Covid-19 vacancy and subsequent closure (down £2.4 million to a loss of £833,000). A further segmental analysis is provided in note 2.

Of the £13.3 million of profits on trading property sales, residential profits at Alconbury, Newark and Priors Hall accounted for £3.0 million, £2.8 million was earned in respect of Group's share of residential profits at Rugby and Wintringham, £5.9 million was generated by Catesby land promotion sales, £1.2 million came from the Europa Way promotion and infrastructure agreement and £0.4 million was generated by non-core property disposals.

Consistent with prior periods, residential profits include profits from the Group's strategic site licence arrangements as well as profits from land sales and limited self-build at Alconbury.

Due to the complexity of these licence arrangements from an accounting perspective, it is worth noting that profit under licences are predominantly recognised in two places in the income statement, although often at different points in time. In the first instance, we will typically recognise the full cost of sale together with the total minimum amounts due under a licence arrangement when the land has been transferred to the housebuilder on contract completion. This minimum sum is discounted and recorded through the gross profit line together with an estimate of the overages that the Group expects to collect from the housebuilder when the homes are ultimately sold. This overage sum is also discounted, due to the length of time it takes to earn that overage, and it is only recognised if we do not believe there is a high probability that it will reverse due to market conditions prior to collection.

At each subsequent reporting period our estimates will be compared with what has taken place and adjustments made.

The second place where you might consider that 'residential profits' are recorded is through the finance income line. This is where the discount applied to the long-term minimums and overage debtors unwind; through either the passage of time or upon receipt of the licence proceeds, minimum sum and/or overage.

In the year to 30 September 2020, £4.1 million of discount unwinding (in respect of minimum and overage receivables at Alconbury, Newark and Priors Hall) was recognised in finance income and £2.1 million of discount unwinding (in respect of Urban&Civic's share of minimum and overage receivables at Rugby and Wintringham) was recognised in share of post-tax profit from joint ventures.

Adding this £6.2 million of discount unwinds to the £5.8 million of residential profits within gross profits (subsidiaries plus the Group's share of joint ventures), means that residential sales have generated £12.0 million of profit for the Group this year.

A breakdown of sales completions by site, with comparatives, has been included as a footnote to the KPI table above. These footnotes also set out how many of these sales completions relate to land sales as opposed to actual plot completions.

The terms minimums, overages and licences have been defined within the glossary.

The £2.6 million of trading property write downs comprise £1.0 million in respect of commercial projects no longer being advanced, £0.9 million in respect of aborted land promotions and £0.7 million of write downs of properties held by joint ventures.

Administrative expenses

Gross administrative costs have fallen £3.3 million to £22.0 million in the year to 30 September 2020, largely due to reduced bonuses (reflecting the current economic climate), reduced headcount and not having to incur the one off costs associated with the Group's move to the Premium Listing segment of the London Stock Exchange (which completed last year).

We continue to capitalise overheads associated with development activity by reference to the amount of time spent by our employees on those activities. This year the capitalised proportion amounted to 19 per cent (compared to 21 per cent last year) thereby reducing net overheads by £4.1 million (£5.4 million last year).

No material benefit has been received under the Covid-19 job retention scheme, reflecting the Group's high activity levels during the two lockdowns. A maximum of 10 Group employees, associated with administrative duties at the Group's offices or estate management at the strategic land sites, were furloughed at any one time. No employees remain furloughed.

Deficit on revaluation of investment properties

Investment properties now only comprise commercial buildings and commercial development land at Alconbury and a proportion of the Group's interest in Waterbeach, which could deliver both commercial buildings and residential rental properties in the future. Consequently, a smaller proportion of property revaluation movements are accounted for through the income statement (under IFRS) compared to those taken into account by EPRA measures.

In order to help the reader understand the value of the Group's total property portfolio, as well as reconcile the movements at both IFRS and EPRA levels, the below table has been produced.

Property portfolio £m	Investment properties (wholly owned)	Trading properties (wholly owned)	Properties within PPE (wholly owned)	Trade and other receivables/ (payables) (wholly owned)	**Subtotal (wholly owned)**	Trading properties (share of joint ventures)	Trade and other receivables/ (payables) (share of joint ventures)	**Total (including share of joint ventures)**
Valuation at 1 October 2019	52.9	402.5	3.2	52.6	**511.2**	163.6	27.7	**702.5**
Less: EPRA adjustment (trading properties)	-	95.5	-	-	**95.5**	20.5	-	**116.0**
IFRS carrying value at 1 October 2019	52.9	307.0	3.2	52.6	**415.7**	143.1	27.7	**586.5**
Capital expenditure (including capitalised overheads)	4.1	44.8	0.9	-	**49.8**	32.1	-	**81.9**
Disposals/depreciation	(3.3)	(38.4)	(0.1)	(11.2)	**(53.0)**	(11.3)	-	**(64.3)**
Revaluation movements/write downs	(6.1)	(1.9)	-	(0.3)	**(8.3)**	(0.7)	-	**(9.0)**
IFRS carrying value at 30 September 2020	**47.6**	**311.5**	**4.0**	**41.1**	**404.2**	**163.2**	**27.7**	**595.1**
Add: EPRA adjustment (trading properties)	-	83.4	-	-	**83.4**	13.3	-	**96.7**
Valuation at 30 September 2020	**47.6**	**394.9**	**4.0**	**41.1**	**487.6**	**176.5**	**27.7**	**691.8**
Memo: movement in EPRA adjustment (trading properties)	**-**	**(12.1)**	**-**	**-**	**(12.1)**	**(7.2)**	**-**	**(19.3)**
Comprising:								
EPRA adjustment on sites sold	-	(6.6)	-	-	**(6.6)**	-	-	**(6.6)**
EPRA adjustment on retained properties	-	(5.5)	-	-	**(5.5)**	(7.2)	-	**(12.7)**

Investment properties fell in value by £6.1 million in the year, which when added to £2.9 million of trading property and receivable write downs and £12.7 million of revaluation deficits on retained trading properties at the EPRA level, results in total revaluation deficits for the year of £21.7 million.

In addition to these movements, £6.6 million of EPRA adjustments have been reversed as properties have been disposed of or profits recognised.

Out of the total £21.7 million net revaluation deficit in respect of retained properties, £7.5 million was attributable to a 2.7 per cent fall in the value of Alconbury and £7.3 million was attributable to a 6.3 per cent fall in the value the Group's share of Rugby.

Other reductions in value across our property portfolio included Newark (£3.9 million), Priors Hall (£4.8 million) and the Manchester commercial assets (U&C's share: £4.4 million).

The revaluation deficits reflect current market volatilities and in arriving at their valuations, CBRE have increased several discount rates, reduced sales rates and lowered both house price and serviced land value inflation assumptions within their discounted cashflow models when compared to last year.

Catesby planning consents and improved planning status for select sites yielded the Group's only substantial unrealised valuation surpluses this year, albeit at the EPRA level (£10.5 million in respect of eight sites).

Alconbury remains the Group's most significant property asset comprising 38.9 per cent of the total property portfolio value, with Urban&Civic's share of Rugby accounting for a further 15.7 per cent.

Taxation expense

The tax charge is lower than the standard rate of tax applied to the loss before tax due to additional deferred tax being provided for at an increased rate of 19 per cent this year, rather than the 17 per cent applied in 2019 following the Government's decision not to enact the intended reduction in tax rates to 17 per cent (£561,000), and deficits on revaluation of properties not being a recognised deduction for tax purposes (£1.1 million) among other matters.

Dividend

As a result of the recent announcement of the cash offer by the Wellcome Trust, the Board does not intend to announce a dividend in respect of the financial year ended 30 September 2020. However, in the event the acquisition does not complete by 28 February 2021, the Board will review this position and declare such dividend with respect to the year ended 30 September 2020, or the first half of the year ending 30 September 2021, as it considers appropriate at the time.

The Group paid its 2019 final dividend of 2.5p per share (£3.6 million) in February 2020.

Consolidated balance sheet

Overview

	At 30 September 2020			At 30 September 2019		
	Group £m	**Joint ventures £m**	**Total £m**	Group £m	Joint ventures and associates £m	Total £m
Investment properties	**47.6**	**-**	**47.6**	52.9	-	52.9
Trading properties	**311.5**	**163.2**	**474.7**	307.0	143.1	450.1
Properties within PPE	**4.0**	**-**	**4.0**	3.2	-	3.2
Properties[1]	**363.1**	**163.2**	**526.3**	363.1	143.1	506.2
Investment in joint ventures and associates	**126.6**	**(126.6)**	**-**	121.3	(121.3)	-
Trade and other receivables						
Non-current property[1]	**30.7**	**18.5**	**49.2**	45.9	22.1	68.0
Current-property[1]	**21.3**	**9.2**	**30.5**	6.7	5.6	12.3
Current - other[4]	**17.5**	**6.0**	**23.5**	11.8	12.6	24.4
	69.5	**33.7**	**103.2**	64.4	40.3	104.7
Cash[2]	**14.1**	**16.0**	**30.1**	24.4	3.0	27.4
Borrowings[3]	**(143.2)**	**(64.0)**	**(207.2)**	(129.3)	(47.6)	(176.9)
Deferred tax liability (net)[4]	**(5.9)**	**-**	**(5.9)**	(5.9)	-	(5.9)
Trade and other payables - property[1]	**(10.9)**	**-**	**(10.9)**	-	-	-
Other net liabilities[4]	**(20.0)**	**(22.3)**	**(42.3)**	(35.0)	(17.5)	(52.5)
Net assets	**393.3**	**-**	**393.3**	403.0	-	403.0
EPRA adjustments - property[1]	**83.4**	**13.3**	**96.7**	95.5	20.5	116.0
EPRA NAV adjustments - deferred tax[4]	**9.1**	**-**	**9.1**	8.5	-	8.5
EPRA NAV	**485.8**	**13.3**	**499.1**	507.0	20.5	527.5
EPRA NNNAV adjustments	**(27.5)**	**-**	**(27.5)**	(30.5)	-	(30.5)
EPRA NNNAV	**458.3**	**13.3**	**471.6**	476.5	20.5	497.0
NAV per share			**270.4p**			275.3p
EPRA NAV per share			**343.2p**			360.3p
EPRA NNNAV per share			**324.3p**			339.5p

1. Total property related interests: £691.8 million (30 September 2019: £702.5 million).
2. Cash as disclosed in the table contained within post balance sheet events below.
3. Debt as disclosed in the table contained within post balance sheet events below.
4. Other net liabilities as disclosed in the table contained within post balance sheet events below.

Investment properties

Investment properties at the year-end amounted to £47.6 million and comprised the commercial development area at Alconbury (£37.7 million) and the proportion of the Waterbeach site that could deliver both commercial buildings and residential properties for rent (£9.9 million).

The Group's total year-end property portfolio, irrespective of balance sheet classification, was valued at £691.8 million: 92 per cent by independent valuers CBRE and 8 per cent by Directors.

Trading properties

Trading properties, including the Group's share of joint venture trading properties, totalled £474.7 million (£571.4 million on an EPRA basis). Of this total Alconbury and Rugby comprised £156.0 million (£228.0 million on an EPRA basis) and £92.5 million (£108.4 million on an EPRA basis) respectively; representing 52.4 per cent of the total trading properties balance (58.9 per cent on an EPRA basis).

Investment in joint ventures and associates

The Group's joint venture in Rugby has been included in the balance sheet at £89.9 million, which along with a half interest in the 351 apartment scheme known as Manchester New Square (£15.2 million), a one-third interest in a 400 acre (162.3 hectares) site at Wintringham Park, St. Neots (£18.6 million) and £2.9 million of other residual interests combine to form an overall Group investment in joint ventures and associates of £126.6 million (£139.9 million on an EPRA NAV basis).

Trade and other receivables

At the year end, non-current and current trade and other receivables (totalling £69.5 million) included £52.0 million of property receivables comprising acquired Priors Hall receivables (£0.7 million), discounted contractual minimum receivables (£44.9 million), pre-completion discounted overages (£1.3 million) and deferred considerations in respect of the sale of a parcel at Newark to Countryside (£5.1 million).

Equivalent licence contract receivables (U&C's share) owed to the Rugby joint venture by Crest Nicholson, Morris Homes and Redrow (£14.5 million) and by Cala and Morris Homes at Wintringham (£13.2 million) amount to £27.7 million.

Non-current property receivables are discounted, which will unwind through finance income up to the point of receipt.

Trade and other payables

Of the £35.5 million trade and other payables, disclosed in note 5, £10.9 million relates to deferred property income following the sale of the converted medical accommodation (let to Papworth Trust) by the Waterbeach joint arrangement. Under the joint arrangement with the DIO, Urban&Civic were entitled to receive the entire sales proceeds (totalling £18.2 million) to clear amounts previously advanced by the Group, however of this sum, £10.9 million has been ascribed to future workstreams envisaged under the Development Management Agreement and therefore deferred.

Net debt - cash, current and non-current borrowings - financial resources and capital management

In the current financial year and subsequent to the year end, the Group has put in place £114.7 million of new financial resources in the form of loans from Homes England and an amortising grant from the Department for Education (DfE); which has been recorded as an 'other creditor' within joint ventures in the financial statements.

Of this total £79.1 million relates to new Homes England loans, including a ten year and nine-month infrastructure facility at Waterbeach (£60.6 million) and variations to the existing Priors Hall and Wintringham agreements (worth £18.5 million).

The Waterbeach loan will meet the Group's financial obligations under the Development Management Agreement and although we are obliged to fully consolidate the borrowings (despite security being provided by the DIO, and also accounting for a receivable from the DIO's for their share of the

borrowings) our gearing covenants will not be affected as we have agreed to exclude this borrowing from such calculations.

The remaining £35.6 million of new financial resources relate to an interest free amortising grant from the DfE, which is being used to fund the early construction of a new secondary school at Houlton, Rugby. This grant will be repaid in line with Houlton's existing Section 106 obligations (attaching to the provision of secondary school) and the current final repayment date is expected to be mid-2042. Only £17.5 million has been utilised as at 30 September 2020.

In addition to these new loans, and in response to Covid-19 related disruption (including construction and sales delays), the maturity date in respect of the HSBC loan against the Deansgate Hotel was extended to December 2022 and subsequent to the year end, the Newark Homes England infrastructure loan expiry was extended to March 2023. The durations and milestones in respect of two loans funding our Manchester New Square joint venture development were also extended. The 10 month extension (to October 2021) of the £51.0 million senior facility and 17 month extension (to May 2022) of the £24.6 million mezzanine facility will provide additional time in which to complete the construction and sale of the residential apartments; 46 per cent of which have already been reserved or exchanged

Further variations to the terms of the Newark and Alconbury Weald Homes England facilities also provided an additional £12.3 million of loan recycling capability, which will help to bridge the short term funding gap caused by Covid-19 sales disruption.

Taking into account all these new loans and variations, the Group now benefits from £125.1 million of undrawn facilities on a look-through basis (U&C's share £106.8 million), 81 per cent of which is with Homes England, Local Authorities, DfE and other government bodies.

The Group's net debt position at 30 September 2020 totalled £129.1 million (30 September 2019: £104.9 million), producing a net gearing ratio of 33.1 per cent (30 September 2019: 26.0 per cent) on an IFRS NAV basis and 25.9 per cent (30 September 2019: 19.9 per cent) on an EPRA NAV basis. Look-through gearing levels are higher as shown below due to the shorter-term borrowings used to fund development expenditure in respect of the Manchester New Square and Homes England borrowings within the Rugby and Wintringham joint ventures.

Homes England now accounts for 80.0 per cent of all Group borrowings with Local Authorities and other government bodies accounting for a further 1.3 per cent (as shown in the table below).

	At 30 September 2020				
	Group £m	Proportion of Group borrowings	Joint ventures[1] £m	Look-through £m	Proportion of look-through borrowings
Homes England	116.6	80.0%	28.3	144.9	69.0%
Corporate RCF	16.0	11.0%	-	16.0	7.6%
Manchester New square	-	0.0%	35.8	35.8	17.1%
Deansgate Hotel	11.2	7.7%	-	11.2	5.3%
Huntington District Council	2.0	1.3%	-	2.0	1.0%
Borrowings before loan arrangement costs	145.8	100.0%	64.1	209.9	100.0%
Loan arrangement costs	(2.6)		(0.1)	(2.7)	
Borrowings after loan arrangement costs	**143.2**		**64.0**	**207.2**	
Cash	(14.1)		(16.0)	(30.1)	
Net debt	**129.1**		**48.0**	**177.1**	
EPRA NAV	499.1			499.1	
EPRA NAV gearing	**25.9%**			**35.5%**	

1. Joint venture borrowings do not include the amortising grant from the DfE, which is classified as an 'other creditor' within the Rugby joint venture.

The Group's only gearing covenant, which attaches to the £40 million Revolving Credit Facility with HSBC, has a limit of 40 per cent and is based on borrowings (on a non-look-through basis) and EPRA NAV.

Other principal loan covenants (which are predominantly associated with Homes England loans) are based on loan to value ratios attaching to specific property assets. These ratios typically range between 40 per cent and 80 per cent.

The Group was covenant compliant in the twelve months to 30 September 2020 and is forecast to remain so throughout the long-term viability statement review period. Stress testing scenarios and mitigating actions have been identified and particular attention has been paid to the Group's assumptions around non-contractual receipts and non-committed expenditure. LTV covenant headroom has also been considered.

The Group's weighted average loan maturity at 30 September 2020 was 5.8 years (30 September 2019: 6.7 years) and weighted average cost of borrowing on drawn debt was 3.4 per cent (30 September 2019: 3.8 per cent).

The Group had one loan maturing over the next 12 months at the year-end (the £6.2 million drawn under the Newark Homes England facility), however as previously explained this has now been extended by 24 months to March 2023. Other loans maturing over the next three years include the £11.2 million Deansgate Hotel facility (which is under offer as a development site with planning) and the joint venture development loans at Manchester New Square.

All of these facilities are forecast to be repaid from sale proceeds.

Post balance sheet matters
Subsequent to the year-end Urban&Civic announced that it had reached agreement on the terms of a recommended cash offer by The Wellcome Trust Limited, as trustee of the Wellcome Trust, for the entire issued and to be issued share capital of the Company. Under these terms, the Company was valued at £506.8 million, equivalent to 345 pence per ordinary share. The below table sets out a reconciliation of the Group's EPRA NAV adjustments in Appendix II, bullet 9 of the Sources and Bases presented in the Recommended Offer Announcement to the consolidated balance sheet overview detailed above.

	Year ended 30 September 2020
CBRE portfolio valuation	£638.9m
Other assets	£52.9m
Total property related interests[1]	**£691.8m**
Add cash[2]	**£30.1m**
Deduct debt[3]	**£(207.2)m**
Deduct other net liabilities[4,5]	**£(15.4)m**
EPRA NAV	**£499.1m**

1,2,3,4. Cross refer to superscripts and footnotes contained within the consolidated balance sheet overview above.
5. The above table has been derived by rounding actual numbers up or down to the nearest one decimal place and therefore when they are compared the balance sheet overview table above there is a £0.2 million rounding difference.

David Wood
Group Finance Director
19 November 2020

Unaudited consolidated statement of comprehensive income
for the year ended 30 September 2020

	Notes	Year ended 30 September 2020 £'000	Year ended 30 September 2019 £'000
Revenue	2	**57,241**	102,114
Direct costs	2	**(46,487)**	(80,890)
Gross profit	2	**10,754**	21,224
Administrative expenses		**(17,933)**	(19,875)
(Deficit)/surplus on revaluation of investment properties	9	**(6,090)**	5,791
(Deficit)/surplus on revaluation of receivables	14	**(286)**	850
Share of post-tax profit from joint ventures	11	**4,189**	8,039
Impairment of loans to joint ventures	11	**(718)**	-
Loss on disposal of investment properties	9	**(863)**	-
Operating (loss)/profit	3	**(10,947)**	16,029

Finance income	5	**4,661**	1,777
Finance costs	5	**(1,780)**	(1,470)
(Loss)/profit before taxation		**(8,066)**	16,336
Taxation expense	6	**(173)**	(3,707)
Total comprehensive (loss)/income		**(8,239)**	12,629
Basic (loss)/earnings per share	7	**(5.7)p**	8.8p
Diluted (loss)/earnings per share	7	**(5.7)p**	8.6p

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

The accompanying notes form part of the financial information.

Unaudited consolidated balance sheet

as at 30 September 2020

	Notes	**30 September 2020 £'000**	30 September 2019 £'000
Non-current assets			
Investment properties	9	**47,562**	52,937
Property, plant and equipment	10	**8,194**	3,958
Investments in joint ventures and associates	11	**126,551**	121,262
Deferred tax assets	12	**3,236**	2,565
Trade and other receivables	14	**33,961**	45,898
		219,504	226,620
Current assets			
Trading properties	13	**311,481**	306,998
Trade and other receivables	14	**36,059**	18,463
Cash and cash equivalents		**14,065**	24,441
		361,605	349,902
Total assets		**581,109**	576,522
Non-current liabilities			
Borrowings	16	**(136,990)**	(128,265)
Trade and other payables	15	**(3,705)**	-
Deferred tax liabilities	12	**(9,098)**	(8,509)
		(149,793)	(136,774)
Current liabilities			
Borrowings	16	**(6,227)**	(1,000)
Trade and other payables	15	**(31,771)**	(35,715)
		(37,998)	(36,715)
Total liabilities		**(187,791)**	(173,489)
Net assets		**393,318**	403,033
Equity			
Share capital	17	**29,036**	29,030
Share premium account		**169,268**	169,163
Capital redemption reserve		**849**	849
Own shares		**(3,585)**	(4,086)
Other reserve		**113,785**	113,785
Retained earnings		**83,965**	94,292
Total equity		**393,318**	403,033
NAV per share	18	**270.4p**	275.3p
EPRA NAV per share	18	**343.2p**	360.3p
EPRA NNNAV per share	18	**324.3p**	339.5p

The accompanying notes form part of the financial information.

Unaudited consolidated statement of changes in equity

for the year ended 30 September 2020

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Own shares £'000	Other reserve £'000	Retained earnings £'000	Total £'000
Balance at 30 September 2018	29,009	168,881	849	(4,748)	113,785	81,247	389,023
Effect of adoption of IFRS 15	-	-	-	-	-	3,203	3,203
Balance at 30 September 2018 as restated	29,009	168,881	849	(4,748)	113,785	84,450	392,226
Shares issued under scrip dividend scheme	21	282	-	-	-	-	303
Deferred bonus award and share option exercise satisfied out of own shares	-	-	-	1,417	-	(1,577)	(160)
Purchase of own shares	-	-	-	(755)	-	-	(755)
Share-based payment expense	-	-	-	-	-	3,955	3,955
Total comprehensive income for the year	-	-	-	-	-	12,629	12,629
Dividends paid	-	-	-	-	-	(5,165)	(5,165)
Balance at 30 September 2019	**29,030**	**169,163**	**849**	**(4,086)**	**113,785**	**94,292**	**403,033**
Shares issued under scrip dividend scheme	**6**	**105**	**-**	**-**	**-**	**-**	**111**
Deferred bonus award and share option exercise satisfied out of own shares	**-**	**-**	**-**	**2,246**	**-**	**(2,230)**	**16**
Purchase of own shares	**-**	**-**	**-**	**(1,745)**	**-**	**-**	**(1,745)**
Share-based payment expense	**-**	**-**	**-**	**-**	**-**	**3,733**	**3,733**
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**(8,239)**	**(8,239)**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(3,591)**	**(3,591)**
Balance at 30 September 2020	**29,036**	**169,268**	**849**	**(3,585)**	**113,785**	**83,965**	**393,318**

Unaudited consolidated cash flow statement

for the year ended 30 September 2020

	Notes	**Year ended 30 September 2020 £'000**	Year ended 30 September 2019 £'000
Cash flows from operating activities			
(Loss)/profit before taxation		**(8,066)**	16,336
Adjustments for:			
Deficit/(surplus) on revaluation of investment properties		**6,090**	(5,791)
Deficit/(surplus) on revaluation of receivables		**286**	(850)

Share of post-tax profit from joint ventures		**(4,189)**	(8,039)
Impairment of loans to joint ventures		**718**	-
Finance income		**(4,661)**	(1,777)
Finance costs		**1,780**	1,470
Depreciation charge		**1,115**	918
Write down of trading properties		**1,909**	730
Loss on disposal of investment properties		**863**	-
Loss on disposal of property, plant and equipment		**1**	13
Share-based payment expense		**3,733**	3,955
Cash flows from operating activities before change in working capital		**(421)**	6,965
(Increase)/decrease in trading properties		**(7,010)**	11,034
Decrease/(increase) in trade and other receivables		**2,864**	(9,243)
Decrease in trade and other payables		**(2,846)**	(12,368)
Cash absorbed by operations		**(7,413)**	(3,612)
Finance costs paid		**(1,224)**	(1,126)
Finance income received		**64**	72
Tax paid		**(2,552)**	(1,498)
Net cash flows from operating activities		**(11,125)**	(6,164)
Investing activities			
Additions to investment properties		**(3,856)**	(2,144)
Additions to property, plant and equipment		**(138)**	(381)
Loans advanced to joint ventures		**(2,778)**	(9,203)
Profits distributed from joint ventures		**960**	179
Proceeds from disposal of investment properties		**1,496**	-
Net cash flows from investing activities		**(4,316)**	(11,549)
Financing activities			
New loans		**20,054**	37,335
Issue costs of new loans		**(150)**	(580)
Repayment of loans		**(9,088)**	(5,622)
Repayment of lease liabilities		**(526)**	-
Purchase of own shares		**(1,745)**	(755)
Dividends paid		**(3,480)**	(4,862)
Net cash flows from financing activities	22	**5,065**	25,516
Net (decrease)/increase in cash and cash equivalents		**(10,376)**	7,803
Cash and cash equivalents at 1 October		**24,441**	16,638
Cash and cash equivalents at 30 September		**14,065**	24,441

Unaudited notes to the consolidated financial information

for the year ended 30 September 2020

1. Accounting policies

Basis of preparation

The financial information for the year ended 30 September 2020 and the year ended 30 September 2019 does not constitute the Company's statutory accounts for those years. Statutory accounts for the year ended 30 September 2019 have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The financial information for the year ended 30 September 2020 is unaudited. The statutory accounts for that year will be delivered to the Registrar of Companies in due course.

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

Functional and presentation currency

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

Going concern

The consolidated financial information has been prepared on a going concern basis, which assumes that the Group will continue to meet its liabilities as they fall due.

The Directors continue to assess going concern through reviewing five year business plans, which are presented periodically at Board meetings, however in this period of uncertainty a more detailed review, focussing on the next 12 months to 30 September 2021, has been undertaken in conjunction with the usual longer term assessment of viability.

The assumptions attaching to these forecasts provide for maintained construction programmes (as these are largely fully funded through existing development facilities) and reduced residential sales (which assumed that sales rates do not recover markedly until April 2021).

Forecast house price, land price and cost price inflation assumptions are in line with those used by CBRE in arriving at their strategic site valuations at 30 September, which reflect no house price or land price inflation until Q2 2021 (2.5 per cent to 4 per cent thereafter) and cost price inflation at 2 per cent throughout the forecast period.

Any forecast disposals in the base case prior to Spring 2021 relate to transactions that are in documentation or in the case of land promotion sites, are in documentation or have a planning consent or have resolution to grant a planning consent at the time of the review.

In addition, the base case model is further stressed using the following downside sensitivities:

- Removal of non-contracted residential sales income (leaving £26.8 million of contractual minimums due over the 12 months to 30 September 2021 and £101.6 million due over the five-year review period. The amount receivable over the next year is equivalent to 1.7 times the annual cash overhead sum of £16 million; which comprises £25 million of gross overheads less depreciation, non-cash share based payment charges and discretionary bonuses).
- A further six-month deferral of 50 per cent of forecast non-contracted land promotion receipts, together with an assumption that 10 per cent of forecast base case promotion receipts are fully abortive.

These downside sensitivities combine to form an extreme downside scenario which reduces the forecast cash flows by a maximum of £41.9 million over the 12-month period to 30 September 2021 and by £271.7 million over the 5-year period to 30 September 2025.

Mitigating actions that could be taken to address this extreme downside scenario include:

- Cessation of uncommitted strategic land development works, which are not associated with contracted residential sales income.
- Cessation of non-committed capital investment in respect of a number of identified early stage projects.
- Further drawdown under the Group's Revolving Credit Facility.
- Cessation of dividends.
- Negotiating further loan extensions/expansions.

These combined mitigations would increase the Group's cash flows by a maximum of £51.7 million over the 12-month period to 30 September 2021 and by £319.1 million over the 5-year period to 30 September 2025.

A further £32 million of other potential mitigations (including accessing the Coronavirus Large Business Interruption Loan scheme, which is now available until the end of January 2021) would provide additional headroom.

The Board is satisfied that these mitigating actions would protect the Group from the extreme downside scenario set out above and would mean that the Group would still have sufficient cash resources to meet its obligations.

No key loan covenants are projected to be breached during the period under review, having analysed prior period recessionary falls in land values (in the Group's geographic locations), calculated consequential covenant headroom and identified additional uncharged land which could be used to enhance loan security for lenders. Strategic site land values would need to fall between 12 per cent and 71 per cent before any covenants were breached. In such an event the Group has the option of pledging further land as additional security.

The Group had one loan maturing over the next 12 months at the year-end (the £6.2 million drawn under the Newark Homes England facility); however, post balance sheet date this has now been extended by 24 months to March 2023. Other loans maturing over the next three years include the £11.2 million Deansgate Hotel facility (which is under offer as a development site with planning) and the joint venture development loans at Manchester New Square. All of these facilities are forecast to be repaid from anticipated sales proceeds in the base case, however the Group could negotiate further loan extensions/expansions if sales rates fall significantly below our base case forecasts.

The Directors have concluded that it is appropriate to prepare the consolidated financial information on a going concern basis.

Adoption of new and revised standards

In the current year, the Group has adopted IFRS 16 'Leases' which has resulted in the Group recognising a right-of-use asset and liability on the balance sheet initially at the present value of all future lease payments for any leases for which it is the lessee. The treatment of leases where the Group is acting as a lessor is substantially unchanged from that currently applied under IAS 17. The Group has elected to adopt IFRS 16 using the cumulative effect method meaning that full retrospective adjustment of comparative periods is not required. The impact on the Group's balance sheet at 1 October 2019 was to increase both property, plant and equipment and other payables by £4,327,000.

There are no new standards issued but not yet effective that will have a material effect on the Group.

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 information presents 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 information incorporates 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.

Joint arrangements

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

The Group classifies its interests in joint arrangements as either joint ventures or joint operations. In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement
- The legal form of joint arrangements structured through a separate vehicle
- The contractual terms of the joint arrangement agreement
- Any other facts and circumstances (including any other contractual arrangements).

Joint arrangements are accounted for as joint ventures where the Group has rights to only a share of the net assets of the joint arrangements.

In the consolidated financial information, interests in joint ventures are initially recognised in the consolidated statement of financial position at cost and subsequently 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.

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. 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.

Joint arrangements are accounted for as joint operations where the Group, along with the other parties that have joint control, have the rights and obligations for assets and liabilities respectively relating to such contractual arrangements.

The Group accounts for its interests in joint operations by recognising its direct right to assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings

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 properties are 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.

An investment property is classified as held for sale when it is available for immediate sale, management is committed to a plan to sell, an active programme to locate a buyer has been initiated and a sale is expected to occur within 12 months.

A transfer of a property from investment properties to trading properties will be made where there is a change in use such that the asset is to be developed or held with a view to sale.

Trading properties

Trading properties comprise both direct interests in property and indirect beneficial interests in property held through land promotion agreements or other contractual arrangements. They are classified as 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, promotion and construction of a trading property are capitalised up to the date that the property is ready for its intended use. Property acquisitions 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.

Properties reclassified from trading properties to investment properties are transferred at fair value when there is a change in use of the asset such that it is to be held for long-term rental income and/or for capital appreciation.

Leases

The Group has applied IFRS 16 for the first time in the year to 30 September 2020. The Group assesses whether a contract is or contains a lease at inception of the contract. For material leases, the Group recognises a right-of-use asset and a corresponding lease liability with respect to all material lease arrangements in which it is the lessee. Initially the lease liability is measured at the present value of the lease payments not yet paid at the start of the lease and this amount is discounted by the rate implicit in the lease. The lease liability is subsequently measured by reducing the carrying amount by the lease payments made and increasing the carrying amount to reflect interest on the lease liability, using the effective interest method. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

Where the Group is the lessor, the Directors have considered the potential transfer of risks and rewards of ownership in accordance with IFRS 16 'Leases' 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.

Property, plant and equipment

Property, plant and equipment is stated at cost or fair value at the date of transfer 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, over its expected useful life as follows:

Freehold property - shorter of expected period to redevelopment and 2 per cent straight line

Leasehold improvements - shorter of term of the lease and 10 per cent straight line

Furniture and equipment - 20-33 per cent straight line

Right of use asset - over the relevant lease period

Revenue recognition

Revenue for both the Group and joint ventures is recognised to the extent that a significant reversal is not expected in future periods and performance obligations have been satisfied. The recognition policies below have been applied in respect of each of the Group's principal revenue streams.

Trading property sales

The sale of trading properties, including beneficial interests held indirectly through land promotion and other contractual agreements, usually has contractual performance obligations such as securing planning consent or a buyer for the property that are satisfied at a point in time. Revenue is recognised when the performance obligation is satisfied, which occurs when control of the Group's interest has passed to the buyer on completion of contracts. Any variable consideration is estimated, taking into account the timing and variability of consideration and only recognised where it is considered highly probable that there will not be a future significant reversal. Any deferred consideration is discounted to present value with the discount being unwound to profit and loss as finance income. Costs, which prior to sale are included within trading properties on the balance sheet, are expensed to cost of sales at the point of sale.

The sale of residential properties, including land parcels sold to housebuilders for residential development, usually has performance obligations such as securing planning consent and transferring legal title that are satisfied at a point in time. Revenue is recognised when control of the property has passed to the buyer on completion of contracts. Any variable consideration including overages is estimated at the point of sale taking into consideration the time to recover overage amounts as well as other factors which may give rise to variability. It is only recognised to the extent that it is highly probable that there will not be a significant reversal in the future and is reassessed throughout the duration of the sales contracts. Any deferred consideration is discounted to present value with the discount being unwound to profit and loss as finance income. Costs, which prior to sale are included within trading properties on the balance sheet, are expensed to cost of sales at the point of sale.

Revenue on construction contracts

Revenue on construction contracts is recognised in line with when performance obligations are deemed to be satisfied. Performance obligations in respect of construction contracts where the Group has no interest in the land are typically determined as being satisfied over time, meaning that revenue is recognised as these obligations are satisfied, which is usually on the basis of percentage of work completed using the input method (reflecting the enhancement in value of the customer's asset). Associated costs are expensed as incurred.

Where contracts contain multiple distinct performance obligations, revenue is allocated to each performance obligation in proportion to the assessed stand-alone selling price of the services being provided. For any such performance obligations that are determined as being satisfied at a point in time, revenue is recognised at the point of satisfaction of the relevant performance obligations. Associated costs are initially recognised in trading properties and expensed as a cost of sale at the point of sale.

Rental and other property income

Rental and other property income arising from property is accounted for under IFRS 16 and recognised on a straight line basis over the term of the lease. 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.

Hotel income

Hotel income comprises revenues derived from hotel operations, including the rental of rooms and food and beverage sales. Revenue is recognised at the point in time when rooms are occupied and services are rendered.

Project management fees and other income, including recoverable property expenses

Fees from development management service arrangements and other agreements are determined by reference to the relevant agreement and recognised over time as the services are provided, typically using the output method.

Taxation

Current tax

The charge for current taxation is based on the results for the year 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', a deferred tax liability is recognised for tax potentially payable on the realisation of investment properties at fair values at the balance sheet date as well as the timing difference resulting from capital allowance claims.

Deferred tax balances are not discounted.

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. The charge is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

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 and net assets 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 are 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 in other creditors. When the criteria for retention have been satisfied, the 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, following approval by the Directors. In the case of final dividends, this is when the dividends are approved by the shareholders at the AGM.

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

Impairment tests on the Group's property, plant and equipment and interests in joint arrangements 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 consist 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 comprise cash in hand and deposits with banks net of bank overdrafts.

Trade and other receivables

Trade and other receivables arising in the normal course of business are initially recognised at fair value and subsequently at amortised cost or recoverable amount.

For significant receivables, particularly in respect of amounts due from housebuilders, the Group monitors the expected annual and lifetime credit loss by undertaking periodic reviews of housebuilder WACCs, at least six-monthly credit checks and the continual monitoring of payment track records and housing sales. Additionally, six monthly comparisons are performed monitoring third party valuations in respect of particular land parcels upon which the receivables are secured compared to those receivables recognised in the balance sheet in respect of such land parcels. As part of this consideration, the Group considers the recoverability of the receivable in the event of a downturn in the market.

For all other trade receivables and amounts recoverable under contracts, the Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision. To measure expected credit losses on a collective basis, trade receivables and amounts recoverable under contracts are grouped based on similar credit risk and ageing. The expected loss rates are based on the Group's historic credit losses experienced prior to year end and adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

Receivables acquired by the Group that include a variable right to receive cash are recognised initially at fair value and are subsequently remeasured to fair value at each reporting date with fair value movements recognised within the Consolidated Statement of Comprehensive Income.

Trade and other payables

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

Borrowings

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

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.

Critical accounting estimates and judgements

The preparation of financial information in accordance with IFRSs 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:

Accounting estimates

Valuation of investment and trading properties

For the purposes of calculating the fair value of its investment property portfolio and the net realisable value (and, for EPRA reporting purposes, the fair value) of its trading property portfolio, the Group uses valuations carried out by either independent valuers or the 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 and rates, estimates of typical profit margins and finance costs, anticipated maintenance costs, development costs, inflation forecasts and appropriate discount rates. Assumptions used in the valuations of the Group's significant investment property interests carried at valuation and trading properties valued for EPRA reporting purposes at 30 September 2020 are disclosed later in note 1. Details of the Group's trading properties that are measured at net realisable value are disclosed in note 13. The valuers and Directors also make reference to market evidence for comparable property transactions and principal inputs and assumptions.

Due to the nature of development timescales, it is routinely necessary to estimate costs to complete and future revenues and to allocate non-unit-specific development costs between units legally completing in the current financial year and in future periods.

Revenue

Estimates are involved when determining how much revenue to recognise at the point in time of residential property sales where there is deferred consideration and/or variable consideration which is only determined at the point of the future onward sale of constructed homes by the Group's housebuilder customers.

In determining the amount of revenue recognised, the Directors consider the following factors:

Absorption rates - licence sale contracts contain minimum sales rates as well as minimum prices. The Directors consider as a base case assumption that houses will be sold by housebuilding customers in line with the contracted minimum sales rates. Deferred revenue is therefore discounted by reference to these rates.

Discount rates - the onward sale of constructed homes by housebuilder customers will occur over a number of years. Consequently, the time value of money and the credit risk of the housebuilder must be taken into account when measuring the present value of the consideration receivable. The Directors consider the WACC of the housebuilder, or third party cost of borrowing where WACC is not available, to be an appropriate rate at which to discount deferred consideration for the sale of the land. These discount rates are kept under review in the event of indications of a significant change in circumstance of the housebuilding customer. The impact of a change in the discount rates of one per cent either up or down on the Group's revenue recognised would be £0.2 million and £0.3 million respectively.

Overages - licence sale contracts consist of fixed minimum prices as well as variable overage elements based on the future onward sale value achieved by the housebuilder customer. When determining how much of the variable revenue to recognise at the point of sale, the Directors estimate the amount that they would expect to receive based on market evidence for current house prices and house price inflation forecasts. They then consider the risk of a significant reversal of this revenue in future periods and constrain it accordingly. For the previous and current year, the Directors have assessed that a 20 per cent reduction in house prices, being the approximate peak to trough fall in house prices in the last two recessions, and a one-year delay to the expected receipt of overage payments, to take into account a significant fall in sales rates in a downturn, are appropriate constraints in response to the risk. The impact of a change in the assumed house price reduction by five per cent up and down would be to decrease/increase overage recognised in the year by £0.7 million.

Inflation rates - some contractual minimum prices are subject to annual review and inflation. The Directors consider publicly available inflation forecasts when calculating minimum amounts receivable over the licence contracts.

Cost of trading property sales

The sale of parcels or units of strategic land requires an allocation of costs (where applicable including site-wide infrastructure, any construction costs directly attributable to individual land parcels and capitalised administrative expenses) in order to account for cost of sales associated with the disposal. The costs being allocated, based on plot numbers as a proportion of total project plot numbers, include those incurred to date together with an allocation of costs remaining, estimated with reference to latest project forecasts.

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. In order to assess whether the Group should recognise a deferred tax asset or liability and the tax rate at which that asset or liability should be measured, the Directors consider the timing and likelihood of expected future profits along with how these expected future profits match up with the existing tax losses within specific Group entities. The proportion of the Group's estimated available tax losses for deferred tax has been disclosed in note 12. The impact of a two per cent increase/decrease in the tax rate would change the net deferred tax liability by £0.6 million up or down at 30 September 2020.

Share-based payments

The value of share-based payments is estimated using an option pricing model as at the date of grant and using certain assumptions.

Judgements

Distinction between investment properties and trading properties

Where there is a strategic decision taken to develop any element of an investment property for sale rather than hold for investment purposes, then that element is remeasured to fair value at the decision date and transferred to trading properties. Where there is a strategic decision taken to hold any element of a trading property for long-term capital growth or income, then that element is transferred to investment properties at cost and subsequently held at fair value.

Property value assumptions

Significant unobservable inputs

The key inputs to the strategic property valuations, for both investment properties and trading properties valued for EPRA purposes, including properties wholly owned, within joint venture vehicles, or subject to joint arrangements included:

	30 September 2020	30 September 2019
House price - private (£psf)	**220-385**	215-300
House price - affordable (£psf)	**125-243**	125-200
House price inflation (per cent)	**2.5**	2.5
Cost price inflation (per cent)	**2.0**	2.0
Residential land prices (£'000 per NDA)	**700-1,690**	694-1,622
Commercial land value (£'000 per acre)	**150-400**	150-400
Risk-adjusted discount rate (per cent)	**6.0-10.0**	6.0-10.0

Inter-relationship between significant unobservable inputs and fair value measurement

The estimated fair value would increase/(decrease) if:

- expected house price inflation were higher/(lower);
- expected annual cost price inflation was lower/(higher);
- commercial land prices were higher/(lower); and
- risk-adjusted discount rate was lower/(higher).

The significant valuation inputs to the Group's strategic land interest are too interdependent to meaningfully present the impact of varying these inputs.

Joint operations

The Group is party to a joint operation in respect of Waterbeach. During the year, the first asset sale on the Waterbeach site was sold to a third party. Under the terms of the joint operation contract, the Group is entitled to retain 100% of the sales proceeds, being £18.2 million. Proceeds of future asset sales will be split between the Group and the DIO based on a waterfall agreement as set out in the contract. This results in the Group retaining a high proportion of sales proceeds on early sales and a smaller proportion on later sales.

Judgement was involved in determining how much of the sales proceeds retained should be recognised as revenue. IFRS 11 requires a joint operator to recognise its revenue from the sale of its share of the output arising. Management considered that the output sold in the first sale included both an asset of the DIO and an asset of the Group. For this reason management concluded that, despite the Group's entitlement to retain all proceeds, it is appropriate to recognise only a proportion of the proceeds as revenue. This has resulted in the recognition of £7.3 million of revenue in the period being equal to the cost of the Group's share of output plus estimated profit margin based on the contract. The remaining proportion of proceeds has been recognised on the balance sheet as deferred income. The deferred income will be recognised as revenue in future years as further asset sales are made and when the Group retains a smaller proportion of the sales proceeds.

2. Revenue and gross profit

for the year ended 30 September 2020

	Strategic sites £'000	Land promotion £'000	Commercial £'000	Total £'000
Trading property sales	33,723	7,803	1,038	42,564
Revenue on construction contracts	-	5,463	-	5,463
Rental and other property income	2,692	51	678	3,421
Hotel income	-	-	3,271	3,271
Project management fees and other income	2,431	-	91	2,522
Revenue	**38,846**	**13,317**	**5,078**	**57,241**
Cost of trading property sales	(30,608)	(1,860)	(740)	(33,208)
Costs of construction contracts	-	(4,299)	-	(4,299)
Direct property expenses	(2,627)	-	(340)	(2,967)
Cost of hotel trading	-	-	(4,104)	(4,104)
Write down of trading properties	-	(860)	(1,049)	(1,909)
Direct costs	**(33,235)**	**(7,019)**	**(6,233)**	**(46,487)**
Profit on trading property sales	3,115	5,943	298	9,356
Profit on construction contracts	-	1,164	-	1,164
Rental and other property profits	65	51	338	454
Hotel profits	-	-	(833)	(833)
Project management fees and other income	2,431	-	91	2,522
Write down of trading properties	-	(860)	(1,049)	(1,909)
Gross profit	**5,611**	**6,298**	**(1,155)**	**10,754**

for the year ended 30 September 2019

	Strategic sites £'000	Land promotion £'000	Commercial £'000	Total £'000
Trading property sales	49,307	25,329	4,950	79,586
Revenue on construction contracts	-	7,972	-	7,972
Rental and other property income	2,575	-	1,425	4,000
Hotel income	-	-	7,621	7,621
Project management fees and other income	2,139	-	796	2,935
Revenue	54,021	33,301	14,792	102,114
Cost of trading property sales	(46,529)	(15,967)	(1,698)	(64,194)
Costs of construction contracts	-	(6,641)	-	(6,641)
Direct property expenses	(2,551)	-	(816)	(3,367)
Cost of hotel trading	-	-	(5,957)	(5,957)
Write down of trading properties	(162)	(569)	-	(731)
Direct costs	(49,242)	(23,177)	(8,471)	(80,890)
Profit on trading property sales	2,778	9,362	3,252	15,392
Profit on construction contracts	-	1,331	-	1,331
Rental and other property profits	24	-	609	633
Hotel profits	-	-	1,664	1,664
Project management fees and other income	2,139	-	796	2,935
Write down of trading properties	(162)	(569)	-	(731)
Gross profit	4,779	10,124	6,321	21,224

	Year ended 30 September 2020	Year ended 30 September 2019
Number of construction contracts	**1**	1

The above construction contract includes a further £500,000 of estimated gross profit which will be recognised over time in future periods as performance obligations are satisfied. The full amount is expected to be recognised within the next financial year at which point the construction contract will come to an end.

3. Operating (loss)/profit

Is arrived at after charging/(crediting):	**Year ended 30 September 2020 £'000**	Year ended 30 September 2019 £'000
Depreciation of property, plant and equipment - included in administrative expenses	**404**	357
Depreciation of property, plant and equipment - included in direct costs	**711**	561
Loss on disposal of property, plant and equipment	**1**	13
Impairment of trade receivables	**49**	83
Operating lease charges - rent of properties	**90**	808
Share-based payment expense	**3,733**	3,955
Capitalisation of administrative expenses to investment properties	**(393)**	(423)
Capitalisation of administrative expenses to trading properties held at year end	**(3,664)**	(5,038)
Fees paid to BDO LLP[1] in respect of:		
- audit of the Company	**236**	207
Other services:		
- audit of subsidiaries and associates	**108**	104
- audit related assurance services	**44**	43
- other fees payable	**-**	79

1. Total fees for 2020 payable to the Company's auditor are £387,500 (2019: £432,500). Of this, £343,500 (2019: £310,500) relates to audit services and £44,000 (2019: £43,000) to assurance services for the review of the interim report. £nil (2019: £79,000) relates to fees incurred for reporting accountant services in relation to the Company's premium listing application.

4. 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.

The three principal segments are strategic sites, land promotion and commercial property development. The strategic sites and land promotion segment includes serviced and unserviced land, consented and unconsented land and mixed-use development and promotion sites. The commercial segment includes city centre development and commercial regional developments. All of the Group's revenue is generated in the United Kingdom. In the year ended 30 September 2020 we have disclosed information relating to strategic sites and land promotion sites separately for the first time to aid better understanding of this note.

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

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.

Consolidated statement of comprehensive income

for the year ended 30 September 2020

	Strategic sites £'000	Land promotion £'000	Commercial £'000	Unallocated £'000	Total £'000
Revenue	**38,846**	**13,317**	**5,078**	**-**	**57,241**
Other direct costs	(33,235)	(6,159)	(5,184)	-	(44,578)
Write down of trading properties	-	(860)	(1,049)	-	(1,909)
Total direct costs	(33,235)	(7,019)	(6,233)	-	(46,487)
Gross profit/(loss)	**5,611**	**6,298**	**(1,155)**	**-**	**10,754**
Share-based payment expense	-	-	-	(3,733)	(3,733)
Other administrative expenses	-	-	-	(14,200)	(14,200)
Total administrative expenses	-	-	-	(17,933)	(17,933)
Deficit on revaluation of investment properties	(6,090)	-	-	-	(6,090)
Deficit on revaluation of receivables	(286)	-	-	-	(286)
Share of post-tax profit from joint ventures	4,189	-	-	-	4,189
Impairment of loans to joint ventures	-	-	(718)	-	(718)
Loss on disposal of investment properties	(863)	-	-	-	(863)
Operating profit/(loss)	**2,561**	**6,298**	**(1,873)**	**(17,933)**	**(10,947)**
Net finance income/(cost)	3,140	110	(369)	-	2,881
Profit/(loss) before tax	**5,701**	**6,408**	**(2,242)**	**(17,933)**	**(8,066)**

In the year ended 30 September 2020, there were three major customers that generated £12,256,000, £10,100,000 and £7,292,000 of revenue. Each of these represented 10 per cent or more of the total revenue.

Consolidated balance sheet

as at 30 September 2020

	Strategic sites £'000	Land promotion £'000	Commercial £'000	Unallocated £'000	Total £'000
Investment properties	47,562	-	-	-	47,562
Property, plant and equipment	3,655	429	-	4,110	8,194
Investments in joint ventures	109,561	-	16,990	-	126,551
Deferred tax assets	-	-	-	3,236	3,236
Trade and other receivables	30,957	3,004	-	-	33,961
Non-current assets	**191,735**	**3,433**	**16,990**	**7,346**	**219,504**
Trading properties	268,070	15,511	27,900	-	311,481
Trade and other receivables	30,311	2,739	3,009	-	36,059
Cash and cash equivalents	-	-	-	14,065	14,065
Current assets	**298,381**	**18,250**	**30,909**	**14,065**	**361,605**
Borrowings	(116,532)	-	(11,140)	(15,545)	(143,217)
Trade and other payables	(23,423)	(2,394)	(9,659)	-	(35,476)
Deferred tax liabilities	(8,275)	-	-	(823)	(9,098)
Total liabilities	**(148,230)**	**(2,394)**	**(20,799)**	**(16,368)**	**(187,791)**
Net assets	**341,886**	**19,289**	**27,100**	**5,043**	**393,318**

Consolidated statement of comprehensive income

for the year ended 30 September 2019

	Strategic sites £'000	Land promotion £'000	Commercial £'000	Unallocated £'000	Total £'000
Revenue	54,021	33,301	14,792	-	102,114
Other direct costs	(48,512)	(23,177)	(8,471)	-	(80,160)
Write down of trading properties	-	(730)	-	-	(730)
Total direct costs	(48,512)	(23,907)	(8,471)	-	(80,890)
Gross profit	5,509	9,394	6,321	-	21,224
Share-based payment expense	-	-	-	(3,955)	(3,955)
Other administrative expenses	-	-	-	(15,920)	(15,920)
Total administrative expenses	-	-	-	(19,875)	(19,875)
Surplus on revaluation of investment properties	5,791	-	-	-	5,791
Surplus on revaluation of receivables	850	-	-	-	850
Share of post-tax profit from joint ventures	8,027	-	12	-	8,039
Operating profit/(loss)	20,177	9,394	6,333	(19,875)	16,029
Net finance income/(cost)	1,422	56	(1,171)	-	307
Profit/(loss) before tax	21,599	9,450	5,162	(19,875)	16,336

In the year ended 30 September 2019, there were three major customers that generated £11,367,000, £13,036,000 and £12,500,000 of revenue. Each of these represented 10 per cent or more of the total revenue.

Consolidated balance sheet

as at 30 September 2019

	Strategic sites £'000	Land promotion £'000	Commercial £'000	Unallocated £'000	Total £'000
Investment properties	52,937	-	-	-	52,937
Property, plant and equipment	3,305	43	299	311	3,958
Investments in joint ventures	103,563	-	17,699	-	121,262
Deferred tax assets	-	-	-	2,565	2,565
Trade and other receivables	43,709	2,189	-	-	45,898
Non-current assets	203,514	2,232	17,998	2,876	226,620
Trading properties	264,451	14,856	27,691	-	306,998
Trade and other receivables	11,335	2,447	4,681	-	18,463
Cash and cash equivalents	-	-	-	24,441	24,441
Current assets	275,786	17,303	32,372	24,441	349,902
Borrowings	(101,899)	-	(11,045)	(16,321)	(129,265)
Trade and other payables	(21,937)	(2,414)	(11,364)	-	(35,715)
Deferred tax liabilities	(7,806)	-	-	(703)	(8,509)
Total liabilities	(131,642)	(2,414)	(22,409)	(17,024)	(173,489)
Net assets	347,658	17,121	27,961	10,293	403,033

5. Finance income and finance costs

	Year ended 30 September 2020 £'000	Year ended 30 September 2019 £'000
Interest receivable from cash deposits	**64**	81
Unwinding of discount applied to long-term receivables	**4,131**	1,663
Other interest receivable	**466**	33
Finance income	**4,661**	1,777
Interest payable on borrowings	**(5,042)**	(4,044)
Amortisation of loan arrangement costs	**(716)**	(503)
Finance costs pre-capitalisation	**(5,758)**	(4,547)
Finance costs capitalised to trading properties	**3,978**	3,077
Finance costs	**(1,780)**	(1,470)
Net finance income	**2,881**	307

Finance costs are capitalised at the same rate as the Group is charged on respective borrowings.

6. Tax on (loss)/profit on ordinary activities

(a) Analysis of charge in the year

	Year ended 30 September 2020 £'000	Year ended 30 September 2019 £'000
Current tax:		
UK corporation tax on profits for the year	**455**	2,482
Adjustments in respect of previous periods	**(200)**	-
Total current tax	**255**	2,482
Deferred tax:		
Origination and reversal of timing differences	**(82)**	1,225
Total deferred tax	**(82)**	1,225
Total tax charge	**173**	3,707

(b) Factors affecting the tax charge for the year

The effective rate of tax for the year varies from the standard rate of tax in the UK. The differences can be explained below:

	Year ended 30 September 2020 £'000	Year ended 30 September 2019 £'000
(Loss)/profit attributable to the Group before tax	**(8,066)**	16,336
(Loss)/profit multiplied by the average rate of UK corporation tax of 19 per cent (2019: 19 per cent)	**(1,533)**	3,104
Expenses not deductible for tax purposes	**813**	937
Differences arising from taxation of chargeable gains and property revaluations	**1,055**	190
Changes in tax rates	**561**	-
Tax losses and other items	**(723)**	(524)
Total tax charge	**173**	3,707

(c) Joint ventures

The Group's share of tax on the joint ventures is £Nil (2019: £Nil).

7. (Loss)/earnings per share

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on a loss of £8,239,000 (2019: profit of £12,629,000) and on 143,889,863 (2019: 143,442,735) shares, being the weighted average number of shares in issue during the year less own shares held.

Diluted earnings per share

Due to the loss in the year the share options do not have a dilutive effect. In the prior year the calculation of diluted earnings per share was based on a profit of £12,629,000 and on 146,176,846 shares, being the weighted average number of shares in issue less own shares held and the dilutive impact of share options granted. 2,729,218 share options were not included in the calculation of diluted earnings per share because their exercise was contingent on the satisfaction of certain criteria that had not been met at 30 September.

Weighted average number of shares	**2020 Number**	2019 Number
In issue at 1 October	**145,148,088**	145,044,582
Effect of shares issued under scrip dividend scheme	**19,103**	49,325
Effect of own shares held	**(1,277,328)**	(1,651,172)
Weighted average number of shares at 30 September - basic	**143,889,863**	143,442,735
Dilutive effect of share options	**-**	2,734,111
Weighted average number of shares at 30 September - diluted	**143,889,863**	146,176,846

8. Dividends

	Year ended 30 September 2020 £'000	Year ended 30 September 2019 £'000
Final dividend of 2.5p per share proposed and paid February 2020	**3,480**	-
Final dividend of 2.5p per share granted via scrip dividend	**111**	-
Final dividend of 2.2p per share proposed and paid February 2019	**-**	2,957
Final dividend of 2.2p per share granted via scrip dividend	**-**	199
Interim dividend of 1.4p per share paid July 2019	**-**	1,907
Interim dividend of 1.4p per share granted via scrip dividend scheme	**-**	102
	3,591	5,165

As a result of the recent announcement of the cash offer by the Wellcome Trust for the Group, the Board does not intend to announce a dividend in respect of the financial year ended 30 September 2020 at this time. However, in the event the acquisition does not complete by 28 February 2021, the Board will review this position and declare such dividend with respect to the year ended 30 September 2020, or the first half of the year ending 30 September 2021, as it considers appropriate at the time.

9. Investment properties

(i) Carrying amount reconciliation

	£'000
Valuation	
At 1 October 2018	86,918
Additions at cost	2,143
Disposals	-
Transfer to trading properties (note 13)	(41,915)
Surplus on revaluation	5,791
At 1 October 2019	52,937
Additions at cost	3,970
Disposals	(3,255)
Surplus on revaluation	(6,090)
Carrying value and portfolio valuation at 30 September 2020	**47,562**

(ii) Operating lease arrangements

Refer to note 20 for details of the operating leases related to investment properties.

(iii) Items of income and expense

During the year ended 30 September 2020, £2,653,000 (2019: £2,557,000) 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 properties that generated rental income amounted to £2,615,000 (2019: £2,059,000). The Group did not incur any direct operating expenses arising from investment properties that did not generate rental income (2019: £Nil).

(iv) Restrictions and obligations

At 30 September 2020 and 2019 there were no restrictions on the realisability of investment properties or the remittance of income and proceeds of disposal.

There are no obligations, except those already contracted, to construct or develop the Group's investment properties.

(v) Historical cost and capitalisation

The historical cost of investment properties as at 30 September 2020 was £31,679,000 (2019: £30,964,000), which included capitalised interest of £nil (2019: £nil). There was no interest capitalised during the current or prior year. During the year staff and administrative costs of £393,000 (2019: £423,000) have been capitalised and are included within additions.

(vi) Transfer of properties in the prior year

On 1 October 2018, based on the site intention set out in the submitted development plan and the commencement of development works, the Group agreed that the strategy for Grange Farm at Alconbury Weald previously held within investment properties was to develop it for sale. Accordingly, on 1 October 2018 this element of the property was reclassified as a trading property.

(vii) Fair value measurement

The Group's investment properties are valued on a semi-annual basis by CBRE Limited (CBRE), an independent firm of chartered surveyors, on the basis of fair value. Where property assets are bifurcated between investment and trading properties, the Directors have allocated CBRE's valuation with reference to the nature of the properties in each classification. The valuation at each period end is carried out in accordance with guidance issued by the Royal Institution of Chartered Surveyors. 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 summarises the valuation technique used in measuring the fair value of the Group's investment properties.

Valuation technique

Discounted cash flows: the valuation model for the Group's strategic land considers the present value of net cash flows to be generated from a property (reflecting the current approach of constructing the infrastructure and discharging the section 106 cost obligations), taking into account expected 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.

The significant unobservable inputs applied in the valuation of the Group's investment properties are listed in note 1.

10. Property, plant and equipment

	Freehold property £'000	Leasehold improvements £'000	Furniture and equipment £'000	Right of use asset £'000	Total £'000
Cost					
At 1 October 2018	5,425	740	1,596	-	7,761
Additions	-	17	364	-	381
Disposals	-	-	(203)	-	(203)
At 1 October 2019	5,425	757	1,757	-	7,939
Effect of adoption of IFRS 16	-	-	-	4,327	4,327
As at 1 October 2019 as restated	5,425	757	1,757	4,327	12,266
Additions	-	-	138	-	138
Transfer from trading property	887	-	-	-	887
Disposals	-	-	(19)	-	(19)
At 30 September 2020	**6,312**	**757**	**1,876**	**4,327**	**13,272**
Depreciation					
At 1 October 2018	1,772	437	1,044	-	3,253
Charge for the year	425	132	361	-	918
Released on disposal	-	-	(190)	-	(190)
At 1 October 2019	2,197	569	1,215	-	3,981
Charge for the year	150	172	404	389	1,115
Released on disposal	-	-	(18)	-	(18)
At 30 September 2020	**2,347**	**741**	**1,601**	**389**	**5,078**
Net book value					
At 30 September 2020	**3,965**	**16**	**275**	**3,938**	**8,194**
At 30 September 2019	3,228	188	542	-	3,958

11. Investments

Investments in joint ventures

	Total £'000
Cost or valuation	
At 1 October 2018	103,418
Effect of adoption of IFRS 15	781
Balance at 1 October 2018 as restated	104,199
Share of post-tax profit from joint ventures	8,039
Loans advanced	9,202
Profits distributed	(178)
At 30 September 2019	121,262
Share of post-tax profit from joint ventures	4,189
Impairment of loans to joint ventures	(718)
Profits distributed	(960)
Loans advanced	2,778
At 30 September 2020	**126,551**

At 30 September 2020 the Group's interests in its joint arrangements were as follows:

Joint ventures		
SUE Developments LP	50%	Property development
Wintringham Partners LLP	33%	Property development

Manydown Development Vehicle LLP	25%	Property development
Achadonn Limited	50%	Property development
Altira Park JV LLP	50%	Property development
Manchester New Square LP	50%	Property development

Joint operations	
Waterbeach	Property development

Waterbeach is a joint arrangement with a landowner that is structured through a contractual arrangement, rather than a separate entity. Decisions about relevant activities in relation to the Waterbeach development require unanimous consent by the Group and the landowner. When the development assets are sold to a third party, the Group will have a right to a proportion of the sales proceeds under a waterfall agreement which will include recovery of costs incurred and a 9 per cent share of residual proceeds.

All of the Group's interests in joint arrangements have their principal place of business in the UK. Refer to note 1 for further details on the judgements used when recognising revenue for the joint ventures.

Summarised information on joint ventures 2020

100%	SUE Developments LP £'000	Wintringham Partners LLP £'000	Manydown Development Vehicle LLP £'000	Achadonn Limited £'000	Altira Park JV LLP £'000	Manchester New Square LP £'000	Total 2020 £'000
Revenue	32,300	19,844	-	-	791	-	
Finance income		2,685	2,243	-	-	-	-
Finance expense		-	-	-	-	-	-
Profit/(loss) after tax	5,972	3,597	-	(2,489)	7	-	
Cash and cash equivalents	28,795	4,334	449	-	-	101	
Current assets		200,114	56,614	4,268	4,146	1,070	113,446
Non-current assets		16,843	30,138	-	-	-	-
Current financial liabilities		-	-	-	-	-	-
Other current liabilities		(116,160)	(62,583)	(4,717)	(6,660)	(204)	(41,930)
Non-current financial liabilities		(39,894)	(24,903)	-	-	-	(71,615)
Other non-current liabilities	(17,462)	-	-	-	-	-	
Net assets/(liabilities)	**72,236**	**3,600**	**-**	**(2,514)**	**866**	**2**	
The Group's carrying value consists of:							
Group's share of net assets	36,118	1,200	-	-	433	1	37,752
Loans	53,786	17,446	1,010	1,392	-	15,165	88,799
Total investment in joint ventures	**89,904**	**18,646**	**1,010**	**1,392**	**433**	**15,166**	**126,551**

SUE Developments LP holds the RadioStation Rugby site.

Summarised information on joint ventures 2019

100%	SUE Developments LP £'000	Wintringham Partners LLP £'000	Achadonn Limited £'000	Altira Park JV LLP £'000	Manchester New Square LP £'000	Total 2019 £'000
Revenue	45,270	18,839	-	925	-	
Finance income	1,896	6	-	-	-	
Profit/(loss) after tax	14,125	2,890	(9)	33	2	
Cash and cash equivalents	2,003	5,819	-	4	148	
Current assets	196,135	37,672	6,606	854	89,025	
Non-current assets	31,412	19,119	-	-	-	
Current financial liabilities	-	-	-	-	-	
Other current liabilities	(124,818)	(46,815)	(6,660)	-	(41,078)	
Non-current financial liabilities	-	-	-	-	-	
Other non-current liabilities	(38,469)	(12,910)	-	-	(48,093)	
Net assets/(liabilities)	66,263	2,885	(54)	858	2	
The Group's carrying value consists of:						
Group's share of net assets	33,131	961	-	429	1	34,522
Loans	53,466	16,005	2,102	-	15,167	86,740
Total investment in joint ventures	86,597	16,966	2,102	429	15,168	121,262

The significant unobservable inputs applied in the valuation of the Group's trading properties held in joint venture vehicles for EPRA purposes are listed in note 1.

12. Deferred tax

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

	Year ended 30 September 2020 £'000	Year ended 30 September 2019 £'000
At 1 October	**(5,944)**	(4,063)
Effect of adoption of IFRS 15	**-**	(656)
At 1 October as restated	**(5,944)**	(4,719)
Movement in the year (see note 6)	**82**	(1,225)
At 30 September	**(5,862)**	(5,944)

The deferred tax balances are made up as follows:

	At 30 September 2020 £'000	At 30 September 2019 £'000
Deferred tax assets		
Tax losses	**3,236**	2,565
	3,236	2,565
Deferred tax liabilities		
Revaluation surpluses	**8,772**	8,035
Revenue recognised under IFRS 15	**326**	474
	9,098	8,509

At 30 September 2020, the Group had unused tax losses of £20,689,000 (2019: £20,513,000), of which £17,030,000 (2019: £15,089,000) has been recognised as a deferred tax asset. £3,284,000 (2019: £5,104,000) has been applied to reduce the Group's deferred tax liability recognised at the balance sheet date as required by IAS 12 'Income Taxes' in respect of 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 realised or unrealised capital losses if there is uncertainty over future recoverability. Deferred tax assets are only recognised where there is a reasonable assumption of future profits.

Tax losses of £375,000 (2019: £320,000) have 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.

The UK corporation tax rate reduced to 19 per cent from 1 April 2017. It was announced in 2017 that the UK corporation tax rate would reduce further to 17 per cent from 1 April 2020 but that decision has been reversed and it remains at 19 per cent. The Group's deferred tax balances have been measured at 19 per cent (2019: between 17 and 19 per cent), being the enacted rate of corporation tax in the UK at the balance sheet date against which the temporary differences giving rise to the deferred tax are expected to reverse.

13. Trading properties

	Year ended 30 September 2020 £'000	Year ended 30 September 2019 £'000
At 1 October	**306,998**	273,770
Additions at cost	**42,220**	46,583
Costs written down	**(1,909)**	(730)
Disposals	**(34,941)**	(54,540)
Transfer to property plant & equipment (note 10)	**(887)**	-
Transfer from investment properties (note 9)	**-**	41,915
Carrying value at 30 September	**311,481**	306,998

Trading properties by class of property	**At 30 September 2020 £'000**	At 30 September 2019 £'000
Direct interests in completed and development properties	**283,184**	275,534
Indirect interests held through land promotion, option or other contractual agreements	**28,297**	31,464
	311,481	306,998

During the year staff and administrative costs of £3,664,000 (2019: £5,038,000) have been capitalised and are included within additions.

Capitalised interest of £9,671,000 is included within the carrying value of trading properties as at 30 September 2020 (2019: £5,933,000), of which £3,978,000 (2019: £3,077,000) was capitalised during the year. Included within disposals is £240,000 (2019: £593,000) of interest previously capitalised and written off on disposal.

The carrying value of trading properties at 30 September 2020 includes £27,684,000 (2019: £2,266,000) measured at net realisable value. The remaining assets have been measured at cost. In arriving at their net realisable value assessments, the Directors have had regard to the current valuations of the properties (where relevant) and the future expected profitability of the asset.

The significant unobservable inputs applied in the valuation of the Group's trading properties for EPRA purposes are listed in note 1.

14. Trade and other receivables

Non-current	**At 30 September 2020 £'000**	At 30 September 2019 £'000
Trade receivables	**33,727**	44,365
Other receivables	**234**	1,533
	33,961	45,898

Current	**At 30 September 2020 £'000**	At 30 September 2019 £'000
Trade receivables	**21,558**	11,588
Less: provision for impairment of trade receivables	**(132)**	(83)
Trade receivables (net)	**21,426**	11,505
Other receivables	**5,721**	1,563
Amounts recoverable under contracts (contract assets)	**2,149**	3,203
Prepayments and accrued income	**6,763**	2,192
	36,059	18,463

Trade receivables include minimum and overage amounts due from housebuilders on strategic land parcel sales which are payable on the completion of the onward sale of completed units by the respective housebuilders, subject to certain minimum amounts that are payable annually over a four to five year period post sale. Other receivables include an amount of £688,000 (2019: £2,163,000) relating to overage entitlements that were acquired with the Priors Hall asset in the prior year and attributed a purchase price allocation of £9,366,000. This asset is measured at fair value through profit and loss using a discounted cash flow model and is categorised as level 3 in the fair value hierarchy. The key assumptions applied in the valuation are current expectations over future house price values, the timing of housebuilder delivery and a discount rate of 12.9 per cent (30 September 2019: 8.0 per cent). The fair value movement in the year is £286,000 (2019: credit of £850,000) which has been charged to the income statement. Amounts totalling £9,546,000 have been collected by 30 September 2020 (2019: £8,357,000).

The ageing of trade receivables was as follows:	**At 30 September 2020 £'000**	At 30 September 2019 £'000
Up to 30 days	**2,164**	4,226
31 to 60 days	**501**	42
61 to 90 days	**337**	184
Over 90 days	**240**	570
Total	**3,242**	5,022
Amounts not yet due	**51,911**	50,848
Trade receivables (net)	**55,153**	55,870

The Group has determined that there exists no material loss rate for trade receivables held as at year end on the basis that there exists no historical credit losses experienced prior to the reporting date. The Group has also considered the current and forward-looking information on macroeconomic factors affecting the Group's customers, including UK house price inflation forecasts.

Furthermore, the Group has considered the nature of the material aspects of trade receivables and contract assets and notes that these balances are primarily derived from contractual minimum payments and overages due from customer contracts which crystallise in the short to medium term, discounted at an appropriate rate. The Group maintains legal charges over the asset(s) disposed and, were there to exist potential credit losses going forward on any individual contract, the Group would have the ability to mitigate the risk of such losses through the enforcement of this security, the value of which is not considered to be materially lower than the related receivable.

Given the above, the Group estimates the expected loss rate for current contract receivables to be immaterial to the Group.

15. Trade and other payables

Non Current	**At 30 September 2020 £'000**	At 30 September 2019 £'000
Finance lease liabilities	**3,705**	-
	3,705	-

Current	**At 30 September 2020**	At 30 September 2019

	£'000	£'000
Trade payables	**5,310**	10,751
Taxes and social security costs	**1,861**	4,896
Other payables	**5,076**	7,104
Finance lease liabilities	**378**	-
Accruals	**7,223**	11,350
Deferred income	**11,923**	1,614
	31,771	35,715

Deferred income includes £10,896,000 in relation to the sale of the Papworth Barracks at Waterbeach which completed in June 2020. It represents income that will be recognised in the future when further land parcels are sold.

16. Borrowings

	At 30 September 2020 £'000	At 30 September 2019 £'000
Bank loans and overdrafts	**26,685**	27,366
Other loans	**116,532**	101,899
	143,217	129,265

Maturity profile	**At 30 September 2020 £'000**	At 30 September 2019 £'000
Less than one year	**6,227**	1,000
Between one and five years	**84,766**	45,218
More than five years	**52,224**	83,047
	143,217	129,265

Other loans comprise borrowings from Homes England and Huntington District Council. Interest on borrowings from Homes England is charged at between 2.2 and 4.0 per cent above the EC Reference Rate and the facilities are secured against specific land holdings.

There are two bank loans (the revolving credit facility and Deansgate investment facility), which are secured against specific property holdings.

17. Share capital

Urban&Civic plc	**At 30 September 2020 £'000**	At 30 September 2019 £'000
Issued and fully paid		
145,179,582 (2019: 145,148,088) shares of 20p each (2019: 20p each)	**29,036**	29,030

Movements in share capital in issue

Ordinary shares	Issued and fully paid £'000	Number
At 1 October 2018	29,009	145,044,582
Shares issued under scrip dividend scheme	21	103,506
At 1 October 2019	29,030	145,148,088
Shares issued under scrip dividend scheme	6	31,494
At 30 September 2020	**29,036**	**145,179,582**

18. Net asset value, EPRA net asset value and EPRA triple net asset value per share

Net asset value, EPRA net asset value and EPRA triple net asset value per share are calculated as the net assets or EPRA net assets of the Group attributable to shareholders at each balance sheet date, divided by the number of shares in issue at that date, adjusted for own shares held and the dilutive effect of outstanding share options.

	At 30 September 2020	At 30 September 2019
Number of ordinary shares in issue	**145,179,582**	145,148,088
Own shares held	**(1,182,023)**	(1,491,248)
Dilutive effect of share options	**1,434,095**	2,734,111
	145,431,654	146,390,951
NAV per share	**270.4p**	275.3p
Net asset value (£'000)	**393,318**	403,033
Revaluation of trading property held as current assets (£'000)		
- Alconbury Weald	**39,142**	42,302
- RadioStation Rugby	**1,414**	8,763
- Priors Hall	**9,495**	13,952
- Waterbeach	**19,055**	19,492
- Wintringham St Neots	**12,894**	12,297
- Land promotion sites	**17,142**	12,963
- Newark	**(3,696)**	154
- Manchester sites	**1,169**	5,600
- Other	**101**	424
	96,716	115,947
Deferred tax liability (£'000)	**9,098**	8,509
EPRA NAV (£'000)	**499,132**	527,489
EPRA NAV per share	**343.2p**	360.3p
Deferred tax (£'000)	**(27,474)**	(30,539)
EPRA NNNAV (£'000)	**471,658**	496,950
EPRA NNNAV per share	**324.3p**	339.5p

19. Contingent liabilities, capital commitments and guarantees

The parent company has given guarantees totalling £112,709,000 (2019: £69,153,000) as part of its development obligations.

Capital commitments relating to the Group's development sites, including the Group's share of joint ventures, are as follows:

	At 30 September 2020 £'000	At 30 September 2019 £'000
Contracted but not provided for	**35,702**	50,059

20. Leases

This note provides information about the Groups material leases for which the Group has adopted IFRS 16. Information in this note in respect of the current year ended 30 September 2020 is presented in accordance with IFRS 16. Information in respect of the previous year ended 30 September 2019 is not disclosed as IFRS 16 had not yet been adopted.

The borrowing rate applied to the lease liabilities in the statement of financial position at adoption on 1 October 2019 was between 3.5 per cent and 3.9 per cent based on the estimated cost of debt for the leases.

The following table reconciles the minimum lease commitments disclosed in the Group's 30 September 2019 annual financial statements to the amount of lease liabilities recognised on 1 October 2019:

	At 1 October 2019 £'000

Minimum operating lease commitment at 30 September 2019	**5,803**
Less low value leases not recognised under IFRS 16	**(277)**
Undiscounted lease payments	**5,526**
Less effect of discounting	**(1,231)**
Balance at 1 October 2019	**4,295**

During the year the following amounts were recognised in relation to leases where the Group is the lessee.

Lease liabilities in the statement of financial position

Maturity analysis- contractual undiscounted cash flows

	At 30 September 2020 £'000	At 30 September 2019 £'000
In one year or less	**106**	-
Between one and five years	**1,888**	-
In five years or more	**2,955**	-
	4,949	-
Discount	**(866)**	-
	4,083	-

Amounts recognised in the income statement

	At 30 September 2020 £'000	At 30 September 2019 £'000
Interest on lease liabilities adopted	**156**	-
Depreciation on right of use asset	**426**	-
	582	-

Amounts recognised in the cash flow statement

	At 30 September 2020 £'000	At 30 September 2019 £'000
Repayment of capital element of leases	**369**	-
Interest payment on lease liabilities	**156**	-
	525	-

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 2020 £'000**	At 30 September 2019 £'000
In one year or less	**1,770**	1,313
Between one and five years	**2,772**	2,113
In five years or more	**2,973**	1,957
	7,515	5,383

21. Related party transactions

Key management personnel

The Directors of the Company who served during the year are considered to be key management personnel.

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 relate to loans provided to those entities and form part of the net investment in that entity.

	At 30 September 2020 £'000	At 30 September 2019 £'000
SUE Developments LP	**53,786**	53,466
Manchester New Square LP	**15,165**	15,167
Manydown Development Vehicle LLP	**1,010**	-
Wintringham Partners LLP	**17,446**	16,005
Achadonn Limited	**3,353**	3,345
	90,760	87,983

The total provision at 30 September 2020 against amounts due from Achadonn Limited was £1,961,000 (2019: £1,243,000).

Fees charged by the Group to SUE Developments LP during the year were £1,218,000 (2019: £952,000). Included in trade debtors at 30 September 2020 was £378,000 (2019: £241,000) in respect of these fees. Fees charged to Wintringham Partners LLP during the year were £892,000 (2019: £848,000) and included in prepayments and accrued income at 30 September 2020 was £175,000 (30 September 2019: £228,000). Fees charged to Manydown Development Vehicle LLP during the year were £155,000 (2019: £Nil) and £27,000 was included in trade debtors at 30 September 2020 (2019: £Nil). Loans advanced are interest free with the exception of Wintringham LLP where interest is earned at 12.5 per cent on £2,441,000 and the balance is interest free.

22. Cash flow information

Net debt reconciliation

At 30 September 2020 £'000	2019	Cash flows	Rolled up interest	Amortisation of issue and arrangement costs	Other movements	Loans and borrowings reclassified in 2020	2020
Non-current loans and borrowings	128,265	14,200	3,543	216	-	(9,234)	136,990
Current loans and borrowings	1,000	(3,234)	227	-	(1,000)	9,234	6,227
Total borrowings	129,265	10,966	3,770	216	(1,000)	-	143,217
Cash and cash equivalents	(24,441)	10,376	-	-	-	-	(14,065)
Net debt	**104,824**	**21,342**	**3,770**	**216**	**(1,000)**	**-**	**129,152**

At 30 September 2019 £'000	2018	Cash flows	Rolled up interest	Amortisation of issue and arrangement costs	Loans and borrowings reclassified in 2019	2019
Non-current loans and borrowings	73,973	31,574	2,945	(118)	19,891	128,265
Current loans and borrowings	20,891	-	-	-	(19,891)	1,000
Total borrowings	94,864	31,574	2,945	(118)	-	129,265
Cash and cash equivalents	(16,638)	(7,803)	-	-	-	(24,441)
Net debt	78,226	23,771	2,945	(118)	-	104,824

Glossary of terms

AGM	Annual General Meeting
Catesby/Catesby Estates plc	Catesby Estates plc and subsidiaries, joint ventures and associates
CDC or Commercial Development	A subcommittee of senior staff responsible for the delivery of commercial sites. Periodic

Committee	meetings are held to facilitate cross site collaboration, risk management, problem solving and lessons learnt reviews
Commercial	One of the Group's business segments that focuses on bespoke City Centre developments targeting shorter-term and de-risked returns
Company	Urban&Civic plc
Defence Infrastructure Organisation (DIO)	The estate expert for the Ministry of Defence, supporting the armed forces to enable military capability by planning, building, maintaining, and servicing infrastructure
Earnings per share (EPS)	Profit after tax divided by the weighted average number of shares in issue
EBT	Urban&Civic Employment Benefit Trust
EC Reference Rate	European Commission Reference Rate
Employment land/plots	Land and parcels of land upon which a variety of commercial uses will be delivered in accordance with a planning consent
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 net gearing	Total debt less cash and cash equivalents divided by EPRA net asset value
EPRA triple net asset value (EPRA NNNAV)	EPRA net asset value adjusted to include deferred tax on property valuations and capital allowances
Environmental, Social and Corporate Governance (ESG)	The three central factors in measuring the sustainability and societal impact of investment
Estimated rental value (ERV)	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
Fair value	The price that would be required to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurable date (i.e. an exit price)
FRC	Financial Reporting Council
FRS 102	Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'
Gearing	Group borrowings as a proportion of net asset value
HBF	Home Builders Federation
Homes England	Homes England is Homes and Communities Agency (HCA as it was formerly known)
Group	Urban&Civic plc and subsidiaries, joint ventures and associates
Gross development value (GDV)	Sales value once construction is complete
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
Initial yield	Annualised net rent as a proportion of property value
ISA	International Standards on Auditing
Key performance indicators (KPIs)	Significant areas of Group operations that have been identified by the Board as capable of measurement and are used to evaluate Group performance
LADs	Liquidated ascertained damages
Large site discount	Represents the difference between the unserviced land values ascribed by CBRE strategic site valuations (which take into account site scale and build-out duration among other matters) and the current retail prices being achieved on smaller parcel sales
LEP	Local Enterprise Partnership
Licences	Agreements entered into with housebuilders, which typically comprise a fixed element (the minimums) due to the Group upon reaching unconditional exchange and a variable element (the overage) which is dependent on the final selling price of the house
Listing	The 22 May 2014 transfer of Urban&Civic plc from the Alternative Investment Market (AIM) to the standard listing segment of the Capital Official List and admission to trading on the London Stock Exchange
Look-through gearing	Gearing including the Group's balance sheet attributable to the owners of the Company
LTV	Loan to value
MHCLG	Ministry of Housing, Communities and Local Government
Minimums	Contractual right to receive a minimum plot value in respect of a minimum number of plots each year. These minimums are payable on a look-back basis if minimum sales are not achieved
MOD	Ministry of Defence
Net asset value (NAV)	Value of the Group's balance sheet attributable to the owners of the Company
Net gearing	Total debt less cash and cash equivalents divided by net assets
NPPF	National Planning Policy Framework
Overage	Variable consideration which applies an agreed percentage to the house sales price and then nets off any minimum already paid. No overage is payable where minimums are not achieved
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
PSP	Performance Share Plan
Resolution to Grant (planning consent)	Where a Local Authority planning committee resolves to grant planning permission subject to the completion of a planning agreement (such as a Section 106 agreement)
Return on Capital Employed (ROCE)	A financial ratio that measures how well a company is generating profits from its capital
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences
Section 106 agreement	Planning obligations under Section 106 of the Town and Country Planning Act. These obligations focus on mitigating site specific impacts of development and include, by way of example, developer contributions to schools and/or highways
SDC or Strategic Development Committee	A subcommittee that functions on the same basis as the CDC, but reviews the Group's strategic sites
SDLT	Stamp Duty Land Tax
Subcommittees	SDC, CDC and Catesby
Terrace Hill Group	Terrace Hill Group plc and subsidiaries at 21 May 2014
Total NAV return	The growth in EPRA NAV per share plus dividends paid, expressed as a percentage of EPRA NAV per share at the beginning of the period
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
Urban&Civic plc	Parent company of the Group
WACC	Weighted average cost of capital

Risk review

Risk environment

Our risk management framework is established, monitored and managed in the knowledge that:

- a large part of the Group's operations are focused on facilitating regional housing development and delivery in the UK;
- housing markets have historically been cyclical;
- our customers (housebuilders), or our customers' customers (homebuyers), are influenced by mortgage availability, job security and disposable income (amongst other matters) when deciding to buy (or build) homes;
- politics around residential delivery, and in particular around planning consents and Help to Buy availability, is challenging and historically volatile;
- changes in legislation and regulation can impact the way the Group operates, both directly and indirectly;

- the ability to acquire development sites and bring them forward, so that homes may be built, is heavily dependent on our in-house skillset; and
- disrupting factors, such as Covid-19, may physically and financially halt house delivery and sales and these factors may not be fully predictable.

Principal areas of focus in 2020
The following reviews or improvements to the Group's risk management framework were undertaken or implemented during the financial year:

- Board monitored the political and economic environment at each Board meeting, including giving consideration as to the potential impact of both Covid-19 and the UK's exit from the European Union over the short, medium and longer term.
- Board and Executive Management Committee (EMC) reviewed a summary of corporate and business unit level risks (including emerging risks) at each meeting and also had access to supporting key risk registers (which incorporated a new risk scoring methodology introduced this year).
- Board, Audit Committee and EMC each reviewed the Group's risk appetite and detailed top-down risk registers during the year.
- Audit Committee oversaw the internal audit programme (carried out by Grant Thornton), with four internal audits being undertaken on human resources and succession planning, risk management, Catesby and property and estate management. The Audit Committee agreed the scope for each audit and follow-up assessments of previous internal audit recommendations were also carried out with due actions having been implemented.
- Audit Committee agreed the internal audit plan for 2020/21, within the framework of the wider three-year internal audit programme, which sees all key risks covered and provides assurance that the Group's internal controls are appropriate, in place and functioning. The 2020/21 programme will see cyber security, payroll, GDPR and taxation reviewed by Grant Thornton.
- Audit Committee reviewed and commented on the framework underpinning the Executive Directors' assurance on internal controls. This review included oversight of the Group's '3 lines of defence assurance map', which outlines the key controls and processes attaching to the key risks as well as the Executive Directors' evaluation of these key controls and processes.
- Health and safety consultants RPS Group continued to be employed to oversee periodic reviews of the health and safety practices at the Group's sites and offices. Additionally, a new head of health and safety was appointed following a recommendation from a prior year internal audit.
- Continuation of employee induction programmes have helped to reinforce the Group's risk appetite from the outset.
- Further improvements to credit checking processes for the Group's subcontractors and suppliers were instigated as a result of Covid-19.

Urban&Civic continues to seek to deliver (on behalf of its stakeholders) its strategic objectives through operating a Board-led risk management framework that:

- Defines: the nature and scale of risk that the Group is prepared to take (risk appetite);
- Identifies and assesses risks applicable to the Group's strategy and operations (both existing and emerging);
- Controls: risk through the design and implementation of mitigating actions, controls and procedures;
- Tests: to seek assurance over the effectiveness of those mitigating actions, controls and procedures; and
- Reviews and refines: the Group's risks on an ongoing basis against risk appetite, acknowledging that risk cannot be fully eliminated.

Risk management framework
For Urban&Civic, our risk management framework plays an important part in delivering our strategic objectives. Our risk management processes have not changed significantly during the last financial year, but have become further embedded, consistent and stable throughout the Group following additional internal discussions at Board, EMC and Subcommittee (SDC, CDC, New Situations Committee and Catesby) levels.

Urban&Civic's operational size and regional office network provide the Group with an opportunity to collate, assess and mitigate risks effectively, when supported by effective communication and reporting up, down and across the Group. The EMC and Subcommittees are at the heart of this communication and have a significant role in helping the Board implement the risk management framework, especially at grassroots levels, where emerging risks are typically identified first.

Risk management structure
The Board has ultimate responsibility for risk management and internal control, with a particular focus on defining the Group's risk appetite, regularly assessing and monitoring the Group's principal risks and reviewing reports produced by internal auditors on internal controls and risk reports from the EMC and business unit Subcommittees.

The Audit Committee reviews the adequacy and effectiveness of the Group's financial and non-financial internal controls and risk management systems on behalf of the Board and sets the internal audit work programme. The Audit Committee also monitors and reviews the external audit, including the auditor's report. The work undertaken by the Audit Committee in relation to risk during the year and its expected 2020/21 programme of work are further set out in the Audit Committee report.

The Executive Directors, with the assistance of the EMC, design and manage the internal controls and risk management systems, ensuring that risk registers and risk reporting are maintained throughout the year. The EMC further relies on the various Subcommittees to help fulfil its risk reporting responsibilities by maintaining live operational risk registers. These procedures give the Executive Directors the ability to provide assurance to the Board that the Group's internal controls are appropriate, in place and functioning.

Key features of our risk management framework

- Clear and well communicated risk management framework and structure (including roles and responsibilities).
- Regular reviews of risk (including appetite and registers - including emerging risks) and internal controls by the Board, Audit Committee and EMC.
- Immediate communications to the Board and Audit Committee of material risk events. These events are then investigated by the Executive Directors and EMC, with lessons learnt fed back into the risk management framework.
- Open door policy to all employees, which aids early identification and resolution of issues.
- Clear reporting lines and delegated authorities.
- Formal and informal opportunities for intra-group debate and communication.
- Sensibly paced systems evolution - avoids shocks to the control framework.
- Maintenance of a stable senior management team.
- Robust and regular reporting systems (operational and financial as well as risk).
- Appropriate training (including induction for new employees so they understand the Group's risk appetite).
- Ensure employees understand and have confidence in the Group's whistleblowing policy. Details of this policy are communicated through an employee handbook.

Risk management framework components
The principal components of the Group's risk management framework, which the Board, Audit Committee and EMC use to monitor and manage risk, comprise:

- Risk appetite table (see below).
- Risk heatmap.
- Risk summary table - which highlights the principal risks across the Group and the changing risk profiles and emerging risks over time.
- Risk registers (and associated scoring matrices) - encompassing key risk registers, detailed top-down risk registers, business unit risk registers and corporate risk registers (including a separate health and safety risk register).
- Risk assurance map - which outlines the Group's key controls and processes attaching to the Group's key risks as well as an evaluation of these key controls and processes.

The following table summarises the Board's risk appetite and risk behaviour across the Group's identified risk areas.

Risk description	Risk appetite	Risk behaviour	Change in risk appetite in the year
External environment	High	The Group is prepared to operate in a volatile environment, but only when enhanced returns compensate for increased risk. Long-term viability is a key override.	No change
Operational strategy	Moderate/ high	The Group undertakes planning and development activities, both of which have elevated risk profiles.	No change
Operations	Low	The Board seeks to deliver developments effectively; complying with all legislation and avoiding actions that could adversely impact reputation and/or	No change

		stakeholder returns.	
Finance	Low	The Group seeks to put in place non or limited recourse funding lines, with non-onerous covenants (on a flexed basis) and does not seek to borrow against serviced land (except through infrastructure loans provided by Homes England).	No change
People	Low	The Group cannot function without a motivated and well trained workforce and aims to recruit, train, promote and retain staff, ensuring a succession plan is in place.	No change

The Group's appetite across the key risk descriptions (into which all risks are classified) remains unchanged since last year, which given the Group's long-dated model, is in line with our expectations. The Board recognises however, that the current volatile economic and political environment which may or may not impact the Group in 20 to 30 years (the time horizon of our strategic land sites) certainly has shorter-term consequences.

Our risk focus over the shorter term

Covid-19

The ongoing threat from Covid-19 to the UK and Global economies is well publicised and has been a key focus for the Board, Audit Committee and Subcommittees this year due to its widespread implications. Covid-19 has not been identified as a principal risk in its own right but its impact across the Group's existing risks has been incorporated within the Group's register.

Brexit

The UK is set to leave the EU at the end of December following the referendum decision back in June 2016. This decision created a period of economic uncertainty which looks set to continue should a no deal Brexit occur; given the UK would most likely leave on World Trade Organisation rules (with its associated tariffs and regulations),

Whatever the eventual outcome, it is clear that uncertainty will continue until new EU and international trade agreements are finalised.

Although it is not possible to fully assess the impact of either Covid-19 or Brexit on our business, the Board is taking appropriate action to ensure the Group is resilient to short-term disruption and well positioned over the medium and longer term.

Our principal areas of focus over the shorter term (in addition to those already mentioned) have been and will continue to be:

- **Developments** - although our strategic land sites benefit from relatively low forward development commitments at any one time, we have: reduced discretionary development expenditure that is not fully funded by loan facilities, increased our due diligence on the financial robustness of our subcontractors and suppliers; put in place performance bonds or guarantees where appropriate and entered into fixed price contracts for material works (at Manchester New Square for example or in respect of the construction of the secondary school at Rugby). These measures help to protect the Group from a downturn in UK performance and consequential rising input prices (at least in the near future).
- **Customers** - homebuyer confidence and ability to access finance and meet mortgage obligations are principal demand drivers for our customers (the housebuilders). While demand for land parcels from the housebuilders maintained throughout the year, we cannot say for certain that this trend will continue despite the recent strong reservation rates across our strategic sites. Building up forward sales of £101.6 million (with minimum annual contracted receipts of £38.3 million) has been a key feature in the Board's strategy to manage any short-term disruption (Covid-19, Brexit or otherwise). All minimum receipts due in the year have been collected as contracted in the year.
- **Values** - as a result of Covid-19, the value of our strategic land portfolio fell in the first half of the year (reflecting the widespread uncertainty that the pandemic caused). In the second half however, values have recovered, at least in part, on the back of rising demand, rising sales rates and stable or improved pricing. If this position were to reverse, however, loan covenant headroom would reduce. Falling values are not all bad news for the Group, as reduced land prices would most likely provide more and better land acquisition opportunities.
- **Debt** - in addition to the stress that falling values may create (as referred to in the previous paragraph), increased borrowings, interest rates, falling sales rates or other adverse market changes may also increase covenant pressure. In order to monitor and manage the Group's debt over the shorter term our self-imposed gearing limit of 30 per cent of EPRA NAV is monitored at each bi-monthly Board meeting, as are all the facility covenants (to ensure compliance and identify emerging issues). More information on our approach in this area can be found in the long-term viability statement.
- **Climate change (incorporating ESG/sustainability)** - is an increasing focus for the Board. Formalising and enhancing existing sustainability credentials and practices has been a key focus and a new sustainability framework is now being finalised.

As previously noted, a key component of the Group's risk management framework is the maintenance of risk registers. The Group maintains corporate and business unit risk registers, which are used to revise and educate detailed top-down registers that are periodically reviewed by the Board, Audit Committee, and EMC. The top-down registers typically include around 35 risks at any one time and the most recent 11 key risks are set out on the following pages. This is unchanged from last year. Of the 11 key risks some emerging issues have altered the overall key risk rating if not the key risk itself. During the year, eight key risks have increased their risk rating (after mitigation) and although none have crossed the threshold to red categorisations from amber, planning has crossed the threshold from green to amber. One risk has moved down but not crossed a threshold and two have remained the same. The movements are discussed in more detail below.

External environment

R1. Market risk

Risk rating after mitigation: High

Change during the year: Increase in risk

Impact of risk

The business model may be affected by external factors such as Covid-19 economic conditions, the property market, quoted property sector and political and legislative factors, such as climate change, tax or planning policies. Adverse movements in these market conditions increase the risk of lower stakeholder returns, even though investment opportunities may be more evident.

Controls and mitigation/action

- Strategy is considered at each Board meeting and specifically at the annual business strategy day.
- EMC and other Subcommittee meetings just prior to Board meetings provide good quality, bottom-up, information.
- Consideration is given to external markets, dynamics and influences when making decisions.
- Press, economic data subscriptions, industry forums and adviser updates are used to keep executives up to date in respect of external markets.
- Regional focus and local knowledge in areas with strong underlying economics (such as job creation) mitigate the impact of market and economic shocks.
- Continued focus on putting in place forward sales contracts with contractual annual minimum receipts in respect of the Group's most prominent segment: strategic land.
- Prior to investment, detailed due diligence and financial appraisals are carried out and flexed to establish the financial outcome on a downside-case basis.
- Business plan (one-year) and rolling long-term cash flow forecasts (one, two, five and ten-years) with sensitivity analysis are maintained.
- Ongoing monitoring with the assistance of appropriate professional advisers (tax, accounting, regulatory and legal).

Typical risk indicators

- Reduced sales rates and prices (homes and land parcels).
- Increased interest rates.
- Legislation enactment.
- Falling share price or real estate indices (indicative of reduced investor appetite).
- Increased construction cost.
- Press or social media narrative (may provide an early warning).
- Counter party default/falling credit ratings/falling profitability/negative press comment.

Movement description

- Coronavirus lockdown has had a significant impact on markets which have directly impacted housebuilder sales rates across the Group's sites. Pricing points have been maintained and parcel sales at strategic sites have continued during throughout the year, but the UK's general economic position has weakened. Despite the recent evidence of pent up demand following the lifting of the first National lockdown, the medium to longer term impact of this weakening position could lead potential homebuyers to delay their decision to purchase a new house, which in turn could impact not only the timing of currently contracted serviced land overages (minimum receipts are locked in, subject to the creditworthiness of our customers - the housebuilders), but also the behaviour of the housebuilders themselves, all leading to increased market risk.

- The possibility of a hard Brexit may provide additional economic shocks that could exacerbate the previous consequences set out in the last paragraph.
- Political commentary around sustainability, the environment and use of greenfield and greenbelt sites increases uncertainty and therefore market risk. See climate change key risk for further considerations.
- Continued scrutiny around environmental, social and corporate governance (ESG) by stakeholders. Policy and legal changes increase compliance risk and risk of penalties for breaches.

The risk rating has been increased however, has remained at last year's banding and within risk appetite.

Operational strategy

R2. Strategic risk

Risk rating after mitigation: Low

Change during the year: Increase in risk

Impact of risk

Implementing a strategy inconsistent with market environment, skillset and experience of the business could devalue the Group's property portfolio or have an adverse impact on the Group's cash flows, consequently eroding total shareholder return.

Controls and mitigation/action

- Board annually approves a business plan and reviews rolling longer-term cash flow forecasts with sensitivity analysis.
- Business plan is periodically monitored by the Board, EMC and Subcommittees and remedial actions are identified, approved and implemented where necessary.
- Material capital commitments, which have not previously been approved in the Group business plan, require additional Board approval.
- Employment of suitably qualified and experienced staff.

Typical risk indicators

- Adverse variances to the business plan.
- Fall in independent valuations.
- Litigation.
- Contingency utilisation.
- Covenant breaches.

Movement description

- Covid-19 will test the robustness of the Group's strategy particularly around minimums (where collection may be much more difficult if the Group's housebuilder customers are in financial distress).
- Third party internal auditor reviews in respect of human resources and succession planning, risk management, Catesby and property and estate management have provided additional assurance to the Executive Directors, Board and Audit Committee.
- Confirmation (by Grant Thornton - our internal auditor) now received that previously agreed and due recommendations from prior period internal audits have been implemented.
- Continued improvements in Board reporting have provided additional comfort that issues around operational strategy, which could be picked up through operational reporting, have been made.

The risk rating has been increased however, has remained at last year's banding and within risk appetite.

R3. Competition risk

Risk rating after mitigation: Medium

Change during the year: Decrease in risk

Impact of risk

Competition could result in assets being acquired at excessive prices, potential assets not being acquired because pricing is too high or developments commencing at the wrong point in the cycle.

Controls and mitigation/action

- Experience and expertise used to determine suitable offer prices and optimal project timings (to maximise returns).
- Investment, divestment and development decisions are benchmarked against market conditions prior to contract execution or development commencement (using in-house and third party research and advice).
- Assessment of competition before acquiring assets (such as competing sites close to a proposed acquisition that might impact the Group's intended strategy).
- Open, honest and fair relationships with partners, landowners, agents and other stakeholders provide the Group with a competitive advantage through enhancing its reputation of delivering on its promises.

Typical risk indicators

- Ratio of successful to unsuccessful bids.
- Adverse variances to business plans and/or investment memorandums.
- Significant or persistent abortive costs.
- Low rates of return.

Movement description

- Pre Covid-19, competition had increased as more public bodies and institutions had entered the Master Developer space, however, there has been anecdotal evidence that more sites are becoming available as businesses cope with the effects of lockdown.
- Recent successes at virtual planning committees provides evidence of progress despite lockdown to prospective customers particularly in the strategic land and land promotion segments.

R4. Legal and regulatory risk

Risk rating after mitigation: Low

Change during the year: No change

Impact of risk

Non-compliance with laws and regulations could result in project delays, failure to obtain planning consents, inability to raise finance, penalties and fines and reputational damage.

Controls and mitigation/action

- The Group employs highly qualified and experienced staff, and specialist consultants where appropriate, to ensure compliance with laws and regulations.
- Calendar/diary of important dates maintained.
- Key reports and announcements reviewed in draft by the Board/Audit Committee.
- Training and continuing professional development undertaken.
- Board/Audit Committee review of UK corporate governance compliance.
- Regular Board/Audit Committee updates and training on regulatory obligations.
- EMC taskforces formed to take responsibility for emerging laws and regulations.

Typical risk indicators

- Litigation.
- Investigations or enquiries (LSE, HMRC or Health and Safety Executive for example).
- Frequency of reportable incidents (health and safety).
- Penalties.

Movement description

- New legislation is coming forward in response to Covid-19, on top of the normal increasing legislation.

- Growing ESG requirements, lack of consistent and widely adopted ESG standards and new accounting and other regulations are increasing the risk in this area.
- Regular use of advisers and staff training which have continued throughout lockdown have helped to mitigate this risk.
- Governance checklists help ensure compliance with legislation.
- Ongoing use of electronic staff training system (iHASCO) to augment face to face training with modules including money laundering, bribery, whistleblowing and equality covered by this method.

The risk rating has been held and therefore remains at last year's banding, within risk appetite.

People strategy

R5. People risk

Risk rating after mitigation: Low

Change during the year: Increase in risk

Impact of risk

Over-reliance on key people or inability to attract and retain people with appropriate qualities and skills, making the Group operationally vulnerable to both time delays and replacement cost.

Controls and mitigation/action

- The Group offers a competitive remuneration package including both long and short-term incentives.
- Employees generally work on a number of projects across the Group and are not dedicated to one particular site.
- Short reporting lines and delegated authority ensure staff feel they are contributing to the success of the Group.
- Nomination and Governance Committee reviews succession planning.
- Appropriate notice periods to minimise disruption.
- Adequate resourcing.
- Performance reviews and training.
- Exit interviews with results fed back to the EMC.
- Recruitment drive to add additional junior staff to improve team resilience.
- Human Capital is now identified as a key sustainable capital (i.e. there is now an elevated focus within the Group).

Typical risk indicators

- High or increasing staff turnover.
- Critical appraisal or exit interview feedback.
- Complaints or grievances.
- Absenteeism or underperformance.

Movement description

- Introduction of an employee advisory group (EAG) in the year. This is a representative body made of non-Board or EMC employees, which sets its own agenda and can bring forward (to the Board and EMC) any workforce matters it sees fit.
- Annual performance appraisal process simplified and embedded.
- New induction process to help monitor/reinforce corporate culture.
- Learning and Development Manager now fully engaged in delivering staff training.
- Current employment market uncertainties and conditions will probably mean that for a period the risk of not being able to retain staff is lower, however efficiency and wellbeing are primary concerns during lockdown and unlocking phases.

The risk rating has been increased however, has remained at last year's banding and within risk appetite.

Operations

R6. Cyber risk

Risk rating after mitigation: Low

Change during the year: Increase in risk

Impact of risk

Loss of business credibility due to lack of timely, accurate information. Cost of reinstatement.

Cost and reputational damage of breaches in data protection regulations.

Controls and mitigation/action

- Passwords, protocols and protections.
- Physical access to premises and computer servers restricted.
- Firewalls and anti-virus software with regular updates.
- Computer data back-up and recovery procedures and periodic testing.
- Hardware replacement programme to reduce vulnerability.
- Administration rights restricted.
- Multifactor authentication to gain network access.

Typical risk indicators

- Server downtime.
- Loss or corruption of data.
- GDPR complaints/penalties.
- Volume of IT support calls.

Movement description

- More frequent cyber-attacks since the start of lockdown.
- Remote working has increased network vulnerability and made resolving issues harder.
- Hardware and software cyclical upgrades completed.
- Data recovery processes tested in the year.
- Quarterly review meetings with The Final Step to discuss network performance and work programmes.
- Weekly reports on IT performance received.
- Internal audit recommendations were all implemented.

The risk rating has been increased however, has remained at last year's banding and within risk appetite.

R7. Planning risk

Risk rating after mitigation: Medium

Change during the year: Increase in risk

Impact of risk

Appropriate planning consents are not achieved or are challenged once granted, resulting in:

- loss of promotion costs;
- value proposition not being maximised;
- time delay (e.g. from judicial review or call-in) - increasing costs or creating other issues within property cycles; and

- difficulties in arranging finance.

Controls and mitigation/action

- Internal planning expertise to navigate planning law and regulation.
- Expert advice obtained before proceeding with planning work.
- Before significant planning applications are made, the Group, together with its advisers, undertakes detailed consultations with the relevant planning authority, statutory authorities and other stakeholders.
- Alternative uses considered in case initial application not achieved.
- Increased focus on political landscape pre-investment (particularly where the local authority does not have a majority control).
- Minimise and monitor cost exposure during planning process.

Typical risk indicators

- Longer than average times to achieve consent.
- Planning budget overruns.
- Increased appeals and judicial reviews.
- Inability (at all or below expectations) to finance, build out or sell consented scheme.

Movement description

- Covid-19 initially delayed the planning decision process (particularly in respect of appeals). However, as Local Authority meetings are now being held remotely this issue has started to ease. That said, Urban&Civic's ability to remotely mitigate delays has also fallen, resulting in an increase in the risk rating from green to amber. Despite this, the Group remains confident that it has the experience to work within these constraints to continue to deliver the level of consents that the Group's plans anticipate.

The risk rating has been increased and has crossed the banding threshold however, the risk classification remains within appetite.

R8. Health and safety risk

Risk rating after mitigation: Medium

Change during the year: No change

Impact of risk

Serious injury and loss of life could lead to development site closure, delays and cost overruns, as well as reputational damage and Directors' liability.

Controls and mitigation/action

- Health and safety procedures are reviewed by third party health and safety advisers and the Group appoints principal contractors and principal designers in line with the Construction (Design and Management) Regulations.
- Periodic reviews by third party internal auditor (Grant Thornton).
- Strict adherence to health and safety procedures at operational sites and Group offices (including safety meetings with housebuilder customers).
- Due diligence carried out (including appropriate references) on principal contractor and design consultants prior to appointment.
- Appropriate insurance cover is carried by either the Group or its contractors.
- Training by third party consultants provided and health and safety handbook issued to all employees.
- Monitored policies and procedures
- Safety log (internal whistleblowing policy).
- Dedicated head of Health and Safety appointed in the year.
- Formal Health and Safety strategy.

Typical risk indicators

- Incidents (reportable and non-reportable).
- Penalties.
- Investigations (by the Health and Safety Executive or similar) and enquiries.
- Adverse health and safety audit findings.
- Litigation.

Movement description

- Improved systems (including appointment of dedicated Head of Health and Safety and adoption of formal Health and Safety Strategy) but Coronavirus makes implementation (including social distancing) harder.
- Internal audit on health and safety matters (undertaken by Grant Thornton) recommendations now implemented.
- RPS Group role (around health and safety audits and general advisory) now established.
- Health and safety awareness training completed.
- Induction process for new staff now includes health and safety matters with health and safety booklet periodically issued to all staff.
- A fatality in the year (at one of our housebuilders' construction sites at Alconbury Weald) reminds us of the need to keep vigilant at all times on health and safety matters.
- Updated health and safety policy and procedures in place.

The risk rating has been held and therefore remains at last year's banding, within risk appetite.

R9. Delivery risk

Risk rating after mitigation: Low

Change during the year: Increase in risk

Impact of risk

Ineffective delivery of projects could lead to delays, reduced build quality and increased cost pressures.

Controls and mitigation/action

- Projects are monitored on an ongoing basis by the Board, EMC and Subcommittees.
- Internal development and project management teams manage project delivery.
- Fixed price contracts are used where appropriate.
- Third party internal audit review of project delivery mechanisms.
- Material subcontractors and customers are credit checked and performance bonds, guarantees and charges are used as appropriate to safeguard delivery.

Typical risk indicators

- Customer/subcontractor complaints.
- Adverse budget variances.
- Delayed completion dates.
- Adverse internal or external audit findings.
- Subcontractor or customer default.

Movement description

The Group's approach to delivery remains largely unchanged. However, despite the Group's enhanced credit checking procedures, the risk of a subcontractor default has increased as the volatility in the current environment makes it harder to undertake effectively and timely reviews.

The risk rating has been increased however, has remained at last year's banding and within risk appetite.

Financial

R10. Finance risk

Risk rating after mitigation: Medium

Change during the year: Increase in risk

Impact of risk

Lack of funding, cost overruns or failure to adhere to loan covenants could result in financial loss or affect the ability to take advantage of opportunities as they arise.

Controls and mitigation/action

- Detailed annual business plan prepared, approved and regularly monitored by the Board and EMC.
- Continuous monitoring of capital and debt markets (with advisers).
- Maintenance of relationships with lenders and investors.
- Review of principal terms of prospective loans prior to documentation.
- Ongoing monitoring of covenants/requirements to ensure compliance.
- Renegotiation of terms.

Typical risk indicators

- Increased gearing metrics.
- Covenant breaches.
- Reduced deal flow (reduces options to realise assets to lower debt levels).

Movement description

- All due contractual minimums with housebuilders (which improve certainty over short-term cash receipts, subject to ongoing viability of the counterparty housebuilder) have been received in the year.
- Additional facilities, notably the Homes England Waterbeach loan and DfE repayable grant at Rugby, underpin project delivery in the current period of uncertainty and help reduce the Group's equity requirement.
- Enhanced recycling capability under the Newark and Alconbury Homes England facilities, together with short term extensions of facilities at Manchester New Square and Deansgate have relieved immediate pressures of Covid-19.
- Increased borrowing and additional covenants, like increased Homes England borrowing, increase financial risk.

The risk rating has been increased however, has remained at last year's banding. Although above medium to long term appetite, the Board is content that its assessment of long-term viability provides sufficient comfort that current arrangements are sufficient to mitigate this elevated risk.

External environment

R11. Climate change

Risk rating after mitigation: Medium

Change during the year: No change

Impact of risk

Climate change and/or regulatory controls aimed at preventing climate change create a range of possible impacts for the delivery of large scale sites including impacts on design, delivery timings, costs, values and sales rates (amongst other matters).

Controls and mitigation/action

- Maximise the advantages of large site delivery (which reflect the inbuilt optionality of delivering sites of scale over the long term) to minimise the impacts of delivery on climate factors.
- Continue to prioritise the delivery of extensive green infrastructure.
- Settle and adopt a Sustainability Framework with clear metrics to ensure business wide compliance with relevant standards.
- Work with housebuilder customers and other third party stakeholders to direct, influence and encourage consistent and congruent stakeholder best practice.
- Identify, interrogate and trial innovations and then promote and adopt where they make a difference.

Typical risk indicators

- Flooding.
- Heat damage to structures.
- Community complaints.
- Reduced sales levels.
- Regulatory challenges or fines.
- Negative press comment.

Movement description

- This global imperative has not been focussed on quite so much during this Covid-19 year, however it remains a significant consideration for all companies and operations.
- Investors and other stakeholders have made an increased number of enquires on this matter over the last 12 months.
- The Group is finalising its approach to climate change through a new sustainability framework, however due to the continuing importance of this area and early stages of the implementation of the framework, this risk has been held at amber.

The risk rating has been held and therefore remains at last year's banding, within risk appetite.

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