Urban&Civic plc

Annual Report and Accounts 2018

Urban&Civic plc

The Urban&Civic Master Developer model involves working with our partners and stakeholders to produce fully serviced and de-risked land parcels for a diverse range of housebuilding and commercial customers, by delivering large scale, high quality projects in key growth locations predominantly within 100 miles of London. We understand the considerable challenges of early initiation, acceleration and integration in shaping homes, jobs, education, communities and environments at ambitious scale.

The Urban&Civic conviction is that those challenges are best addressed by our taking responsibility and in the process demonstrating an unwavering commitment to quality and to place. Success requires experience, knowledge, innovation and alignment. Taking responsibility involves having the confidence to invest early, coupled with a willingness always to consult, listen and adapt.

The raw material of the Master Developer is unconsented land. Economic and social value from that land is created with an understanding that places are not simply made but are first nurtured and then encouraged to grow under a watchful and committed Master Developer. For Urban&Civic there is no buck passing, no delegating away.

NIGEL HUGILL — CHIEF EXECUTIVE

To enjoy a fully interactive experience use the QR scanner in your phone's camera to access our online content including galleries, videos and the full download of the annual report.

Available to download from:
www.urbanandcivic.com

SCAN ME

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Strategic report

1.5 mile link road under construction at Houlton, Rugby — see case study on page 51

QUALITY AND ACCELERATED DELIVERY

At the core of our business are the strategic sites where, as Master Developer, we are currently bringing forward 6,950 acres of land predominantly within 100 miles of London through our fully serviced land parcel model. Our commercial developments and Catesby sites are respectively delivering investments in strong markets and housing in locations of proven need.

STRATEGIC SITES

No. of sites

8

Homes consented and submitted

33,000

Alconbury Weald

RadioStation Rugby

Middlebeck Newark

Priors Hall Northamptonshire

Waterbeach Barracks

Wintringham St Neots

Manydown Basingstoke

Calvert Buckinghamshire

Read more in our operational review pages 44 and 45

COMMERCIAL

No. of sites

10

Total square footage

1,173,000

CATESBY

No. of sites

70

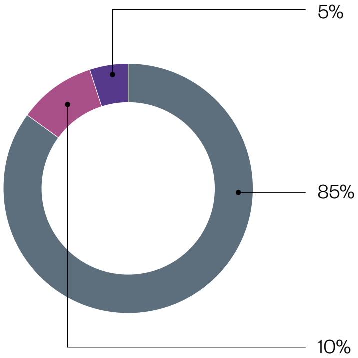
Total acres

2,179

Read more in our operational review pages 46 and 47

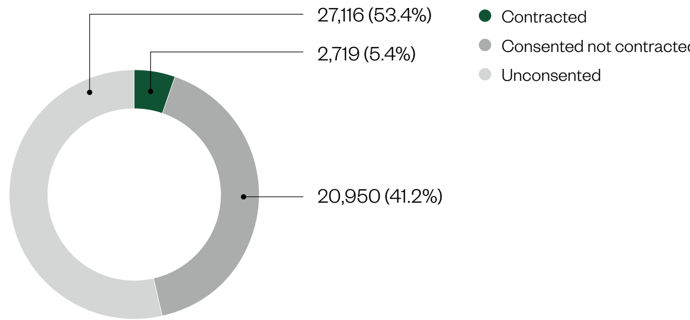
OUR PORTFOLIO

Portfolio value by segment



Read more in our financial review pages 26 to 34

Portfolio plot summary – 50,785 plots



WHO WE WORK WITH

Partners

Homes England

AVIVA

Nuffield College

Ministry of Defence

wellcome

Hampshire County Council

CLAYDON ESTATE

Basingstoke and Deane

"Urban&Civic's Master Developer approach is an excellent fit with our Trusts' focus on quality and a lasting legacy. We have been impressed with the speed, energy and commitment of the team as well their transparency in working through the challenges that have arisen during planning. As our partnership moves forward into the delivery phase, in under two years, we are confident that Wintringham will quickly become a community of which we can all be proud.

Sir Andrew Dilnot, Warden, Nuffield College Oxford

Stakeholders

GREATER CAMBRIDGE PARTNERSHIP

Cambridgeshire County Council

Huntingdonshire District Council

RUGBY

Corby Borough Council

Warwickshire County Council

Buckinghamshire County Council

D2N2

Northamptonshire County Council

South Cambridgeshire District Council

NEWARK & SHERWOOD DISTRICT COUNCIL

Basingstoke and Deane

Hampshire County Council

Nottinghamshire County Council

Customers

HOPKINS HOMES

MORRIS

Bellway

DAVIDSONS HOMES

AVANT homes

Crest NICHOLSON

REDROW

Built around you CivicLiving

Jelson HOMES

LarkfleetHomes

Taylor Wimpey

Lagan Homes

KIER

FRANCIS JACKSON HOMES

BARRATT HOMES

Electric Corby

Where quality lives David Wilson Homes

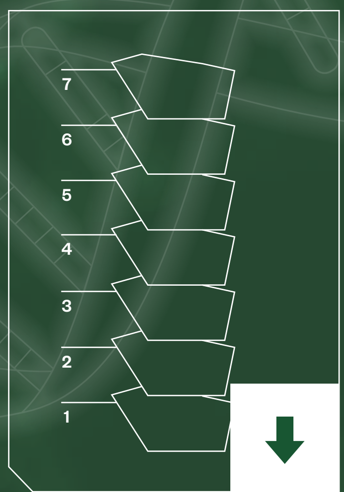
THE MASTER DEVELOPER DIFFERENTIAL

THE METHOD

Urban&Civic, as a Master Developer take raw land, obtain planning, deliver utilities, roads, green spaces and community buildings, thereby creating both serviced land parcels for housebuilders and businesses. The diagram on the next page illustrates how this was done for Key Phase 1 of Alconbury Weald.

THE ETHOS

The Master Developer approach is different. It focuses on delivering at scale and with long-term alignment baked in, ensures an absolute focus on quality, community and a desire to maximise absorption. This short film explains why we as a business take this approach and the benefits which both our partners and customers see in us doing so.

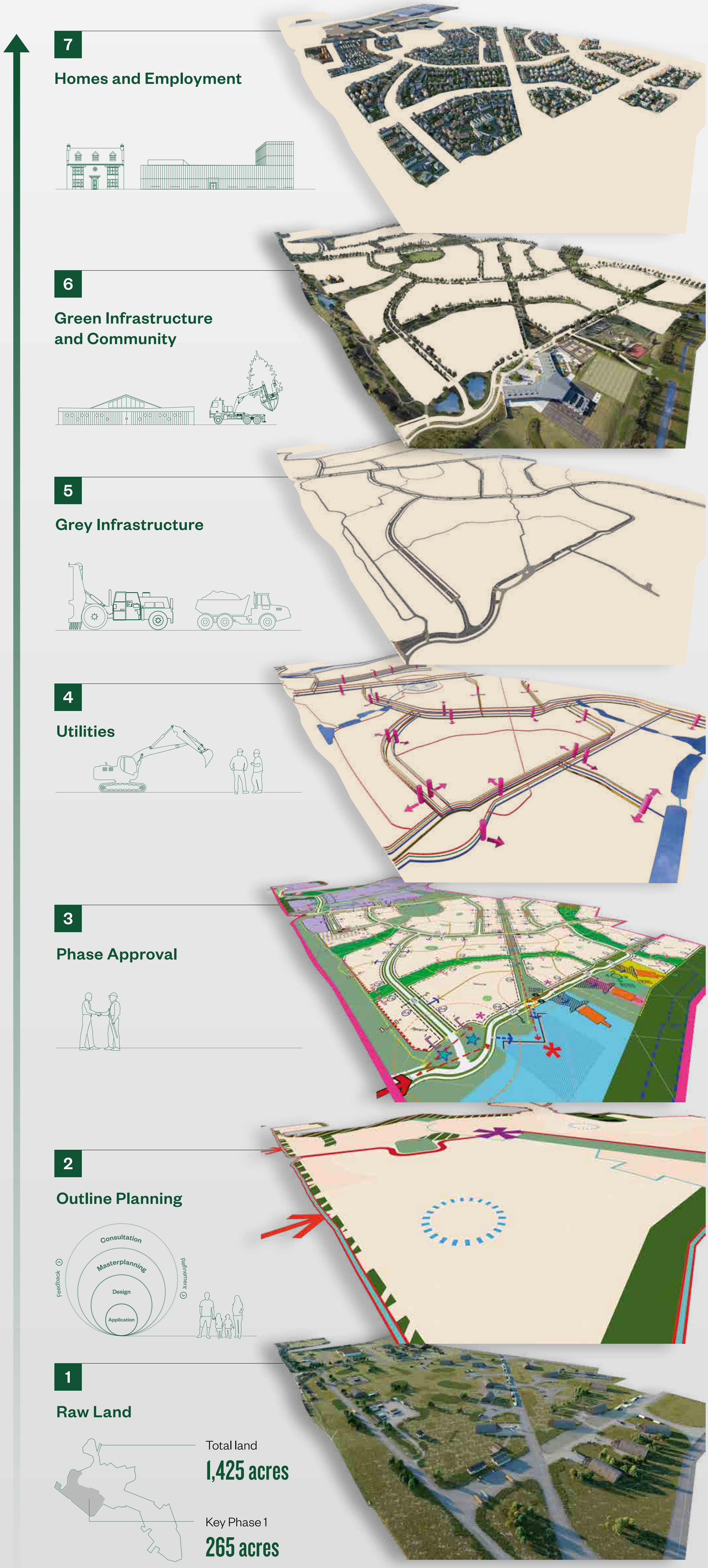


Open the fold out to reveal Key Phase 1 at Alconbury Master Developer approach

Scan the QR code to watch our Master Developer approach in action

8

Key Phase 1
Alconbury Weald



SERVICED LAND

- Our Master Developer approach creates a level playing field for all sizes and types of housebuilders to compete and a multi-channel route to market for our product.
- We produce fully serviced and de-risked parcels of land within large high quality market leading sites for residential and employment delivery.
- To our housebuilding customers, many of whom are now operating across a number of our sites, delivering a diverse range of styles, methods and tenures, we sell these on consistent terms which provides us with a percentage of end sales values.

QUALITY

- Our Master Developer approach establishes exemplar environments people are proud to be both delivering and living in.
- We really care about quality and establish a high benchmark from the outset.
- We use planning and contractual controls, the scale of our business and the example of site wide and self-delivery to maintain standards.

DELIVERY

- Our Master Developer approach harnesses the experience from across our portfolio to address challenges, provide community benefits and deliver a range of fully serviced land parcels, which increases overall absorption rates.
- We work at scale, are able to de-risk issues at the earliest opportunity and leverage our investment to maximise jobs and skills opportunities.
- We assume responsibility for the delivery of utilities together with high quality green, grey and community infrastructure and work with Homes England to accelerate site-wide infrastructure wherever possible.

PLANNING

- Our Master Developer approach speeds up the planning process and creates the flexibility needed for quality and diverse delivery.
- We fully embrace and understand the importance of stakeholder engagement at all levels.
- We assume planning risk and have evolved a range of planning and transport methodologies which are now considered best practice for strategic sites.

LAND

- Our Master Developer approach unlocks significant areas of land and establishes confidence in delivery.
- We target big, often complex, sites in key growth locations.
- We work with a wide range of like-minded partners through a variety of structures.

SCAN ME

Scan the code to see the full interactive online version

MOVING **FORWARD**

As our portfolio grows we continue to follow our established strategy with its emphasis on scale, pace, quality and sustainability.

1

Secure additional strategic sites/consents

We continue to be a market-leading Master Developer for the delivery of strategic sites and are actively pursuing further sites within 100 miles of London, predominantly through off-market negotiations and, if brought forward sensibly, through public procurement.

Progress by the end of 2018:

- We have been selected by Basingstoke and Deane Borough Council and Hampshire County Council, together with our partner the Wellcome Trust, as their preferred development partner to initially bring forward 3,500 homes at Manydown, to the west of Basingstoke.
- We have entered into an agreement with the Verney Estate and are working with neighbouring land owners to take forward the promotion of 785 acres of land at Calvert, which is within the OxCam Arc and the selected expressway corridor, at the intersection of high speed 2 and the proposed varsity rail line.
- We have obtained outline consent for 2,800 homes at Wintringham with resolution to grant obtained in less than 20 weeks.

2

Accelerate the volume of serviced residential and employment parcels for the market

The combination of our own capital and additional funding provided by Homes England has allowed us to accelerate the delivery of infrastructure across our strategic sites, bringing forward additional points of sale ahead of those previously appraised.

Progress by the end of 2018:

- Homes England has committed an additional £26 million of funding for Wintringham alongside the infrastructure funding already provided for Alconbury, Rugby, Newark and Corby, of which we have a total drawn of £86 million.
- At Rugby, work is now materially advanced on the western end of the link road with the full road scheduled to open in July 2019. This has allowed us to bring forward a second front on site at which Redrow has submitted an application for 248 units and will start selling homes in line with the link road opening.
- Supporting the Letwin Review's call for greater diversity in housing delivery we have launched Civic Living at Alconbury providing a deliberately contemporary addition to the housing types on offer. We are also in active discussions with other types and tenures of providers to widen the multi-channel market for serviced land parcels.

3

Identify and deliver further trading opportunities

We continue to resource our Catesby and commercial businesses to target shorter-term projects across a wider geography for which there is an identified market demand on a capital-efficient basis.

Progress by the end of 2018:

- We have sold four commercial assets allowing for the recycling of capital into the acquisition of further sites.
- This year Catesby has sold six sites totalling 103 acres and 715 new homes to Bellway Homes, Cala Homes, David Wilson, Optivo, Avant Homes and Miller Homes (both at Myton Green).
- In Manchester, we have entered into a 50/50 joint venture with the Greater Manchester Pension Fund for our Manchester New Square development for which there continues to be strong demand with now 40 per cent forward sold.

4

Sustain and enhance the quality of placemaking

As more of our strategic sites are built out, the consistency and quality of placemaking is increasingly recognised in the market as being a point of differentiation for stakeholders and our housebuilding customers.

Progress by the end of 2018:

- We now have a total of 18 housebuilders across our portfolio, six of which are operating across more than one site, with over 100 house types being delivered at Alconbury alone. Our approach to and requirement for quality is well understood and is a factor which helps underpin value and drive diversity.
- Our housebuilder customers continue to achieve sales values and rates above those originally appraised, with positive feedback from their customers on the extent and quality of landscaping, schools and facilities delivered by the Master Developer being a key differentiator.

5

Deliver returns for investors and other stakeholders

Our business model continues to target growth in the EPRA net asset value (NAV) of our portfolio to underpin shareholder return whilst delivering a real difference to the communities in which we are working.

Progress by the end of 2018:

- EPRA NAV per share +9.0 per cent (+44 per cent from Listing).
- Total shareholder return of 19.1 per cent (2017: 16.0 per cent).
- Wholesale discount increases following the valuation of Priors Hall for the first time from +68p per share at September 2017 to +145p per share (further explained in the Chief Executive's statement).
- 445 plot completions with a further 240 plots exchanged or reserved during the financial year.

UNLOCKING VALUE

Really Wild Event at Houlton, Rugby with the Warwickshire Wildlife Trust.

W: www.urbanandcivic.com/media-centre/video-library/wild-houlton/

QR: Really Wild Event video

Biker veterans Ride of Remembrance at Waterbeach Barracks.

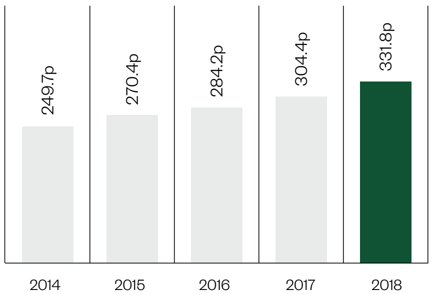
Student week experience certificate presentation at Alconbury Weald with EDGE.

Read more on our sustainability pages 48 to 65

MEASURING **OUR PROGRESS**

EPRA NAV per share

331.8p



Definition

EPRA NAV measures (which set out the net asset value attributable to equity shareholders adjusted for the revaluation surpluses on trading properties, with (EPRA triple net NAV) or without (EPRA NAV) associated tax provisioning) continue to be a significant descriptor of value growth for the Group ahead of significant residential plot sales.

Performance

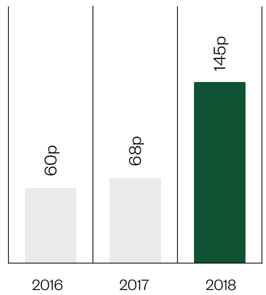
EPRA NAV per share increased 9.0 per cent over the last year with EPRA triple net NAV per share increasing 8.1 per cent – since Listing the annual growth rates in both measures equate to 8.7 per cent and 7.7 per cent respectively.

Link to strategy

1 2

Wholesale discount

145p



Definition

In order to provide guidance on the embedded value at our most advanced strategic land sites, where the Group believes placemaking has been achieved or has commenced, a self-defined wholesale discount figure is published. This is calculated as the difference between the unserviced land values imputed by CBRE 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.

The Group expects this wholesale discount to unwind over the life of each project, although it cannot be certain on timings and considers that movements in EPRA NAV measures combined with movements in the wholesale discount is perhaps a more useful indicator of progress during a period.

Performance

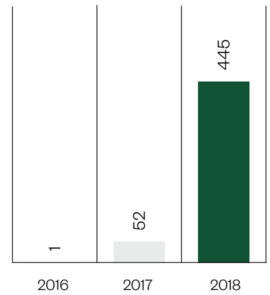
The wholesale discount has widened to 145p per share in the year to 30 September 2018 (30 September 2017: 68p per share), reflecting, in part, CBRE's valuation of Priors Hall for the first time. Of the 145p, 48p is attributable to Alconbury, 45p to Priors Hall with a further 40p and 12p being accounted for by the Group's joint venture interests at Rugby and Wintringham.

Link to strategy

1

Plot completions

445



Definition

Plot completions to the ultimate homebuyer are important for a number of reasons. Firstly our serviced land receipts under licence arrangements (including contractual minimums due from the housebuilders) are typically linked to plot completions and secondly, together with reservations and exchanges, they provide the Group, its independent valuers and stakeholders with market information.

Performance

The Group's first plot sale was made on 30 September 2016 by Hopkins Homes at Alconbury, with a further 52 being sold in the year to 30 September 2017.

In the current financial year, the Group saw completions in relation to 445 plots on 14 separate land parcels with 12 different housebuilders.

Link to strategy

1 2 3

Property portfolio valued at

£609.1m

Discount equivalent to

£210.0m

Further exchanges and reservations in 2018

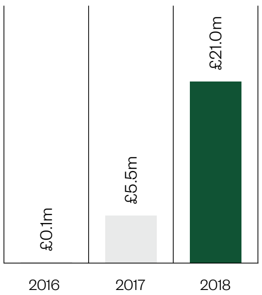
240

Link to strategy key

1 Growth 2 Returns 3 Resilience

Cash flow generation from plot completions

£21.0m



Definition

Strategic land sites now account for 85 per cent of the Group's property portfolio value and therefore cash generated from these sites will become more evident and important in respect of overhead coverage, dividend payments and future growth strategies.

This measure is usually combined with plot completions to enable the Group to assess profitability on a per plot basis, which is also used to consider how current economics might impact property valuations.

Performance

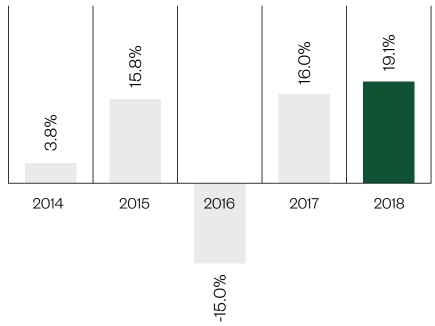
Cash generation on residential completions has exponentially increased along with plot completions. In 2016 the first plot sale realised gross proceeds of £121,000, with a further 52 completions generating £5.5 million in the year to 30 September 2017. This financial year £21.0 million was generated by 445 completions.

Link to strategy

1 2 3

Total shareholder return

19.1%



Definition

The return our shareholders make is a clear priority, which we monitor through calculating the growth in value of a shareholding, assuming reinvestment of any dividends into shares over a period. This is usually benchmarked against our peers or the FTSE 350 Real Estate and All Share Indices.

Performance

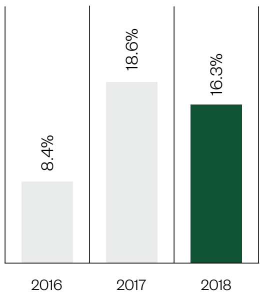
Urban&Civic's share price has risen 35.1 per cent over the last 24 months (from 225.0p at 30 September 2016 to 304.0p at 30 September 2018) and 17.8 per cent over the last 12 months – a period that included the placing of 40.4 million of GIP U&C S.À R.L shares (representing 27.9 per cent of issued share capital). Combined with two dividends paid during the year totalling 3.3p, the share price movement has resulted in a total shareholder return of 19.1 per cent for the year. This compares to a 1.0 per cent rise in the FTSE 350 Real Estate Index and a 2.7 per cent increase in the FTSE All Share Index (excluding dividends).

Link to strategy

1 2

Gearing – EPRA NAV

16.3%



Definition

The Group has publicly stated that it does not intend to borrow to acquire land or fund the cost of constructing infrastructure at its strategic land sites, except where those borrowings are derived from Government sources such as Homes England. Urban&Civic has also imposed on itself a gearing limit of 30 per cent (current third party loan covenants are above this threshold). These parameters ensure the Group does not take on more borrowing than it can afford to service, whilst at the same time providing some borrowing capacity should the need arise.

Performance

The Group's net debt position at 30 September 2018 totalled £78.3 million (30 September 2017: £81.7 million), comprising external borrowings of £94.9 million and cash reserves of £16.6 million, producing a net gearing ratio of 20.1 per cent (30 September 2017: 22.0 per cent) on an IFRS NAV basis and 16.3 per cent (30 September 2017: 18.6 per cent) on an EPRA NAV basis.

On a full look-through basis, which additionally includes the Group's share of joint ventures' net debt, gearing on an EPRA basis increases to 20.6 per cent, (30 September 2017: 21.3 per cent) still well within our self-imposed limit of 30 per cent.

Link to strategy

3

Portfolio in strategic land

85%

Full year dividend

3.5p

Look-through gearing

20.6%

BUILDING RESILIENCE; **QUALITY COUNTS**

ALAN DICKINSON —
NON-EXECUTIVE CHAIRMAN

At a time when uncertainty is the most used word in the dictionary, it is particularly satisfying to be able to report results that stand strong in relative contrast to most of the UK property market. The growth in our primary measure of EPRA NAV per share was a very encouraging 9 per cent to 30 September 2018, up on the 7 per cent of last year.

This is not by chance. Urban&Civic has been trailblazing from the outset. We have set ourselves to address the acute shortage of housing in the UK and, from the start, it was clear that housing targets in South East England could not be met without a higher proportion of large site delivery. Doing things in the right way has enabled us to create a model as Master Developer that is attractive to our customers, whilst resonating with political decision makers and those landowners intent on creating legacy. The model not only works but, most importantly, can be seen to be working by our many different stakeholders.

The many visitors to our sites witness real placemaking in action. The quality and consequential impact is far and away our most effective marketing tool.

As a result, Urban&Civic has seen many new opportunities for strategic sites and the Board has concentrated the focus of the Company in those areas where early mover status confers competitive advantage. 12 months ago, Urban&Civic was involved in five strategic projects; that figure is now eight. Allocated or consented plots on strategic schemes totalled 16,902; that figure is currently 31,957 and, hopefully, will increase a further 20 per cent with a positive outcome to our application for the site at Waterbeach. 12 months ago we had eight licensed forward sales or deferred consideration arrangements with housebuilders aggregating 1,293 plots. The comparables are now 24 arrangements, aggregating 2,588 plots and with more to come.

Our now well established Master Developer model continues to involve low gearing. Borrowings are similar year on year despite increased consented site infrastructure spend. The acceleration in that spend stems from our success in gaining new projects and in Homes England support enabling us to accelerate delivery. The vast majority of our borrowings come from that Government agency on a long-term basis that makes sense for its and our objectives. Our investment partners remain of the highest standing. We were delighted to be selected on Manydown as preferred development partner by Hampshire County and Basingstoke and Deane Borough Councils against formidable competition and in so doing to be able to add Wellcome Trust to our list of partners alongside Aviva, Dioceses of the Church of England, the Ministry of Defence and trusts from Nuffield College and Oxford University.

There is little doubt that the UK political turmoil has induced housebuyer caution this autumn and we do not yet know how long this will last. However, our unique licence structure means that we are approaching five years forward sold with guaranteed minimum payments on contracted plots to a broad range of customers. This has built an unusual resilience to immediate turbulence. Meanwhile, the Urban&Civic brand continues to strengthen and we have seen no reduction in demand from housebuilding customers to take serviced land parcels on our projects as they become available.

It should be noted, however, that the value of our participations, as well as absorption rates, would suffer in the event of a prolonged period of housebuyer apprehension.

Ultimately, housing demand is driven by population growth, rising wages, real interest rates and mortgage availability. The lack of localised supply inside our chosen territories from the M25 to within 100 miles of London will not be overcome anytime soon. Employment in those locations remains at record highs and the pressure is for wage inflation. The extension of the Help to Buy scheme was welcome and the introduction of regional price caps is unlikely to impact materially on Urban&Civic projects. Meanwhile, planning presumptions amongst local politicians typically favour carefully selected large projects where our brand and reputation for quality and accelerated delivery can count for most.

The sale by the Company's original private equity backers of a 28 per cent stake in the market, combined with the announcement that Urban&Civic intends to seek premium listing, represents a logical culmination of that initial process of development. Mark Tagliaferri from GI Partners stood down as a Director following the sale. Mark represented funds that substantively financed the original purchase of Alconbury and, subsequently, the adjoining Grange Farm. GI Partners kept the entirety of its resulting shareholding through the Listing of Urban&Civic in 2014.

The confidence shown in those early days has been well and deservedly rewarded. Mark himself has always put the Company first, making a broad and balanced contribution to Board debate. We thank him sincerely as we welcome the many new shareholders who joined as investors at that time.

I should also advise shareholders that Duncan Hunter has since given notice of his intention to stand down at the forthcoming AGM in February 2019. First as Audit Chair and then, more latterly, as Senior Independent Director, Duncan has been massively encouraging of the direction taken by the business whilst remaining thoroughly rigorous in his approach. We shall miss his sharp mind and his clear personal commitment. Recruitment for successors to Mark and Duncan is in hand and I expect to be in a position to make further announcements in due course.

The last year has been extraordinarily busy as activity on existing sites has moved on apace whilst new high quality sites have been added. The Master Developer model is standing us in good stead building ever more resilience whilst demonstrating that quality counts. We look forward to another very busy year as we roll out the model notwithstanding the uncertainty around us.

Alan Dickinson
Non-Executive Chairman
28 November 2018

The causeway and lake at the entrance to Phase 1 of Alconbury Weald this summer.

A SCALABLE **MODEL FOR SUCCESS**

NIGEL HUGILL —
CHIEF EXECUTIVE

IN SUMMARY

- Urban&Civic Master Developer model definitively working for housebuilders, community stakeholders and landowners. Approved applications, licensed plot sales and number of new projects all up.
- Group portfolio now exceeds 50,000 residential plots, either consented or being progressed.
- Three new project acquisitions: Priors Hall, Northamptonshire; Manydown in Basingstoke, Hampshire; Calvert in Buckinghamshire. Good locations, not in multiple ownership and playing to Urban&Civic strengths.
- Priors Hall acquired from joint administrators in October 2017; opening valuation up over 24 per cent.
- Good Catesby contribution through realised sales and new allocations. Changed emphasis towards plan-led applications.
- 445 completions for the year to 30 September 2018, compared with November 2017 guidance of 315. September especially strong and included brought forward sales. Future realisations guidance repeated, despite current uncertainties.
- Increased large site discount reflects 2,800 new consented units at Wintringham, Cambridgeshire and the acquisition of Priors Hall in development. Discount will increase with each successive strategic consent.
- Intention to apply for Premium Listing in January 2019.

Introduction

Another set of good results: demonstrable progress across all projects and substantial enlargement to pipeline. EPRA net assets per share were up 9 per cent to 331.8p as at 30 September 2018. The percentage increase in EPRA NAV was a little higher at 9.5 per cent, to reach £481.2 million, as compared with £439.3 million at 30 September 2017. Profit before tax at £22.3 million (year to 30 September 2017: £7.9 million) approached three times that of the previous 12 months, boosted by sales of the bulk of the remaining commercial assets which lifted realised numbers above trend.

A few additional opening observations: first, in contrast with most of the listed property sector, the pace of increase in EPRA NAV actually accelerated against last year (EPRA NAV per share annual increase to September 2017: 7.1 per cent). Second, the estimated large site discount reached the equivalent of 145p per share. That figure represents the gap between our valuers' appraised current open market value of a standard 150–200 plot parcel on consented sites as discounted to account for the strategic size of our holdings and can reasonably be regarded as a store of future value. It can also be regarded as a proxy for business resilience, rising with each new strategic consent. The increase to 30 September 2018 resulted from in year planning consent having been secured for 2,800 homes within walking distance of the East Coast Mainline station at Wintringham, St Neots, in Cambridgeshire and recognised the opening valuation of our holding at Priors Hall in Northamptonshire. EPRA NAV plus the discount reached 476.8p per share at 30 September 2018, representing an exceptional year-on-year increase of 28 per cent (30 September 2017 EPRA NAV per share plus large site discount: 372.4p).

Also gratifying is that Master Developer is now a recognised descriptor in our industry and that Urban&Civic has come to be regarded as market leader. Large site delivery carries its challenges but your Company enjoys real early mover status. Over the last 12 months, we have sold substantively all of our commercial investments to reinvest in projects where we carry clear competitive advantage. I hanker after going faster but console myself in the knowledge that the average lead times for strategic projects and our skillset and specific experiences are such that the growing list of new entrants expressing interest will struggle to make up ground any time soon. The example at Waterbeach represents a case in point. Undoubtedly important in providing vital additional housing capacity on the northern perimeter of Cambridge but, following procedural delays, not now scheduled to go to planning committee until early 2019. That would be a disappointing two years from application submission in February 2017.

There does seem to have been a discernible slowdown in show home visits to existing sites in November but without corresponding reduction in housebuilder enthusiasm for our product. Quite the reverse. Subsequent to September 2018, 953 additional plots have been contracted or placed under offer with nine different housebuilders. General public caution will obviously impact upon delivery rates, if sustained.

Early mover advantage

The existing early mover advantage that Urban&Civic enjoys has been reflected in strong cross-project demand from our housebuilding customers for fully infrastructured plots, as well as in a growing ability for us to source sites within the broader South East of England, where competition is most intense. Our core model provides for the sale of serviced plots via a percentage participation in the value on sale of completed houses, subject to minimum annual payments from housebuilders. This is highly capital efficient for our customers whilst enabling us to maintain project quality and direction. Seven contracts have been signed since 30 September 2017. The balance of business is also good; five of the contracts were with existing housebuilding customers with two new additions.

& CASE STUDY

WORKING IN PARTNERSHIP – RUGBY PRIMARY SCHOOL

The acceleration and development of the St Gabriel's CofE Academy in Houlton has epitomised partnership working from its inception some four years ago through to its official opening in October 2018. Our ethos for accelerating schools early in the lifecycle of our large sites was a perfect fit for a County Council facing acute supply problems in the market for school places, and so early discussions with education colleagues within the local authority resulted in a solution to bring forward the primary school. We forged an innovative joint venture with the Diocese of Coventry to take forward a competitive bid to co-run the school whilst twin-tracking our substantive role as Master Developer in the design and build of the school through the expertise of our architects vHH and build through local contractor Stepnells. Where the JV really excelled was in the collective strength of its component parts, with Urban&Civic driving the calibre and quality of school design as well as supporting on marketing and embedding the school into the rich history of the area. Navigating the local and national education landscape, governance and stewardship were key drivers for the Diocese, all framed within our collective goal of developing the school as a catalyst for growth and our mutual interest in delivering high quality education for the children of Houlton.

W: **www.stgabrielshoulton.org.uk**

QR: **St Gabriel's CofE Academy website**

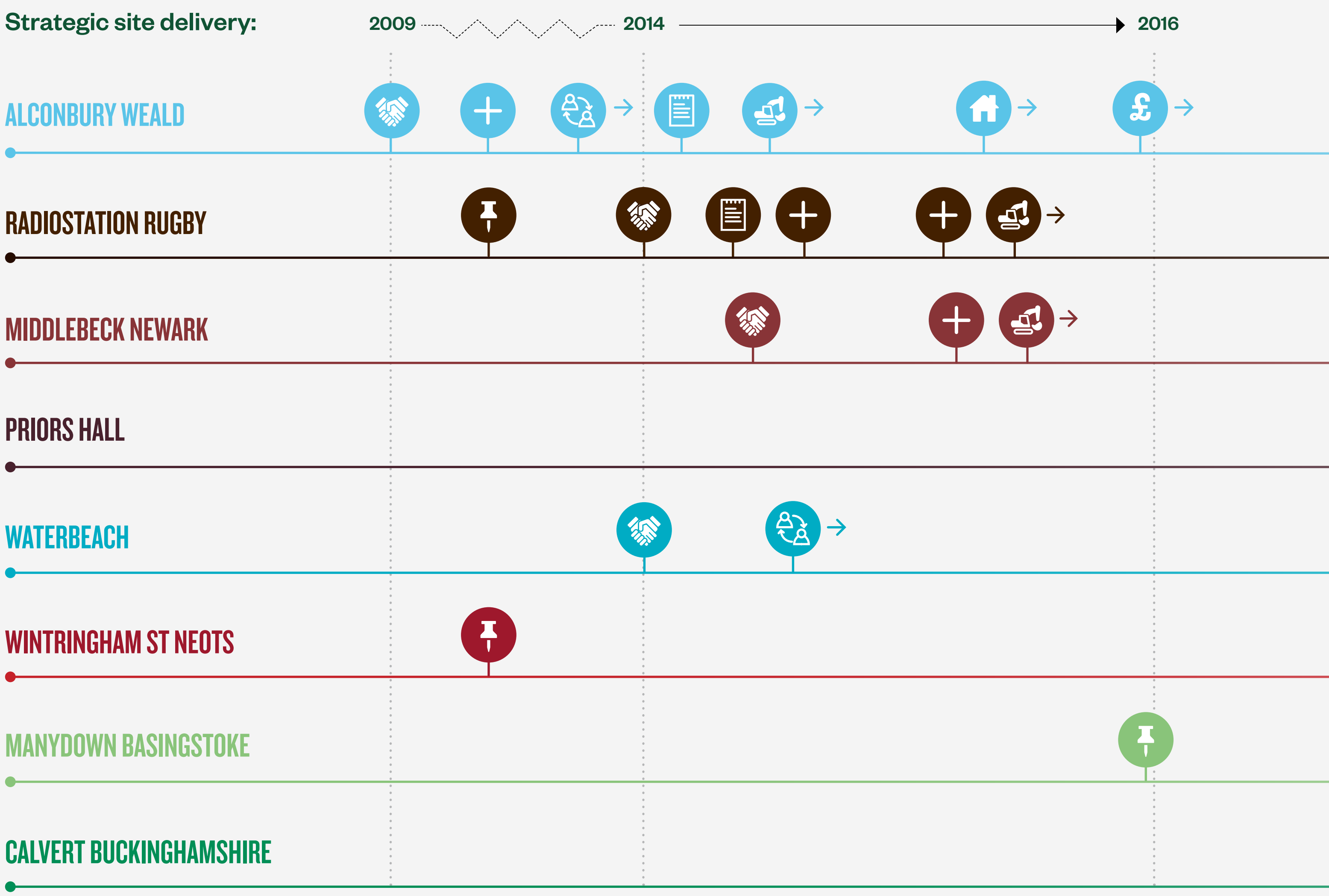
SCAN ME

Early mover advantage continued
Of the nine contracts currently under offer, five are repeat customers with four new. Financial terms continue to be above previous budget in all cases with minimums now typically close to current market prices. On completion of the outstanding agreements, we will have approximately 4,000 plots under licence or deferred sale representing 19 per cent of currently consented strategic holdings. Significantly, given prevailing uncertainties, were one to take the minimum drawdown under those contracts, the aggregated outstanding outturn represents an average of four and a half years forward sold. The largest agreements are with the strongest financial covenants.

Recognition of the early mover status of Urban&Civic also means that your Company is genuinely hard to beat when we set out our stall in open competition. We were pleased to be able to acquire Priors Hall from the Joint Administrators at the beginning of the reporting year in October 2017 and duly grateful for the trusted partner support from Homes England received in the process. I would like to think that the level of subsequent progress is seen as justifying that confidence. Then came selection with our partner Wellcome Trust in February 2018 to join with Basingstoke and Deane and Hampshire Councils to steward an important urban extension at Manydown. The level of competition was intense through an extended procurement process and included some of the largest national housebuilders.

We have since been able to secure a further prospective strategic project off market with committed landowners wanting Urban&Civic to act as Master Developer.

Calvert in Buckinghamshire is the longest dated and is potentially the most significant of all our existing projects. We have a conditional purchase agreement over approaching 800 acres, with co-operation arrangements to take total land interests close to 2,500 acres in the area of intersection between the intended route for HS2 with the to be restored Varsity Line between Oxford and Cambridge. The co-operation lands adjoin the massive proposed HS2 maintenance depot and, of themselves, could accommodate a new settlement in excess of 10,000 homes. Moreover, an announcement was made by the Department for Transport in September 2018 that the preferred route for the proposed accompanying Expressway was broadly parallel with the Varsity Line. Most likely the new road will run close, or through, existing interests.



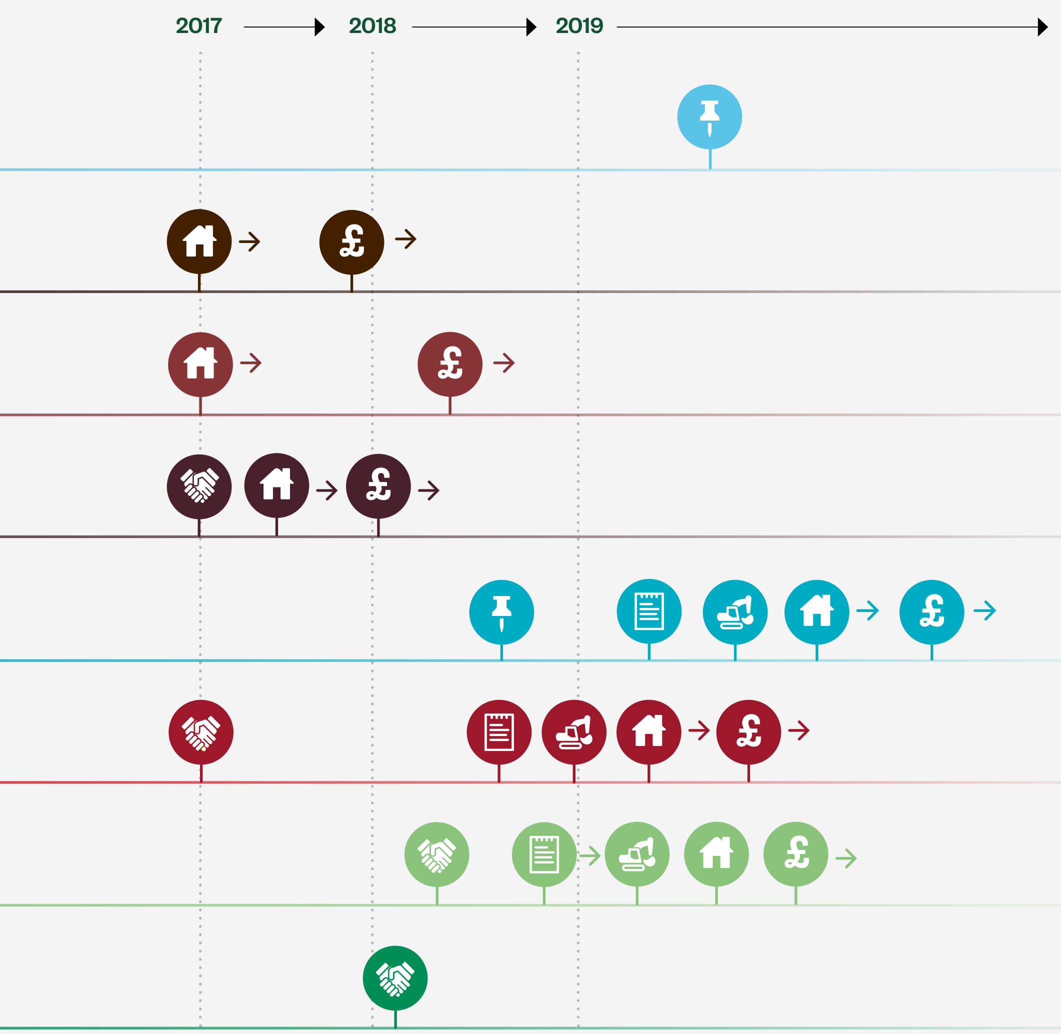
Singularity of ownership is a fundamental component of efficient large site delivery and discussions have commenced to enlarge the Calvert land area further.

Operating highlights

Three standout operating highlights: the expeditious planning consent at Wintringham, St Neots, showing just what can be achieved in terms of accelerated timing without compromising design quality; the scale of infrastructure works at Rugby; and the extent to which the project at Priors Hall has been rebooted during our still comparatively short ownership. Each speaks to different aspects of the Urban&Civic skillset, the evident alignment with local and national Government priorities and the long-term financial backing of Homes England.

Preliminary works are on site at Wintringham, with a signed section 106 agreement and released planning consent obtained barely 12 months after our initial application submission in October 2017. Urban&Civic acquired a one-third project ownership and management from trusts associated with Nuffield College, Oxford, for an aggregate consideration of £13.3 million only in April 2017. In addition to the new housing, the significant extension to St Neots will include two primary schools, health facilities and 63,500 sq.m. of commercial space. Detailed designs for the striking first primary school from architects dRMM have been submitted with a programme to open in September 2020. Wintringham is in Huntingdonshire, the same District Authority as Alconbury; such was the confidence in the speed of determination that housebuilders also worked contemporaneously to produce detailed designs. Accordingly, the first two will be in a position to commence construction in the early part of 2019.

Homes England is providing a £26 million facility for infrastructure investment to accelerate delivery, including our now standard cycle paths and busways. I shall be disappointed if there are not homeowners in occupation at Wintringham by the end of next year, which would be little more than two years after outline application submission. The researched historical average is 6.75 years.



Timeline key:

- Acquisition/appointed
- Further land acquired
- Allocation
- Community engagement
- Outline planning
- Infrastructure
- Residential delivery
- Receipts
- Ongoing

Read more in our strategic sites overview pages 44 and 45

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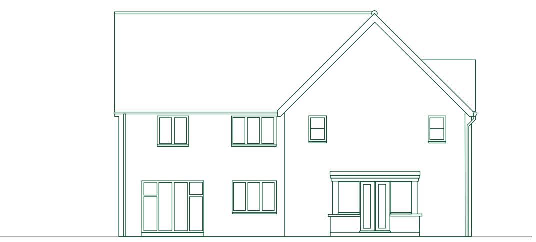
We have been constructing homes at Houlton, Rugby during 2018 and have been impressed with the quality and pace of Urban&Civic delivery there. The early opening of the link road to Rugby town centre will further strengthen the location. We have equally high expectations for Alconbury Weald where we are due to commence works early next year. We see this as an important relationship extending across an increasing number of Urban&Civic sites.

Steve Stone,
Executive Chairman of Crest Nicholson



Operating highlights continued

Nuffield College is proving a wonderful partner with a shared commitment to quality delivery and environmentally healthier lifestyles. We are also enjoying a shared economic reward. The Wintringham acquisition consideration represented the equivalent of £14,285 per residential plot, without placing a value on the commercial space. 18 months later at 30 September 2018, the external market valuation from CBRE was £23,900 per plot. This valuation is well below the minimum under offer receipts.

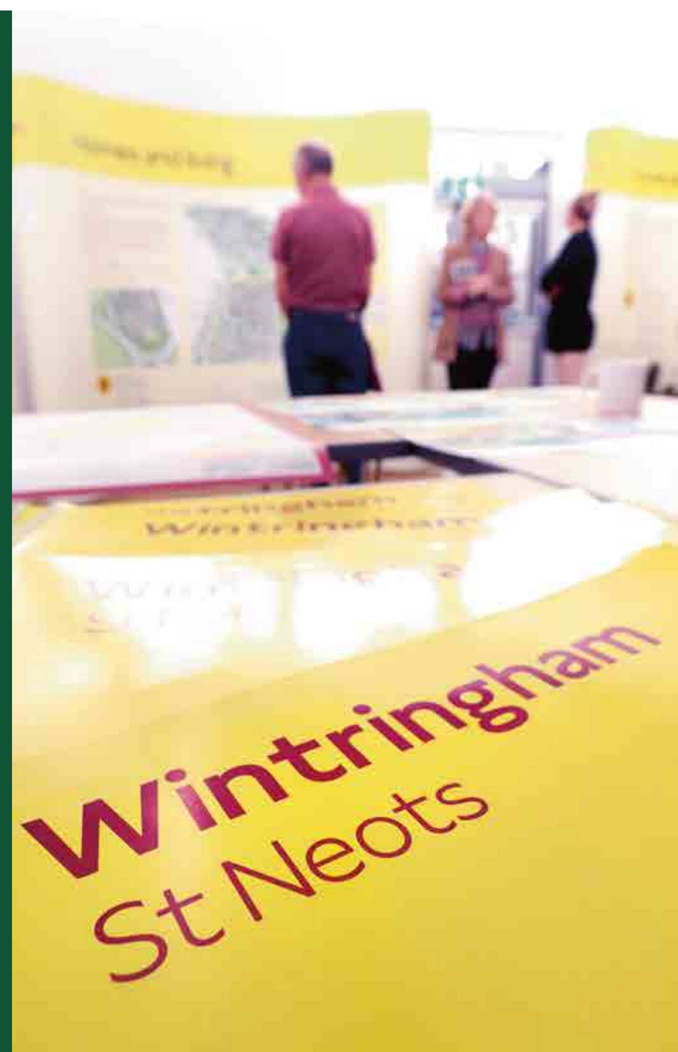
The project at Rugby, owned jointly with Aviva Investors, provides still clearer demonstration of the transformational large site potential with a committed Master Developer and cross-governmental department backing. The case study elsewhere in these Report and Accounts bears witness to the scale of the road building works being undertaken currently. Two separate contracts totalling £27.0 million, supported with acceleration funding from Homes England, are running on time and budget to provide important new road and cycle links into Rugby town centre by July of 2019. Our largest licence agreement to date was signed with Redrow over the summer. Meanwhile, the Archbishop of Canterbury visited the newly completed St Gabriel's primary school, which opened with 82 pupils in September. Most recently, LocatED (the Government agency responsible for procuring new free school sites) approved £35 million funding for a new secondary school, to incorporate the listed C station from which the first ever transatlantic telephone call was transmitted in January 1927. The funding will be interest free and repayable on section 106 triggers when they come to fall due (1,800 homes and beyond).

Secondary school places are at a premium in Rugby, which ought to be reflected in future absorption rates. Summarising the statistics at Rugby serves to emphasise the robust market position commanded by Urban&Civic: first primary school 2018; link road open 2019; sister secondary school with outstanding rating 2021; and the realistic expectation of accelerating housing sales with close to four and a half year forward sold minimum receipts, all within a revitalised and genuinely good quality environment.

& CASE STUDY

SPEED OF CONSENT AND DELIVERY – WINTRINGHAM

Our partnership with the Nuffield Trust at Wintringham originated from the Trust's desire to address the challenges that had caused historic delays in bringing the site forward for development. When Urban&Civic became the Trust's partner in 2017, we all shared the clear ambition to bring forward a new Master Developer application for 2,800 homes and then commence delivery as quickly as possible whilst maintaining an absolute focus on quality. Consequently and following early consultation, we submitted a hybrid Outline Planning Application incorporating the first phase information and design code together with detailed infrastructure plans. This meant the team has been able to progress highways, access and utility works alongside the finalisation of the S106 agreement. Consent has been achieved quickly, with resolution to grant only taking 20 weeks, and we have further shortened the time to delivery by working in parallel with contractors on the early works before the consent was issued. At the same time, the key focus on community requirements has been maintained with solutions identified and agreed for the delivery of transport connections, an early primary school and green space and facilities. Working in partnership with the County Council, the primary school will be delivered within the first phase of development and opened by September 2020. Our clear commitment to early delivery, the experience of working with Urban&Civic elsewhere and the demand for homes were such that we were also able to select housebuilders for the first two parcels ahead of outline consent. These housebuilders then worked with us and the Council on their designs and layouts so that their reserved matters can go in just a few weeks after the signing of the S106 with a view to starting construction early in 2019.



These are not easy milestones to emulate. Similarly at Priors Hall in Northamptonshire, your Company acquired an existing scheme comprising 965 acres of partly built land across the adjoining local authorities of Corby and East Northamptonshire. A sound project that had interested us for some time but for which the experience and financial resources of the original developer fell well short of his ambitions. The gross consideration paid to the Joint Administrators in October 2017 amounted to £40.5 million. Purchasing assets in administration is not for the faint hearted but we were confident of our ground and in the identified upside potential. The local demographic fundamentals also merit reciting: 20 per cent population growth over the past ten years with more than 7 million people living within a 50 mile radius; and a 68-minute direct rail link to London.

We inherited an outline consent for 5,095 residential units, of which 775 were occupied at the time of acquisition. A further 669 plots had been sold to housebuilders and are in the process of being built out with all deferred consideration or overage accruing to Urban&Civic, without additional payment to the Administrators. Total proceeds paid or payable to Urban&Civic with respect to pre-acquisition contracts are now expected to amount to about £12.5 million, leaving a net purchase consideration of £28 million for 3,656 uncontracted plots, or about £7,700 per acquired residential plot after accounting for the value of commercial land. The purchase of Priors Hall was part funded by Homes England and included likely future infrastructure spend, such that total committed facilities for the transaction aggregated £47.0 million, including accrued interest. The terms reflected those afforded to Urban&Civic elsewhere, including the provision that interest is accrued and repayment made only out of distributed proceeds. On the basis of current sales rates, our invested equity capital is unlikely to materially exceed £15 million.

Proactive and knowledgeable senior management has helped tighten up the Priors Hall organisation. Resident involvement has been strengthened and formalised, with discretionary investment being made in practical improvements. Early positives are quantifiable. Housing completions in the 11 months from acquisition to 30 September 2018 numbered 230, compared with just less than 200 per year previously.

Rt Hon. Sajid Javid MP attending the launch of Homes England at Alconbury Weald.

Two further sales agreements have been signed since the September year end, which will take the total number of housebuilders on site to nine. Contracts are under offer with three small housebuilders to extend the product range. In addition, terms have been agreed with two existing customers for extensions or new parcels. A café, a nursery and a Sainsbury's convenience foodstore are on their way. Achieved house prices are edging up in the range £215 to £230 per sq.ft. Constructive discussions are taking place with the two local authorities regarding restructuring the respective planning consents on land which is not yet built. The appraised value of our holdings at Priors Hall at 30 September 2018 was £55 million, up more than 24 per cent over acquisition cost after adjustment for subsequent investment. The plot holding cost comparison relative to acquisition will not quite be like for like in the future in that the rebalancing of distribution in Zones 2 and 3 is likely to result in an increase in the number of units in higher value East Northamptonshire. Notwithstanding, the per plot valuation at September stood at £10,500. This is one-third of the terms agreed recently on a straightforward land sale in Corby Zone 1.

National Planning Policy Framework modifications

Large sites have always been an important part of the Government's consideration. The modifications to the National Planning Policy Framework, published in July 2018, not only reaffirmed their role in the mix but upped the focus further. Up until July this year the NPPF wording was: "The supply of new homes can **sometimes** be best achieved through planning for larger scale development, such as new settlements or extensions to existing villages and towns that follow the principles of Garden Cities." The replacement is: "The supply of large numbers of new homes can **often** be best achieved through planning for larger scale development, such as new settlements or significant extensions to existing villages and towns, provided they are well located and designed, and supported by the necessary infrastructure and facilities." Credible delivery expertise and demonstrable examples with local support are judged essential. Suffice to observe that Alconbury was used by the newly enlarged Ministry of Housing, Communities and Local Government to launch the Garden Cities initiative.

Visit to St Gabriel's CofE Academy at Houlton, Rugby by the Archbishop of Canterbury, The Most Reverend Justin Welby and the Bishop of Coventry, The Right Reverend Dr Christopher Cocksworth.

Letwin Review

The long-trailed Letwin Review was also published just after the Budget in November. The Review makes a strong case for aligned ownership and diversity of delivery being fundamental to increasing absorption rates on large sites. This again plays directly to our core strengths. The Urban&Civic approach as Master Developer has been to create diversity in design by working with a range of housebuilders, both local and national, which are collectively deploying a palette of over 100 house types at Alconbury alone. The market is also now responding to the need for a range of tenures with increasing interest in serviced land parcels from those specialising in modern methods of construction, retirement living, PRS and affordable providers. We are working with each of these channels to review opportunities and further diversify our customer base, which not only will improve absorption but is also good business.

Buried at the back of the report are a series of structure diagrams for how the public sector/communities could deliver large sites. Our Master Developer model and partnering structuring could most readily be incorporated. That would have the additional benefit to government of the private sector assuming the infrastructure risk, as is our practice in any event.

Catesby

To the extent that we face headwinds other than those arising from prevailing political uncertainty, they may be seen to be in Catesby. Even those go to future prospects, including an apparently changed appeal environment, rather than current performance. For the year under review, Catesby completed four land promotion sales and two parcels at Europa Way with a third under offer. The realised contribution after overheads was £4.2 million, with a further £5.4 million of net EPRA movement. Capital invested in Catesby was £32.6 million in the 30 September 2018 balance sheet. The EPRA uplift over capital invested was £11.5 million.

Planning reflects politics from time to time. Small applications are being consented in growing numbers but above ten units, non-technical grounds for appeal refusal are tending to prevail, most especially for applications between 100–500 units. Figures for the year to September 2018 show only 13,903 dwellings allowed on appeal on larger applications, the lowest since the adoption of the National Planning Policy Framework in March 2012. As a percentage of the number of residences being appealed, only 23 per cent of appeals were successful. This is a dramatically low number, as it includes those cases where the members have chosen to ignore their officers' recommendation. Recourse to higher courts carries no material liability to objectors and has also become more common. At the time of writing, we await the outcome of two Supreme Court hearings and a High Court Judicial Review. A disinclination for judicial lottery directs the focus towards schemes that are likely to be slower in adoption (having to be taken through local plans). Following the change of tack towards a greater emphasis on plan-led applications, Local Plan inspectors' reports have been received or are awaited currently by Catesby in respect of allocations aggregating around 650 units.

A likely consequence will be increasing scope for crossover with sub-strategic sites. Catesby will continue to look for new sites requiring infrastructure delivery, along the lines of Europa Way, Warwick. On completion of the infrastructure works next August 2019, 64 per cent of Europa Way plots will have exchanged or completed. Catesby can build competitive advantage on such projects, since infrastructure delivery is not offered by the majority of competing land promoters.

GI placing and premium listing

In early July and following the publication of our interim results to 31 March 2018, GI Partners announced the successful sale of its entire 27.9 per cent holding in Urban&Civic at a price of 305p per share. The exercise was conducted by one of our joint brokers, Stifel Nicolaus, and raised aggregate gross proceeds of £123.4 million. The Company was not a party to the placing and did not receive any of the proceeds.

GI Partners had backed us in the original purchase of Alconbury and did not sell any of its shareholding when Urban&Civic came to market in 2014. The placing was all the more notable for reinforcing the configuration of our shareholder base having been taken up by existing and new investors, the vast majority of which are active small cap, specialist property funds or private client managers. It is a highly knowledgeable shareholder base but one which is conspicuously lacking in generalists and indexed funds.

Separately, our other joint broker, JP Morgan Cazenove, has been in discussion with the Financial Conduct Authority and the UK Listing Authority regarding premium listing for Urban&Civic. The shares trade currently under standard listing designation and, therefore, are not included in any of the main stock market indices. Following general consultation, FCA Listing guidance was altered as from January 2018 inter alia to provide that certain property companies that specialise in the development of projects of extended duration may demonstrate the development of assets more accurately through external property valuation reports than through the conventional three-year revenue accounts. It was recognised that Urban&Civic came within that category and confirmed that the Company is eligible to apply for premium listing via that concessionary route. Accordingly, it is intended that the Company will make application for premium listing on publication of the 2018 Annual Report and Accounts in January 2019.

Immediate priorities

As was the case last year, I am able to report that substantially all those priorities over which we have direction have been accomplished. The switch out of retail and leisure assets into further strategic projects in Autumn 2017 proved timely.

The two areas that we have fallen short are in the determination of the outstanding planning application at Waterbeach, Cambridgeshire, that was submitted in February 2017 and our still awaited unblocking in the legal log jam of consented Catesby projects that would otherwise be helping to add to national housing numbers. The Waterbeach application includes 6,500 new homes, three miles north of some of the most dynamic employment creation in the western world on the Cambridge Science and Business Parks. The proposals have been shown to be net positive in terms of biodiversity. Clearance was given by Cambridgeshire County Council Economy and Environment Committee in July and announcement was made in September that the South Cambridgeshire Local Plan had been found sound by Government Inspectors. Both are necessary but not sufficient conditions. The legal challenges faced by Catesby reflect a manifest disproportion in the English Courts which objectors have become expert at exploiting. We have therefore focused on changing policy as described.

& CASE STUDY

BROADENING CATESBY'S SCOPE – MYTON GREEN

The 96-acre site just off Europa Way, Warwick, was granted Outline Planning Permission for 735 homes and represents a broadening of Catesby's traditional promotion-led business to address larger sites that also require infrastructure provision. At Europa Way, Catesby's in-house team worked in partnership with the landowning consortium to examine ways of maximising land value by the creation of serviced land parcels through the provision of infrastructure, whilst also developing a site that is sensitive to the area in which it sits. Following consultation and approval, Catesby's team is now leading a programme of works scheduled to last 56 weeks which incorporate the first section of the tree-lined community spine road, eventually linking Europa Way with Gallows Hill along with the creation of an extensive green corridor adjacent to Myton Brook. Avant and Miller Homes have already acquired serviced land parcels totalling over 22 of the 47 developable acres and, as a result of our investment in early infrastructure, are expected on site early 2019 with residents equally benefiting from established recreational and wildlife areas. Through regular communication with local stakeholders including meetings, newsletters and press releases, links have been built with neighbouring residents and the wider community, reiterating our core messages; this will be a high quality and sensitive development that provides a vibrant extension to the existing community.

W: **www.catesbyestates.co.uk/land/myton-green,-europa-way-warwick**

QR: **Myton Green, Europa Way site specifics**

SCAN ME

Immediate priorities continued

Elsewhere, Wintringham remains on track to become possibly the fastest ever strategic site within South East England from application submission to delivery with first occupations before the end of 2019; progress at Priors Hall is evidenced in the opening valuation; Calvert has the makings of the definitive new settlement in the Oxford to Cambridge corridor; the proposed routing for the new Expressway could not be better; and we led the selection at Manydown and are in exclusive due diligence on another significant project acquisition close to the M25, which we would hope to bring forward at pace.

Our commitment to quality delivery and to stakeholder engagement is the crucial engine to the continued building of the Urban&Civic brand. Your Company has an experienced and highly capable team below Board level. Transparent and inclusive internal processes retain project responsibility with formal reporting to an Executive Management Committee and then up to the Board. Manpower additions have been made and the governance structure is designed to cover risk and delivery as the business continues to scale up.

Outlook

The immediate outlook is terribly difficult to evaluate. The level of sales on our sites in the year comfortably exceeded the forecasts made last November. Total sales were 445, compared with guidance of 315 but include a very strong September. Business plan projections are for 635 realisations in the current year 2018/19 with a further 335 in Catesby at Europa Way. Wintringham apart, the investment required to deliver 4,000 plots, either contracted or under offer, has already been made. At Wintringham the necessary net infrastructure investment is expected to be covered by the new Homes England facility. Meanwhile the number of agreements still being signed with existing and new housebuilder customers bears witness to the core attractiveness of our product and the increasing resonance of the Urban&Civic brand. In negotiating those agreements, we were and are not short of first reserves. The queue to build out plots at Waterbeach is round the block, such is the shortage of good quality, well priced, new housing versus demand in North Cambridge. If the changed appeals environment results ultimately in fewer sites above 100 plots coming forward, that ought eventually to be reflected in serviced land pricing within commuting distance of London, where supply is constrained. Outside the broader South East there is no apparent shortage of consented land. Only our targeted areas (and London) show significant shortfalls. Speculative appeals are not likely to be successful. The escalating test for delivery against Local Plan targets can only benefit projects like ours, which offer a better consistency of output. Rentals will begin to feature in a maturing product offer.

The further extension of Help to Buy to 2023 ought to help underpin demand for entry-level new housing. Continuing low interest rates mean that accessibility, rather than affordability, often proves the hurdle for purchasers outside London. There is also growing evidence that first-time buyers in our identified locations are missing out the step of one and two-bedroom first apartment purchase, in favour of two and three-bedroom houses. As corollary, they then stay in their first purchase for longer. Obviously this remains a dynamic process but the signs are that this staying put could be up to 12 years (the pre-Lehmans average was around seven years).

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With housing now a national priority, it's never been more important to increase the pace, scale and quality of delivering the new homes our country so urgently needs. Homes England is committed, through its five-year strategic plan, to delivering better quality homes in the areas where they are needed the most. However, we know that we cannot deliver our mission alone, which is why it's important to work with trusted partners like Urban&Civic, who share our ambition to build better homes at a faster pace than ever before. Large scale sites remain vital to providing housing and sites like Priors Hall in Corby, Houlton in Rugby and Alconbury Weald in Cambridgeshire – where thousands of new homes are being built – show just what can be achieved when we work together.

Nick Walkley,
Chief Executive of Homes England

1. The Chairman, Sir Edward Lister and Chief Executive, Nick Walkley of Homes England at Alconbury Weald.
2. A project review of Houlton, Rugby led by our Managing Director, Robin Butler.

2

Bad for stamp duty receipts but altogether helpful in building new stable communities and with the direct look through into early provision of education and other community facilities. I am not aware of any other company bringing forward new schools at the pace that we anticipate. Elongation in the average length of first purchase occupations would be sufficient response to those scaremongers seeking to argue that Help to Buy purchases create some form of ticking time bomb.

All that said, near term absorption rates must suffer if the drop in consumer confidence is maintained. That is where the rubber hits the road. As a precaution we have cut budget plan sales rate assumptions back 20 per cent which in some cases is actually below contracted minimum draw downs. On that basis, our current estimate of 2019/20 sales still remains sharply upwards with 950 realisations in the year and 135 more at Europa Way. The average length of forward sales at 4.5 years with progressively higher minimums provides your Company with an unusual resilience. The Urban&Civic business model also indisputably benefits from the backing of Homes England, with which our priorities are closely aligned. My expectation is that the agency will be the principal lender to the Group for the foreseeable future, via project-specific funding on consented sites. Homes England has reiterated its long-term support for the business as part of the necessary preliminaries to premium listing. In turn, we will look to bring forward additional strategic projects as the opportunities arise and enlarge the housing offer in existing locations.

Dividend

The final dividend of 2.2p per share maintains the stated policy of increasing distributions to shareholders by 10 per cent per annum when the performance of the Company and the Board's estimation of future prospects are seen as warranting such. This is obviously not an environment to be cavalier, even if our own performance sets us apart from most of our property industry peers. We will monitor the next six months carefully before deciding upon the proposed dividend pay-out for next year.

A scrip dividend alternative will be made available to the 2018 final payment, for which I shall be electing.

Grateful thanks

I shall never tire of thanking Board and staff colleagues alike for their enthusiasm and unstinting commitment. The sale by GI represented a rite of passage for Urban&Civic. We are most grateful to Mark Tagliaferri and his partners for their early faith in what was then a novel concept. The fact that our co-founding private equity shareholders were able to place a 28 per cent holding with a broad range of existing and new investors in a single session speaks volumes for just how far your Company has travelled. The early mover advantage that everyone worked so hard to achieve is beginning to translate into real business scalability. Grateful thanks to all as we continue to move forward.

Nigel Hugill
Chief Executive
28 November 2018

A RETURN ON **INVESTMENT**

DAVID WOOD —
GROUP FINANCE DIRECTOR

KEY OBSERVATIONS

- EPRA net assets £481.2 million at September 2018, up from £439.3 million at September 2017.
- EPRA net assets per share 9.0 per cent higher at 331.8p (304.4p at September 2017).
- Profit before tax up for 12 months to September 2018 at £22.3 million (September 2017: £7.9 million), sales of the bulk of the remaining commercial assets lifting pre-tax profits above trend.
- 85 per cent of Group property assets in strategic projects (September 2017: 69 per cent).
- Large site discount represented a further £210 million at 30 September 2018, equivalent to 145p per share (September 2017: £99 million, equivalent to 68p per share).
- Discount reflects store of future value and is proxy for increasing business resilience.
- 30 September 2018 EPRA NAV + large site discount = 476.8p per share, a year-on-year increase of 28 per cent (30 September 2017: EPRA NAV per share + large site discount = 372.4p per share).
- Net gearing or EPRA NAV basis at 30 September 2018 of 16.3 per cent (September 2017: 18.6 per cent), despite £60 million+ of new infrastructure investment.
- Final dividend for the year of 2.2p per share, providing a full year dividend of 3.5p. 9.4 per cent increase in line with stated policy to recognise continuing progress.

Introduction

Over the last twelve months the Group has continued to trend towards strategic land holdings. Following the acquisition of the 4,320 unit site at Priors Hall, Corby and disposal of four and a half commercial assets (namely the Stansted Hotel development, Feethams and Bradford leisure schemes, Skelton retail park and a 50 per cent share of the Manchester New Square apartment scheme to the Greater Manchester Pension Fund), strategic land now accounts for 85 per cent of the total property portfolio value (30 September 2017: 69 per cent).

Although the Group has seen strong cash generation from commercial sales (realising a combined £105.8 million of gross proceeds in the year), residential delivery and completion proceeds continue to grow and are now underpinned by forward sales contracts of four and a half years' duration (reflecting minimum sales rates under licence arrangements).

Total plot completions in the year totalled 445[1], which compares to 174 in the six months to 31 March 2018 and 52 in the year to 30 September 2017; with a further 240 plots exchanged or reserved by the year end. Both the number of plot sales and gross cash generated from plot sales (Urban&Civic's share being £21.0 million) exceeded previously stated expectations.

The £14.4 million (182 per cent) improvement in profit before tax remains unrepresentative of future income statements, benefiting greatly from commercial asset sales, although the main driver of EPRA NAV growth, which is up 9.0 per cent in the year to 331.8p per share, continues to be property revaluations.

Total dividend

3.5p

+9.4%

Property portfolio valued at

£609.1m

Total plot completions

445

Key performance indicators

The measures we use to evaluate Group performance, together with the rationale for their use are set out throughout the Strategic Report section of the Annual Report and Accounts, however I have reproduced this year's performance metrics below for your reference:

	Year ended 30 September 2018	Year ended 30 September 2017	Increase/ (decrease)
EPRA NAV	**£481.2m**	£439.3m	9.5%
EPRA NAV per share	**331.8p**	304.4p	9.0%
EPRA NNNAV	**£458.1m**	£421.9m	8.6%
EPRA NNNAV per share	**315.9p**	292.3p	8.1%
Total shareholder return	**19.1%**	16.0%	3.1%
Gearing – EPRA NAV basis	**16.3%**	18.6%	(2.3)%
Look-through gearing – EPRA NAV basis	**20.6%**	21.3%	(0.7)%
Plot completions[1]	**445 plots**	52 plots	393 plots

1. Includes 100 plots at Alconbury (six months ended 31 March 2018: 49; year ended 30 September 2017: 52); 78 at Rugby (six months to 31 March 2018: ten; year ended 30 September 2017: nil); 37 at Newark (six months to 31 March 2018: nil; year ended 30 September 2017: nil); and 230 from pre-acquisition contracts at Priors Hall (acquisition to 31 March 2018: 115).

Ahead of significant residential plots sales, the Group still considers total shareholder return and EPRA NAV measures —which set out the net asset value attributable to equity shareholders adjusted for the revaluation surpluses on trading properties, with tax (EPRA triple net NAV) or without tax (EPRA NAV) – to be significant descriptors of value growth.

Total shareholder return

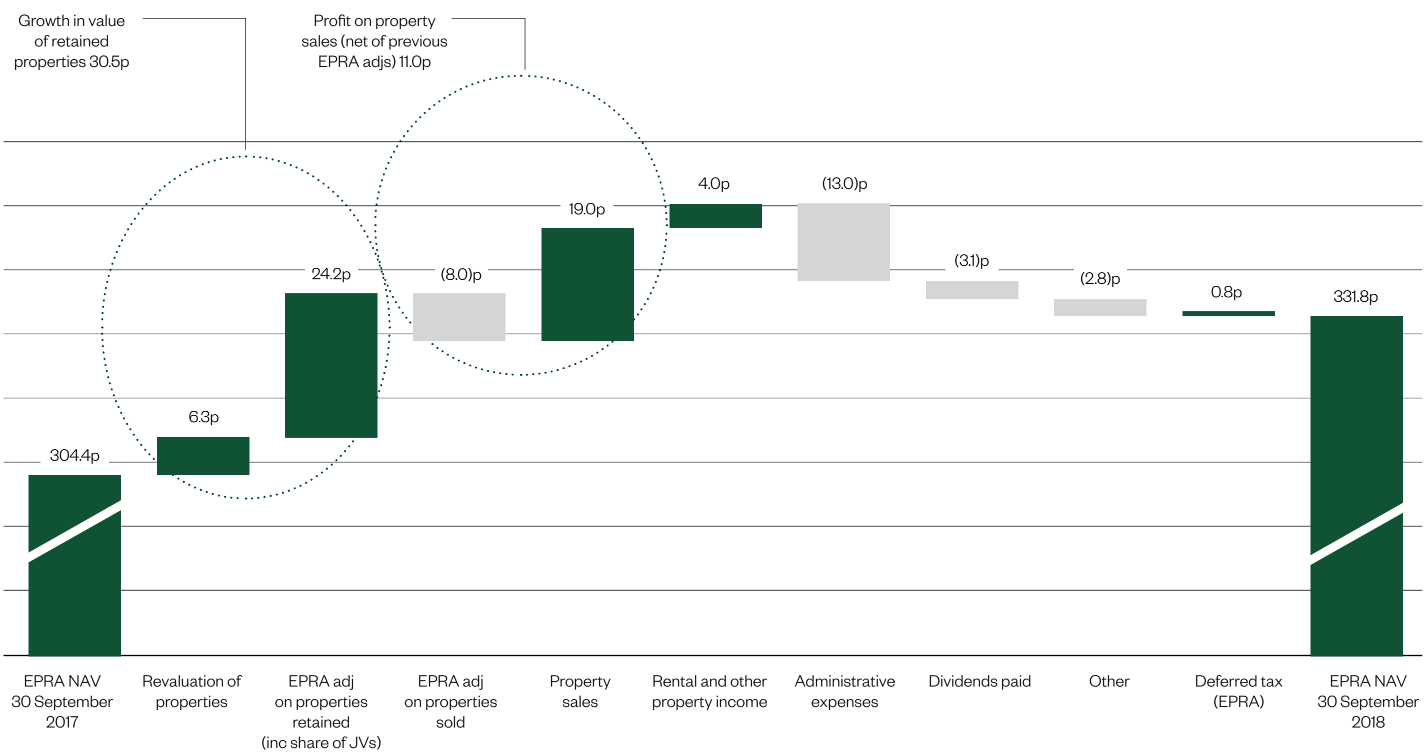
Urban&Civic's share price has risen 35.1 per cent over the last 24 months (from 225.0p at 30 September 2016 to 304.0p at 30 September 2018) and 17.8 per cent over the last 12 months – a period that included the placing of 40.4 million shares held by GIP U&C S.À R.L (representing 27.9 per cent of issued share capital). Combined with two dividends paid during the year totalling 3.3p, the share price movement has resulted in a total shareholder return of 19.1 per cent for the year. This compares to a 1.0 per cent rise in the FTSE 350 Real Estate Index, a 2.7 per cent increase in the FTSE All Share Index and a 9.0 per cent increase in EPRA NAV per share (which is further analysed below).

Net asset value – EPRA and IFRS

The below EPRA analysis and proportionately consolidated statement of comprehensive income and balance sheet summaries are non-statutory, but are presented to aid understanding and comparability of Group results both this year and between accounting periods.

The movements in Group EPRA and IFRS NAV during the year are summarised below.

"Combined with two dividends paid during the year totalling 3.3p, the share price movement has resulted in a total shareholder return of 19.1 per cent for the year.



	Year ended 30 September 2018				Year ended 30 September 2017	
	Group £m	Joint venture and associates £m	Total £m	Pence per share	Total £m	Pence per share
Revaluation of investment properties and write downs of trading properties[1]	9.1	—	9.1	6.3	6.4	4.4
Profit on trading and investment property sales	25.5	2.1	27.6	19.0	10.7	7.4
Rental and other income	5.5	—	5.5	4.0	4.9	3.5
Administrative expenses	(18.8)	—	(18.8)	(13.0)	(14.7)	(10.2)
Other income statement movements	(4.6)	—	(4.6)	(3.2)	(0.5)	(0.3)
Total comprehensive income	16.7	2.1	18.8	13.1	6.8	4.8
Dividends paid	(4.5)	—	(4.5)	(3.1)	(4.5)	(3.1)
Other equity movements	2.9	—	2.9	2.0	3.3	2.2
IFRS movement	15.1	2.1	17.2	12.0	5.6	3.9
Revaluation of retained trading properties[1,2]	22.8	12.3	35.1	24.2	27.3	18.9
Release of trading property revaluations on disposals	(11.6)	—	(11.6)	(8.0)	(3.5)	(2.5)
Deferred taxation	1.2	—	1.2	0.8	0.1	0.1
EPRA movement	27.5	14.4	41.9	29.0	29.5	20.4
Effect of share issues and dilutive options			—	(1.6)	—	(0.2)
Movement in the year			41.9	27.4	29.5	20.2
EPRA NAV at start of year			439.3	304.4	409.8	284.2
EPRA NAV at end of year			481.2	331.8	439.3	304.4

1. Classified as property revaluations for the purposes of the below EPRA NAV growth commentary.
2. Includes revaluation of the Morris Homes, Redrow, Crest Nicholson and Avant variable considerations classified as financial assets.

Property revaluations (including trading property write downs) contributed 30.5p to the Group's EPRA NAV growth of 27.4p per share in the year.

CBRE valued 90.0 per cent of the property portfolio at 30 September 2018 (30 September 2017: 76 per cent) with the remainder valued by Directors. A more detailed reconciliation between IFRS and EPRA NAV is provided in note 22.

COMMERCIAL DELIVERY – MANCHESTER NEW SQUARE

& CASE STUDY

With the help of its three 58m cranes, visible from across the city, Manchester New Square has been coming out of the ground at a rate of one floor per month throughout 2018. Construction commenced in spring 2017 and the scheme is due for completion September 2020. The cores in two out of the three buildings are now fully topped out and the final building, Calico, is currently at Level 6. Bathroom pods have been installed to 180 apartments and the installation of brick faced, pre-cast concrete facades continues apace. In total 460 concrete panels have been manufactured and the first two levels on building three have been installed on site. When complete, Manchester New Square will comprise three individually designed, 12–15 storey buildings around a landscaped square. The scheme includes 250 secure underground car parking spaces, cycle storage, private gym, residents' lounge and 24-hour concierge.

"Working closely with Urban&Civic, Lendlease is proud of the positive progress that has been made in delivering this ambitious three-tower residential scheme. We have now hit an important milestone in the construction timeline with the starting of the buildings' facades. The transformation of the site – left as an unfinished basement for many years – into a premier residential scheme is fantastic for the city."

Simon Gorski, Lendlease Executive General Manager, UK Regions

W: **www.manchesternewsquare.com**

W: **twitter.com/mcrnewsquare**

QR: **Manchester New Square Instagram**

SCAN ME

Consolidated statement of comprehensive income

The Group's profit before tax increased by £14.4 million (182 per cent) over last year, largely as a result of commercial asset disposals, growing residential sales and property revaluations outweighing increases in overheads and write offs of Catesby promotion costs; further explanation is provided below.

	Year ended 30 September 2018			Year ended 30 September 2017		
	Group £m	Joint venture and associates £m	Total £m	Group £m	Joint venture and associates £m	Total £m
Revenue	**150.4**	**8.8**	**159.2**	60.3	11.0	71.3
Profit on trading property sales[1]	24.3	2.1	26.4	9.6	1.3	10.9
Rental and other property profits	3.8	—	3.8	3.4	—	3.4
Hotel operating profit	1.8	—	1.8	1.5	—	1.5
Write (down)/up of trading properties	(2.6)	—	(2.6)	1.4	—	1.4
Gross profit	27.3	2.1	29.4	15.9	1.3	17.2
Administrative expenses (net of capitalised costs)	(18.8)	—	(18.8)	(14.7)	—	(14.7)
Profit on investment property sales	1.2	—	1.2	—	—	—
Surplus on revaluation of investment properties and debtors	11.7	—	11.7	4.9	—	4.9
Share of post-tax profit from joint ventures	2.1	(2.1)	—	1.3	(1.3)	—
Other	(1.2)	—	(1.2)	0.5	—	0.5
Profit before tax	**22.3**	**—**	**22.3**	7.9	—	7.9

1. Including residential property sales and profits from construction contracts as disclosed in note 2.

Revenue

Revenue has more than doubled since last year and comprises £97.9 million of commercial and land promotion sales, £43.3 million of residential property sales (including £8.8 million within joint ventures) and rental and other income of £18.0 million.

The £87.9 million increase over the prior period is predominantly the result of the disposal of our hotel development at Stansted Airport (£49.2 million), sale of a 50 per cent interest in the Manchester New Square apartment development to Greater Manchester Pension Fund (£22.9 million) and sale of the Skelton Retail Park (£7.4 million). Catesby has also seen improved revenues through a promote-and-infrastructure contract for a site known as Europa Way, which contributed £6.7 million to revenue.

Residential property sales have maintained comparable levels to last year although licence fee overages, rather than licence fee minimums, comprise a greater part of revenue this year – reflecting a greater number of plot completions.

Licence receipts continue to be at levels above contractual minimums and during the year Alconbury generated 100 plot completions (30 September 2017: 52); with Newark recording 37 plot completions (30 September 2017: nil); Priors Hall completing on 230 plots (30 September 2017: nil) and the Rugby joint venture making 78 plot sales.

& CASE STUDY

LAUNCH OF CIVIC LIVING – ALCONBURY WEALD

On Saturday 10 November, Urban&Civic opened the marketing suite and show homes of the new range of Civic Living homes. Intended to create a diversity of offer at Alconbury and occupying a prominent plot, a big part of the Civic Living brand is "Built Around You". This concept underpins the contemporary design and features which respond to the way people live their lives: from the open plan flexible living space and outdoor space on each floor, right through to functional but attractive bin and bike stores. It was important the customer journey had the same approach, and the team has worked closely with Savills and Think BDW on the website and marketing suite and with interior designer Jane Clayton across the three show homes.

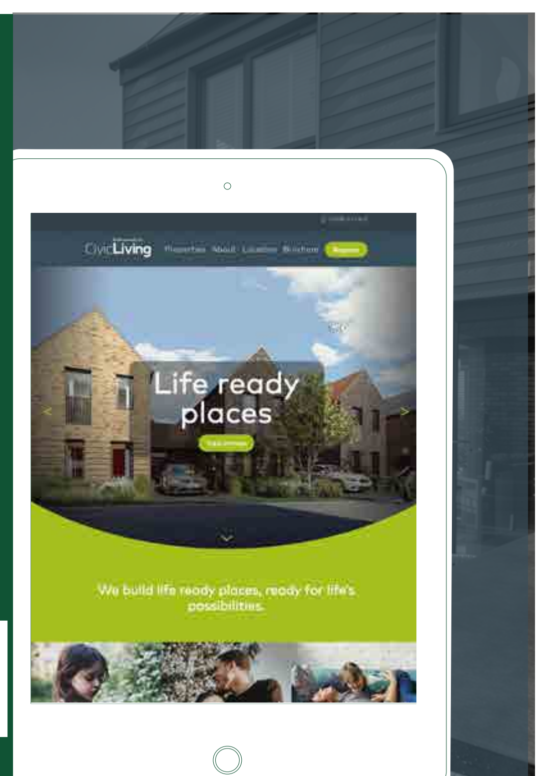
"I just love the design and features of these homes; they are different from anything else we have been involved in and the response has been so positive. The great thing about these being Urban&Civic homes is that it brings the whole story together: the cafe, gym, play parks and school are all part of what is on offer, and that is so in tune with what modern buyers are looking for."

Senior Sales Lead Ann/Emily

W: **www.civicliving.co.uk**

QR: **Civic Living brochure**

SCAN ME



You should note that the 230 plot completions at Priors Hall related to pre-acquisition housebuilding contracts and therefore the receipts in relation to these properties have been credited against the acquisition trade receivable (on the balance sheet) rather than being recognised through the income statement.

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

Gross profit

Gross profits are £11.4 million higher than reported in the year to 30 September 2017 or £12.2 million higher if the Group's share of joint venture trading property sales are proportionately consolidated. Like revenue, this is largely the result of the disposal of Stansted and Skelton (£9.8 million) and Europa Way profits (£2.0 million), net of a £4.0 million adverse movement in trading property write offs/ups.

The £4.0 million increase in write downs over last year is the result of £1.4 million of trading property write ups last year (£1.2 million in relation to Stansted) against £2.6 million of written off Catesby promotion costs this year, where a decision has been made not to seek planning for seven sites.

Profits from trading property sales also include residential sales at Alconbury (£5.1 million) and the 50 per cent owned Rugby site (£2.1 million), and £7.5 million of Catesby land promotion profits (excluding Europa Way).

Residential sales profits at Alconbury comprise £2.5 million generated by the sale of 42 Hopkins homes, overages of £3.0 million on 61 exchanges made by Redrow and Morris, net of £0.4 million of Civic Living set-up costs. Rugby's profits relate to Davidsons' 48 house completions in the year (£1.3 million) and Morris Homes and Crest Nicholson overages (in respect of 42 exchanges).

Administrative expenses

Administrative costs of £18.8 million were expensed in the year, after capitalising £4.7 million into the Group's development projects. At the gross level, the £3.6 million increase in overheads is predominantly the result of a more senior headcount as additional strategic land projects have been taken on in the year, together with one-off reorganisation costs following the acquisition of Priors Hall in October 2017 and increased share option vesting. At the net level, the additional £0.5 million increase over the 12 months to 30 September 2018 is due to a lower proportionate capitalisation (20.0 per cent this year compared to 26.2 per cent last year) following development completion of Feethams, Herne Bay and Stansted and the time taken to reallocate development staff to new projects.

Administrative costs also include a £3.4 million charge in relation to the non-cash share-based payment expense (30 September 2017: £3.1 million). A corresponding credit has been included with retained earnings, resulting in the expense having no NAV impact.

Surplus on revaluation of investment properties and profit on disposal of investment properties

Following the disposal of the Bradford leisure scheme, which realised a £1.2 million profit over the 30 September 2017 CBRE valuation, and the sale of the Feethams leisure scheme at book value, investment properties now comprise the commercial development and expansion areas at Alconbury and a proportion of the Waterbeach site, which could deliver both commercial buildings and residential properties for rent in due course.

The £10.6 million uplift in the year reflects (equally) an improved planning status of the Alconbury expansion area and higher achieved commercial sales values, again at Alconbury.

The Directors have valued Waterbeach interests at cost, recognising that the value of the Development Management Agreements with the Defence Infrastructure Organisation is dependent on planning.

Readers of our accounts will have noticed that the Group now holds a significantly lower proportion of its property interests as investment properties, and consequently movements through the income statement have reduced.

The Group continues to revalue all of its property interests; however, uplifts on trading properties are recognised by EPRA measures only (which are non-statutory).

Given the scale of Alconbury and its bifurcation across the Group's balance sheet, I have set out below how CBRE's valuation is incorporated into the Group's NAV and EPRA measures.

CBRE's valuation of Alconbury increased from £235.5 million to £266.5 million in the year, based on the consistent assumption that we deliver serviced land parcels.

After allowing for housebuilding and commercial construction expenditure incurred at Alconbury, which CBRE did not take into account in its valuation, the total site valuation increases to £275.2 million (representing 45 per cent of the Group's property portfolio value). The allocation of the value within our year-end balance sheet is shown below.

Alconbury Weald £m	Investment properties	Trading properties	Properties within PPE	Trade and other receivables	Total
Valuation at 1 October 2017	60.3	163.7	3.4	17.2	244.6
Less: EPRA adjustment (trading properties)[1]	—	(37.3)	—	—	(37.3)
Carrying value in financial statements at 1 October 2017	60.3	126.4	3.4	17.2	207.3
Capital expenditure (including capitalised overheads)/additions	12.1	20.8	—	0.2	33.1
Disposal/depreciation	—	(14.5)	(0.1)	—	(14.6)
Revaluation movements (investment properties)	10.6	—		—	10.6
Carrying value in financial statements at 30 September 2018	**83.0**	**132.7**	**3.3**	**17.4**	**236.4**
Add: EPRA adjustment (trading properties)[1]	—	38.6	0.2	—	38.8
Valuation at 30 September 2018[2]	**83.0**	**171.3**	**3.5**	**17.4**	**275.2**

1. £1.5 million movement in year reflects £38.8 million closing EPRA adjustment less £37.3 million opening EPRA adjustment.
2. Includes revaluation of the Morris Homes and Redrow variable considerations classified as a financial asset.

Consolidated statement of comprehensive income continued

Taxation expense

The tax charge for the year of £3.6 million reflects an effective rate of tax of 16.0 per cent, lower than the average rate of UK corporation tax for the period, principally due to losses brought forward and excess losses generated in the period available to offset realised profits and revaluation surpluses. The charge relates in most part to the tax payable and utilisation of losses brought forward in respect of the sale of the Stansted Hotel and Bradford leisure scheme as well as deferred tax provided on the revaluation of the proportion of Alconbury held as an investment.

Dividend

The Board proposes to pay a final dividend of 2.2p in respect of the year ended 30 September 2018, taking the total dividend to 3.5p, up 9.4 per cent on last year. Subject to shareholder approval at the AGM, the dividend will be paid on 27 February 2019 to shareholders on the register on 11 January 2019. Investors choosing to participate in the dividend reinvestment scheme will need to make their election by 25 January 2019.

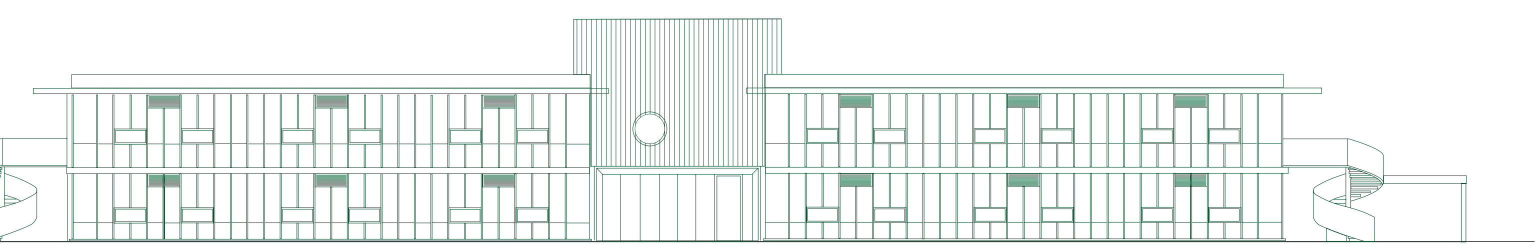
The Group paid its final dividend for the year to 30 September 2017 in February 2018 and the interim dividend in July 2018 at rates of 2.0p and 1.3p per share respectively, amounting to £4.5 million in total.

Consolidated balance sheet

Overview

	Year ended 30 September 2018			Year ended 30 September 2017		
	Group £m	Joint venture and associates £m	Total £m	Group £m	Joint venture and associates £m	Total £m
Investment properties	86.9	—	86.9	79.1	—	79.1
Investment property held for sale	—	—	—	20.7	—	20.7
Trading properties[1]	273.8	116.5	390.3	289.7	79.4	369.1
Properties within PPE	3.7	—	3.7	4.1	—	4.1
Properties[2]	364.4	116.5	480.9	393.6	79.4	473.0
Investment in joint ventures and associate	103.4	(103.4)	—	76.8	(76.8)	—
Trade and other receivables						
Non-current property[2]	20.4	11.6	32.0	16.9	10.6	27.5
Current property[2]	10.9	—	10.9	1.9	—	1.9
Current – other	18.1	10.0	28.1	13.5	0.7	14.2
	49.4	21.6	71.0	32.3	11.3	43.6
Cash	16.6	0.5	17.1	12.2	1.0	13.2
Borrowings	(94.9)	(21.3)	(116.2)	(93.9)	(13.1)	(107.0)
Deferred tax liability (net)	(4.1)	—	(4.1)	(1.4)	—	(1.4)
Other net liabilities	(45.8)	(13.9)	(59.7)	(47.7)	(1.8)	(49.5)
Net assets	389.0	—	389.0	371.9	—	371.9
EPRA adjustments – property[2]	67.4	17.9	85.3	55.0	6.8	61.8
EPRA adjustments – deferred tax	6.9	—	6.9	5.6	—	5.6
EPRA net assets	463.3	17.9	481.2	432.5	6.8	439.3

1. All properties held by joint ventures are trading properties.
2. Total property related interests: £609.1 million (30 September 2017: £564.2 million). The 30 September 2017 comparative now incorporates Rugby minimums and overages that were previously classified as other working capital.



Incubator 2 – Alconbury Weald.

Non-current assets

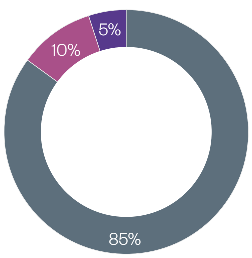
Investment properties

Investment properties at 30 September 2018 amounted to £86.9 million and comprised the commercial development and expansion areas at Alconbury (£83.0 million) and a proportion of the Waterbeach site (£3.9 million), which could deliver both commercial buildings and residential properties for rent in due course.

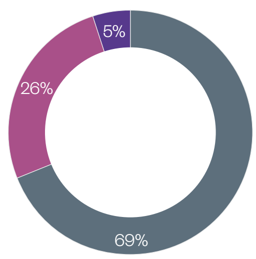
The Group's total year-end property portfolio, irrespective of balance sheet classification, was valued at £609.1 million, 90 per cent by independent valuers CBRE and 10 per cent by Directors.

The pie charts below provide an overview of EPRA property values by business segment.

At 30 September 2018



At 30 September 2017



● Strategic sites ● Commercial ● Catesby

Investment in equity accounted joint ventures and associates

Investment in joint ventures and associates has increased by £26.6 million, predominantly the result of the reclassification of the Group's remaining interest in the Manchester New Square development (£14.9 million) – following a 50 per cent disposal to Greater Manchester Pension Fund in April 2018 – and further loans made to the Rugby joint venture to fund infrastructure expenditure (£8.6 million).

Following a resolution to grant planning consent for 2,800 homes at Wintringham, the Group has recognised an £8.5 million valuation uplift in respect of its one-third share through EPRA, with Rugby contributing a further £3.8 million of incremental value.

These uplifts (£12.3 million) together with £2.1 million of residential trading profits booked through the income statement see joint ventures contribute £14.4 million or 9.9p per share to the 27.4p EPRA movement in the year.

Further analysis of the Group's joint ventures can be found in note 13.

Non-current trade and other receivables

The £20.4 million disclosed on the face of the balance sheet comprises both the non-current proportions of the acquired Priors Hall receivables and the discounted value of Morris Homes and Redrow contractual minimums at Alconbury and Avant contractual minimums at Newark. Equivalent receivables are owed to the Rugby joint venture by Crest Nicholson (£5.7 million) and again Morris Homes (£5.9 million). All sums due will be received as and when the houses to which they relate are sold.

For reference I have disclosed the current proportions of these arrangements in the table opposite.

Current assets

Trading properties

The carrying value of trading properties decreased by £15.9 million in the year to £273.8 million.

This fall was the result of a combination of the reclassification of Manchester New Square to joint ventures as well as other compensating movements namely: additions of £90.1 million including the acquisition of Priors Hall, development expenditure at the strategic land sites and Catesby promotion expenditure. Against this £106.0 million of disposals or write downs were made including the sale of Stansted and Skelton (£46.8 million) and £26.5 million of residential disposals (incorporating the full cost of 173 plots on contract completion with Avant, the full cost of 58 plots on contract completion with Redrow, 42 Hopkins sales and a 64-plot land parcel to Bellway).

During the year, capitalised overheads and interest within trading properties amounted to £4.2 million and £2.2 million respectively.

Cash

Group cash balances, excluding joint ventures, at the year end totalled £16.6 million, up £4.4 million since last year, predominantly due to sales receipts (£140.6 million) and loan drawdowns (£42.8 million) exceeding development expenditure (£61.4 million), loan repayments on properties sold in the year (£42.0 million) and the £40.5 million acquisition of Priors Hall.

Sales receipts (net of loan repayments) comprised commercial sales receipts of £105.8 million, £17.2 million of Catesby promotion receipts (including cost reimbursement) and £17.6 million of residential sales receipts.

Consolidated balance sheet continued

Liabilities

Current and non-current borrowings

The Group or its joint ventures have put in place four new facilities in the year: the first; a 15-year, £46.2 million Homes England acquisition and infrastructure facility in respect of Priors Hall; the second a ten-year, £2.0 million development facility with Huntingdon District Council to fund a second incubator commercial building at Alconbury; and the last two facilities, totalling £75.6 million, were put in place by the Manchester New Square joint venture to fund the development of 351 residential apartments.

At the year end total Group borrowings amounted to £94.9 million (30 September 2017: £93.9 million) with the Group's share of joint ventures borrowing a further £21.8 million (30 September 2017: £13.1 million).

During the year the Group made further drawings of £10.6 million from the Alconbury Homes England facility, together with £28.2 million from the Priors Hall facility (to fund part of the £40.5 million acquisition cost) and £2.0 million from the Incubator 2 development facility. These drawings broadly replaced Stansted, Bradford and Feethams facilities which were repaid following their disposal.

Joint ventures made further drawings during the year of £4.7 million from the Homes England facility within the Rugby joint venture and £3.2 million from the Manchester New Square development facilities.

Financial resources and capital management

The Group's net debt position at 30 September 2018 totalled £78.3 million (30 September 2017: £81.7 million), comprising external borrowings of £94.9 million and cash reserves of £16.6 million, producing a net gearing ratio of 20.1 per cent (30 September 2017: 22.0 per cent) on an IFRS NAV basis and 16.3 per cent (30 September 2017: 18.6 per cent) on an EPRA NAV basis.

On a full look-through basis, which additionally includes the Group's share of joint ventures' net debt, gearing on an EPRA basis increases to 20.6 per cent, still well within our self-imposed limit of 30 per cent.

Of the £118.1 million of borrowings at the year end (which includes the Group's share of joint venture borrowings) 78 per cent (£91.9 million) relate to facilities with Homes England, local authorities or the Housing Infrastructure Fund.

Undrawn facilities at 30 September 2018 totalled £86.0 million (comprising £51.4 million of Group facilities and £34.6 million of joint venture facilities).

The Group's weighted average loan maturity at 30 September 2018 was 7.9 years (30 September 2017: 5.3 years) and weighted average cost of borrowing on drawn debt was 3.3 per cent (30 September 2017: 2.9 per cent).

The Group has no loans maturing over the next three years, with the exception of the £40 million revolving credit facility (RCF), which matures in June 2019, the £11.2 million Homes England facility at Newark, which is currently amortising and due for repayment by March 2021 and £75.6 million of joint venture development loans at Manchester New Square, which will be repaid from sales proceeds. Subsequent to the year end, the Group has received credit committee approved terms for a five-year extension to the RCF, which is now in documentation, and discussions have commenced with Homes England on the extension of the Newark facility. A new £8.6 million development facility for Civic Living has also received credit approval and is in documentation and a £26.0 million infrastructure loan for the Wintringham development (in which Urban&Civic has a one-third interest) is in final form; both are with Homes England.

The Group maintains a comprehensive business plan model which forecasts the cash usage and generation on a project-by-project and consolidated basis for five years, or longer in relation to our strategic land sites. This model is regularly updated and informs the Group as to its cash needs, allowing us to plan ahead.

David Wood

David Wood
Group Finance Director
28 November 2018

LONG-TERM VIABILITY STATEMENT

In accordance with provision C.2.2 of the UK Corporate Code 2016, the Directors have assessed the prospects and financial viability of the Group, taking into account both its current position and circumstances, and having made reasonable assumptions about its future trading performance and the potential impact of its principal risks set out in the risk review on pages 36 to 43.

The Directors' detailed viability assessment was made in respect of a five-year period ending 30 September 2023, although where the duration of a particular development project extended beyond five years, the lifetime business plan for that development was reviewed to ensure commitments beyond five years did not impact ongoing viability.

The five-year review period was considered appropriate for the following reasons:

- the Group's annual strategic review covers a five-year period;
- serviced land sales contracts in respect of the Group's strategic land sites, which account for over two-thirds of the Group's EPRA NAV, typically take the purchaser five years to build out and sell;
- contractual arrangements in relation to capital expenditure do not normally exceed five years; and
- availability of finance and forecasting uncertainty reduces reliability over longer periods.

Assessing viability

The Directors assess ongoing viability principally through:

- Five-year business plans, which are presented periodically at Board meetings and detail quarterly and annual cash flows (including dividends), balance sheets, income statements for each business segment or material asset, as well as financial covenant compliance for the period under review.

  No breaches were noted within the assessed business plans.
- Sensitivity analysis on key assumptions and/or principal risks embedded within the five-year business plans (including land parcel sales rates, sales price and cost price inflation assumptions and timing of expenditure and land promotion receipts).

  For this year end, the Group has assumed that uncontracted land promotion receipts are delayed six months and that sales rates at the strategic land sites are reduced to minimum levels as provided for by contracted licence arrangements.
- Scenario modelling, which is overlaid on the five-year business plans and comprises investment and divestment opportunities.

  A business model was run to exclude any discretionary outflows in the next five years. This model was assessed against the Group's existing cash position, committed borrowing facilities, committed expenditure and normalised overhead.
- Stress testing business plans, assuming that valuations fall significantly, land parcel sales comprise only contractual minimums and that the only other revenues generated are in relation to contracts already in place or in respect of sites with an existing planning consent. Against these reduced revenue scenarios non-contracted capital expenditure is deducted to get to an extreme downside scenario, which allows the Directors to assess the additional actions they would have to take to remain viable over the review period.

  This significant optionality, is derived from the Group having limited future development obligations in respect of current contracted strategic land receipts, meaning that development costs could be significantly reduced in relatively short time scales.
- Annual strategy days, which are used by the Board to agree annual priorities and budgets, which are then owned and monitored by relevant senior employees. Material changes to budgets require further Board approval and only then will the five-year business plan be updated.
- Reviewing unutilised facilities, borrowing capacity over period under review and the risk associated with refinancing any maturing facilities, including assessment of ongoing negotiations in relation to extensions or renewals and/or ability to repay maturing facilities from existing Group resources.

  Further explanations in respect of the Group's maturing facilities have been set out on page 34 of the Finance Review.

Qualifications and assumptions

The Directors consider that the sensitivities, scenarios and stress assumptions set out above more than compensate for the significant uncertainty surrounding the UK's future economic prospects, especially in light of Brexit and current cyclical positioning of the housing market.

No key metrics were breached and sufficient cash headroom was forecast with the corporate LTV remaining below 30 per cent throughout the review period.

Based on the assessment detailed above, the Directors confirm that they have a reasonable expectation that the Group has adequate resources to continue in operation and meet its liabilities as they fall due for the next five years and that it is appropriate to continue to prepare financial statements on a going concern basis, as discussed in the Directors' report on page 116.

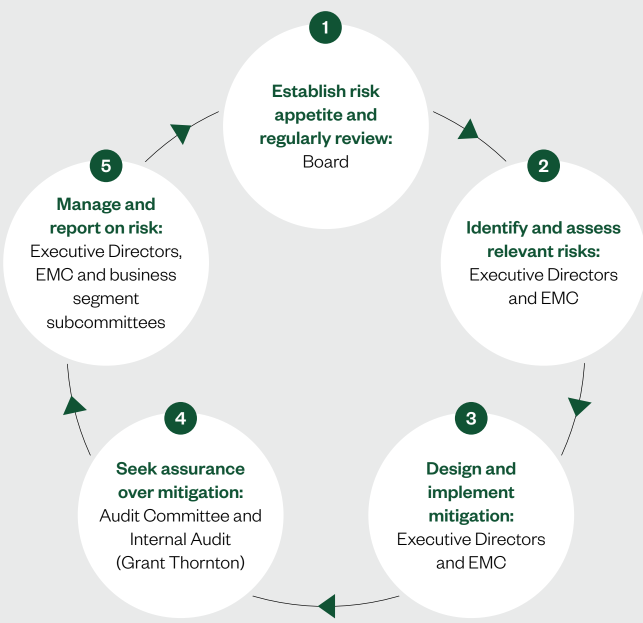
This long-term viability statement was approved by the Board on 28 November 2018.

David Wood
Group Finance Director
28 November 2018

A GROUP-WIDE RISK MANAGEMENT FRAMEWORK

Urban&Civic continues to seek to deliver on its strategic objectives while operating through a Board-led risk management framework that:

- establishes 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);
- designs and implements mitigating actions and/or procedures;
- seeks assurance over the effectiveness of those mitigating actions and/or procedures; and
- manages the Group's risks on an ongoing basis against risk appetite, acknowledging that risk cannot be totally eliminated.



Readers of last year's risk section would have noted the introduction of an Executive Management Committee (EMC) into the Group's risk management structure. Over the last 12 months, the EMC has been instrumental in helping the Board embed the risk management framework across the Group, especially down at grass root levels, where emerging risks are typically identified first.

Urban&Civic's size and regional office network provide an opportunity to collate, assess and mitigate risks effectively, but only if supported by effective communication and reporting up, down and across the Group. The EMC, through its composition in part, has assisted greatly in improving communication around the Group (see pages 76 to 78 within the corporate governance review for more details of the scope, structure and composition of the EMC).

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, (Grant Thornton) on internal controls and risk reports from the EMC and business segment 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. The Audit Committee also monitors and reviews the external audit, including the auditor's report and sets the programme for internal audit. The work undertaken by the Audit Committee in relation to risk during the year and its anticipated 2018/19 work programme are further set out in the Audit Committee report on pages 92 to 97.

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 business segment subcommittees to help fulfil its risk reporting responsibilities by maintaining live operational risk registers.

Key features of Urban&Civic's risk management framework

- Clear and well communicated risk management framework and structure (including roles and responsibilities)
- Board and Audit Committee review risk (including key risk registers) and internal controls at each meeting
- Annual review (or more frequent if appropriate) by Board, Audit Committee and EMC of risk appetite and corporate (top-down) risk registers
- Bi-monthly review (or more frequent if appropriate) of project risk registers by EMC and business segment subcommittees
- 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
- Identify and communicate the process for risk event acceleration outside the formal regular procedures
- Ensure employees understand and have confidence in the Group's whistleblowing policy

Risk management framework components

The principal components of the Group's risk management framework comprise the risk appetite table and risk heat map (see below), risk summary (which highlights Group-wide risk items requiring further consideration and risk profile over time), risk registers (including key risk register, full risk register, development/asset risk registers and corporate risk register) and associated scoring matrices.

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 in the longer term compensate for increased risk. Long-term viability is a key override.	
Operational strategy	Moderate/high	The Group's strategy is enshrined in its investment decisions and investment thresholds and structures.	
Operations	Low	The Board seeks to deliver developments effectively, complying with all legislation and avoiding actions that could adversely impact performance or reputation.	
Finance	Low	The Group will seek to put in place non or limited recourse funding lines, with non-onerous covenants (on a flexed basis) and will not seek to borrow to service land (except through infrastructure loans provided by Homes England.	
People	Low	The Group cannot function without a motivated and well trained workforce and aims to recruit, train, retain and promote staff, ensuring a succession plan is in place.	

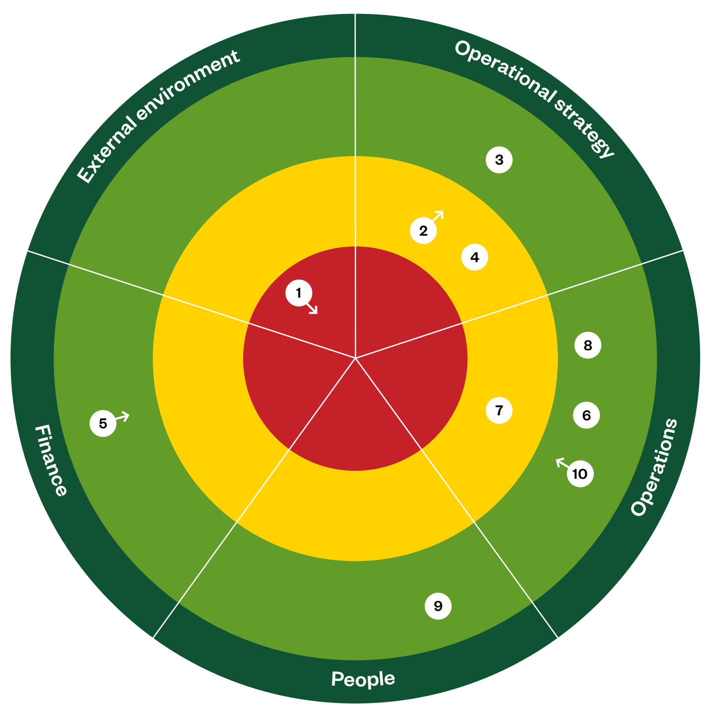
Risk after mitigation

High · Medium · Low

→ Movement in the year

Key

R1. Market risk
R2. Strategic risk
R3. Legal and regulatory risk
R4. Competition risk
R5. Financial risk
R6. Delivery risk
R7. Health and safety risk
R8. Cyber risk
R9. People risk
R10. Planning



As previously noted, a key component of the Group's risk management framework is the maintenance of risk registers for each project and business area, which are used to revise and inform corporate level registers that are periodically reviewed by the Board. The corporate-level registers typically include around 30 risks and, in line with last year, the most recent ten key risks (planning being added) are set out on the following pages.

R1. Market risk

External environment

Impact of risk

The business model may be affected by external factors such as economic conditions, the property market, the quoted property sector and political and legislative factors, such as changes in tax or planning policy. Adverse changes in market conditions and the economic environment increase the risk of a decline in shareholder 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 meeting.
- Consideration when making decisions is given to external markets, dynamics and influences.
- 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.
- Increased focus on putting in place sales contracts with contractual annual minimums in respect of the Group's most prominent segment: strategic land.
- Prior to investment, detailed due diligence and financial appraisals are rigorously carried out and flexed to establish the financial outcome on a downside-case basis.
- Business plan and rolling long-term cash flow forecasts with detailed sensitivity analysis.
- Ongoing monitoring with the assistance, when required, of appropriate professional advisers (tax, accounting, regulatory and company law).

Typical risk indicators

- Reduced sales rates (homes and serviced land parcels) and prices.
- Increasing interest rates (affecting mortgage affordability and cost of Group debt).
- Relevant legislation enactment.
- Falling share price or real estate indices (indicative of reducing investor appetite).
- Increased construction costs (inflation).

Movement description

- The well publicised ongoing Brexit negotiations have introduced uncertainty into the market, irrespective of whether any of the finally agreed trading arrangements with the European Union are ultimately damaging to the UK economy. This could lead to potential home buyers postponing their decision to purchase a new home, which in turn could impact not only the timing of currently contracted serviced land receipts, but also the behaviour of the Group's customers (housebuilders), thereby increasing market risk correspondingly.
- Pending political comment/legislation (such as formal Government response to the Letwin Review due February 2019) increases uncertainty and therefore market risk.

R2. Strategic risk

Operational strategy

Impact of risk

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

Controls and mitigation/action

- Board meetings are held at two monthly intervals to review progress against objectives and, where necessary, to update strategy.
- The Board annually approves a business plan and reviews rolling longer-term cash flow forecasts with detailed sensitivity analysis. These are reviewed against the Group's KPIs and revised where necessary.
- For assets under development, budgets are prepared and approved by the Board, costs are periodically monitored by the Board, the Executive Management Committee and subcommittees and remedial actions identified, approved and implemented where necessary.
- Material capital commitments, which have not previously been approved in the Group business plan require additional Board approval.
- Employ suitably qualified and experienced staff.

Typical risk indicators

- Adverse variances to forecast (revenue and costs).
- Reductions in independent valuations.
- Litigation.
- Contingency utilisation.
- Covenant breaches.

Movement description

- Executive Management Committee and subcommittees now embedded across the Group, which has improved oversight, reporting and governance.
- Third party internal auditor reviews in respect of the Group's IT systems, budgeting and forecasting processes and joint venture arrangements have provided additional assurance.
- Improvements to Board reporting packs have been made, including more detailed and longer duration Group business plans, more focused project monitoring reports and clearer bottom-up linked risk reporting.

All noted improvements have led the Board to conclude that strategic risk has reduced when compared to last year.

Risk rating after mitigation: Insignificant or slight | Moderate | Significant or major | Increase in risk | No change | Decrease in risk

R3. Legal and regulatory risk

Operational strategy

Impact of risk

Non-compliance with laws and regulations could result in project delays, failure to obtain planning consents, financial penalties 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 Board/Audit Committee.
- Training and continuing professional development undertaken.
- Board review of UK corporate governance compliance.
- Regular Board/Audit Committee updates and training on regulatory obligations.

Typical risk indicators

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

Movement description

- Despite increased regulation over a number of operational areas, no change to the legal and regulatory risk rating has been made as the Board is satisfied that the impact of an event remains unaltered and controls in place remain effective.
- Revised working practices as a result of the new GDPR were introduced in the year with the assistance of a third party adviser. A new internal data protection manager has been appointed to ensure compliance.
- Additional staff training around health and safety and bribery, amongst other matters, has gone some way to ensuring an understanding of increased legislation.

& CASE STUDY

WORKING CLOSELY WITH OUR ADVISERS

We work with a number of law firms to manage risk across our portfolio. Given the breadth of the work and the fact that commercial deadlines require projects to be completed quickly, we spend additional time briefing our legal teams on our business and the risks and opportunities we are facing on the ground. Earlier this year, for example, we invited our entire Mills & Reeve team to Alconbury for a joint workshop and site tour. This was extremely helpful for all involved and fostered a much wider understanding of how both companies work. In particular the lawyers got to see the direct result of their legal work manifested in physical delivery on site, which provided real context for matters in the future.

“Working closely with the Urban&Civic team on sites and seeing the developments grow from the ground up gives us a deeper understanding of project implementation. With that comes a better appreciation of how we can fine tune our work to ensure the best outcomes. We take great delight in seeing how the words on our pages are transforming into new places.”

Christine de Ferrars Green
Partner – Mills & Reeve LLP

Read more in our CSR pages 48 to 65

R4. Competition risk

Operational strategy

Impact of risk

Competition in the market 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

- Use of experience and expertise in determining suitable offer prices and optimal project timings to maximise returns.
- Assessment of the threats of competition before acquiring assets (such as competing sites close to a proposed acquisition that might impact the Group's intended strategy).

Typical risk indicators

- Ratio of successful to unsuccessful acquisition bids.
- Adverse variances to forecast (revenue and costs).
- Significant or persistent abortive costs.

Movement description

- Our competitors continue to benefit from strong cash generation and capital availability, particularly in strategic land and land promotion sectors.
- The Master Developer role is becoming more understood (there have been a number of public declarations over the last 12 months from both public and private bodies interested in becoming Master Developers), which would potentially impact the Group's ability to acquire suitable sites at acceptable price points.
- The risk rating has not changed by virtue of the Board considering that the Group will continue to enjoy early mover advantage, at least over the short to medium term.

R5. Financial risk

Finance

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 Board and Executive Management Committee.
- Continuous monitoring of capital and debt markets (with advisers).
- Maintenance of relationships with lenders and investors.
- Review of principal terms of prospective loans and ongoing monitoring of covenants/ requirements to ensure compliance.

Typical risk indicators

- Increased gearing levels beyond Group-set targets.
- Covenant breaches.
- Reduced deal flow.

Movement description

- Improved management reporting and increased human resources continue to reduce monitoring risk (as evidenced by an internal audit review on budgeting and forecasting during the financial year).
- Additional contractual minimums with housebuilders at the Group's strategic land sites continue to improve certainty over short-term cash receipts (subject to ongoing viability of the counterparty housebuilder).
- Reduced commercial portfolio has increased financial risk when compared to last year, as the Group becomes more strategic land focused.
- Strategic land sites passing or approaching peak equity reduces ongoing financial risk.
- Revolving credit facility reduced maturity increases risk (although credit-approved terms for five-year extension now received and facility in documentation).
- Although the risk rating after mitigation remains low, there has been on balance an increase in the year for the reasons set out above.

Risk rating after mitigation: Insignificant or slight | Moderate | Significant or major | Increase in risk | No change | Decrease in risk

R6. Delivery risk

Operations

Impact of risk

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

Controls and mitigation/action

- Projects are monitored on an ongoing basis by the Board, Executive Management Committee 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.

Typical risk indicators

- Customer/subcontractor complaints.
- Adverse budget variances.
- Delayed completion dates.
- Adverse audit findings.

Movement description

- The Group's approach to delivery remains largely unchanged, although the Group has accepted and implemented internal audit recommendations (none of which were significant) around project delivery and introduced enhanced monitoring and governance procedures, which were demanded by increased development levels.

R7. Health and safety risk

Operations

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 Construction (Design and Management) Regulations.
- Strict adherence to health and safety procedures at operational sites and Group offices.
- Due diligence carried out (including appropriate references) on principal contractor and design consultants prior to appointment.
- Appropriate insurance cover is carried out by either the Group or its contractors.
- Training by third party consultants provided and handbook issued to all employees.
- Monitored policies and procedures.
- Safety log (internal whistleblowing system).

Typical risk indicators

- Litigation.
- Investigations/enquiries.
- Frequency or reportable incidents.
- Penalties.
- Adverse health and safety audit findings.

Movement description

- Although there have been a number of recent improvements in this key risk area, as explained below, the risk rating is being held until sufficient evidence exists that working practices have embedded Group health and safety policies and procedures fully.
- Progress made in the year included:
  - independent review of health and safety policies and procedures;
  - health and safety training provided by third party consultant; and
  - health and safety booklet (used to aid understanding of Group policy) issued to all staff.

R8. Cyber risk

Operations

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 restrictions.

Typical risk indicators

- Server downtime significant.
- Loss or corruption of data.
- Data protection investigations/penalties.

Movement description

- Stable IT environment maintained through:
  - introduction of new hardware replacement policy;
  - data recovery procedures tested in the year;
  - periodic review meetings held with external IT support providers;
  - weekly reports on IT performance received; and
  - third party internal audit of IT systems and procedures completed.

R9. People risk

People

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 in terms of 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 Committee reviews succession planning.
- Appropriate notice periods to minimise disruption.
- Adequate resourcing.
- Performance reviews and training.

Typical risk indicators

- High staff turnover.
- Critical appraisal feedback.
- Complaints.
- Exit interview feedback.

Movement description

- Succession plans have been revisited during the year.
- Fully independent Group-wide remuneration review undertaken, with no significant findings.
- Annual performance appraisal carried out.
- Training policy formulated.

Generally processes have become more formalised and organised commensurate with growing employee numbers.

Risk rating after mitigation: Insignificant or slight · Moderate · Significant or major · Increase in risk · No change · Decrease in risk

S

R10. Planning

Operations

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

- Knowledge sharing of 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, undertake detailed consultations with the relevant planning authority, statutory authorities and other stakeholders.
- Alternative uses considered in case initial application not achieved.

Typical risk indicators

- Longer than average times to achieve consent.
- Planning budget overruns.
- Increased judicial reviews.
- Inability to finance, build out or sell consented scheme.

Movement description

- The business model now has a greater focus on the strategic land and Catesby segments, both of which rely heavily on achieving planning consents, and therefore the impact of this risk has been increased. The planning environment has also become more challenging in the year for Urban&Civic segments.

& CASE STUDY

DEVELOPING OUR TEAM

As our business grows it is essential to recruit and retain talented people who feel they can build their careers within Urban&Civic and thus prepare for leadership roles in the future. All our staff have the opportunity for two-way feedback, both formally at half-yearly appraisals and staff away days – where all staff are encouraged to actively participate in breakout sessions, lead presentations and comment on business strategy, often creating action points for the business to address – and less formally at events and socials. The Board encourages an open culture where a problem shared is a problem halved. We have recently created a role to focus on internal training and development. Our success to date is in part reaffirmed by the Group's relatively low staff turnover and we will continue to focus heavily on this going forward.

Read more in our CSR pages 48 to 65

STRATEGIC LAND

As Master Developer, we are working at scale with our partners and stakeholders to accelerate the planning, infrastructure and community facilities that underpin the release of serviced land to our housebuilding customers.

You can find more detail on all of Urban&Civic's strategic sites within the strategic sites brochure.

SCAN ME

QR: **Strategic sites brochure**

RadioStation Rugby

IN DELIVERY

1,170 acres

6,200 homes consented

860 serviced land plots sold or contracted

DAVIDSONS HOMES · MORRIS · Crest Nicholson · REDROW

Alconbury Weald

IN DELIVERY

1,425 acres

6,500 homes anticipated, including 5,000 homes consented

1,012 serviced land plots sold, contracted or on own account

HOPKINS HOMES · MORRIS · REDROW · CivicLiving · Crest Nicholson

Middlebeck Newark

IN DELIVERY

694 acres

3,150 homes consented

237 serviced land plots sold or contracted

AVANT homes · Bellway

Priors Hall
Northamptonshire

IN DELIVERY

965
acres

4,320
homes consented

781
serviced land plots sold or contracted

Jelson Homes · Larkfleet Homes · Taylor Wimpey · Lagan Homes · Barratt Homes · Kier · Electric Corby · Francis Jackson Homes · David Wilson Homes

Wintringham
St Neots

EARLY DELIVERY

400
acres

2,800
homes consented

Waterbeach Barracks

IN PLANNING

716
acres

6,500
homes anticipated

Manydown
Basingstoke

IN PLANNING

794
acres

50%
JV with Wellcome Trust

3,500
homes anticipated

Calvert
Buckinghamshire

EARLY STAGE PROMOTION

785
acres[1]

5,000
homes anticipated

1. With agreement to represent c.2,000 acres in the area overall.

COMMERCIAL

During 2018, in line with our policy of recycling capital, we have sold a number of schemes.

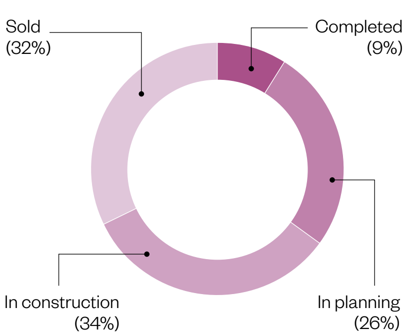
Aggregate value of completed and sold schemes: £105.8 million.

Our ongoing commercial developments continue to make good progress with completions programmed over the next four to five years.

We continue to seek out new opportunities in strong markets where we can minimise occupational and delivery risk, whilst concurrently keeping capital exposure to a minimum through financial joint ventures and forward sales.

Total square footage:

1,173,000 sq.ft.



SOLD 32%

Scale:

377,000 sq.ft.

Sites sold post year end:

4

Sites:

- Hilton by Hampton Airport Hotel, Stansted
- Feethams, Darlington
- Gallagher Leisure Park, Bradford
- Skelton, East Cleveland

Stansted Airport Hotel, Stansted

COMPLETED 9%

Scale:

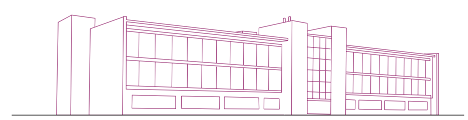
101,000 sq.ft.

Sites completed:

3

Sites:

- Bude, Cornwall
- Canningford House
- Hudson Quay



Hudson Quay

IN CONSTRUCTION 33%

Scale:

394,000 sq.ft.

Dwellings:

351

Sites in construction:

1

Sites:

- Manchester New Square

Manchester New Square

IN PLANNING 26%

Scale:

301,000 sq.ft.

Dwellings:

600

Sites in design/planning:

2

Sites:

- Deansgate, Manchester
- Westside, Wolverhampton

Westside, Wolverhampton

CATESBY ESTATES PLC

Our Catesby sites are smaller scale consented and de-risked residential sites of up to 2,000 units in locations of proven housing need, which we sell on to our housebuilding customers.

This year has seen Catesby incorporate infrastructure delivery to unlock the larger scale of site.

The revenue created by these developments also allows us to reinvest in our strategic site portfolio.

We continue to seek out further unconsented land parcels to promote via discussion with agents and landowners and to utilise the skills of the Catesby team across our business as opportunities arise.

WHO WE HAVE SOLD TO:

REDROW

BOVIS HOMES

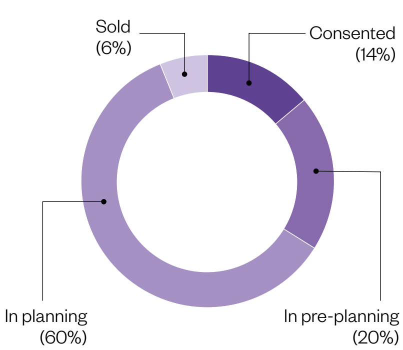
Bellway

CALA HOMES

Crest NICHOLSON

Total acreage:

2,179 acres



SOLD 6%

Scale:

123 acres

Sites sold:

6

Sites:

- Alfold
- Wilstead
- Battle
- Abingdon
- Europa Way two parcels

Plots:

715

CONSENTED 14%

Scale:

307 acres

Sites consented:

11

Sites:

- Willingdon
- Kedleston
- Sudbury
- Crowborough
- Bude
- Europa Way two parcels
- Bertram
- Kilmarnock
- Fenwick
- Armadale

Plots:

2,096

IN PLANNING 60%

Scale:

1,308 acres

Sites in planning:

41

Sites:

- Great Gransden
- Bude
- Shefford
- Haughley
- Bromsgrove
- Kenilworth Woodside
- Crew Lane, Kenilworth
- Longhedge, Salisbury
- Boxford
- Farnham
- Pulborough
- East Horsley
- Marcham
- Countesthorpe
- Sandiway
- Finchampstead
- Southwater
- Bourne End
- North Weald
- Shillington
- Melksham
- Marston Moretaine
- Didcot
- Cropredy
- Harrold
- Cosby
- Middleton Cheney
- Fleckney
- Witchford
- Red House Farm, Leamington
- Stanstead St Margarets
- Hampton Lane, Solihull
- Meriden
- Wyatts Green
- Balsall Common
- Wootton
- Godstone
- Stoke Poges
- Radlett
- Wylde Green
- Heswall

Plots:

7,054

IN PRE-PLANNING 20%

Scale:

441 acres

Sites pre-planning:

12

Sites:

- Hellingly
- Ardleigh
- Crowmarsh Gifford
- Southmoor
- Gillingham
- Hinckley
- Roxton
- Prestwood
- Hockley Heath
- Otford
- Lytchett Matravers
- Headcorn

Plots:

2,962

A DIFFERENT APPROACH

JAMES SCOTT —
DIRECTOR OF PLANNING AND COMMUNICATIONS

Delivering on both the promise and practicalities of large sites remains at the heart of addressing the ongoing need for high quality housing. That said, the housing component, whilst critical, is but one element of what larger sites can and should deliver.

As a Master Developer, we recognise that both the journey towards delivery and the delivery itself must embrace an approach that is inclusive and seeks to leverage the investment we and our partners are making, as broadly as possible. This integral approach to corporate social responsibility runs throughout our projects and is part of our corporate DNA. It is fundamental to the way we do business and is increasingly recognised by our partners, stakeholders and customers as a differentiating factor.

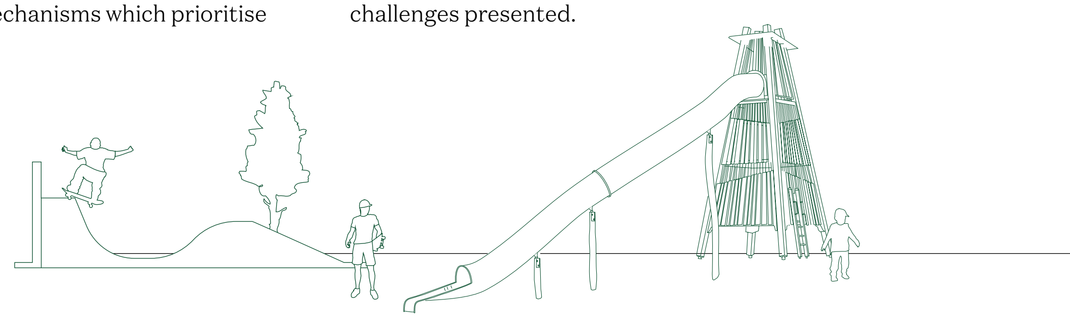
We have always listened to people and tailored our solutions to meet local needs. We recognise that delivery creates impacts which we must address but crucially, we also seek to harness the opportunities as well. Large scale developments, which come forward over many years, have a pipeline from which local communities can benefit. Working with local businesses, charities and community groups to help address issues such as available space, lack of jobs and the need for upskilling is not just the right thing to do; it helps to develop the skilled workers, entrepreneurs and active groups which are integral to delivering a new community.

We now have residents living on five of our strategic sites, and that number will continue to grow.

This enhances our opportunity to have a positive impact, locally and more widely; whether it is increasing biodiversity, providing knowledge or supporting innovation. Our focus on long-term alignment means that we not only deliver the parks, community hubs, schools and wild spaces, which make our sites places people want to live but our team members often go on to become advisers, governors and trustees of the bodies set up to run them.

When delivering over a number of years, however, we do not believe that anyone has all the answers on day one. Consequently we seek to develop and implement mechanisms within our outline planning consents which reflect the mantra that "flexibility is better than prophecy". Developments need to be able to evolve and respond to innovations and changing trends. This is why we establish flexible transport mechanisms which prioritise cycling and walking and allow reviews at each phase to deliver the highway and public transport improvements that will have the greatest impact at that time. We believe that this intelligent spend, throughout the delivery of the development which seeks to respond to rather than prophesise challenges, achieves sustainable and flexible outcomes for all.

Beyond our developments we are measuring and monitoring the impact of our business, including GHG emissions, health and safety and community investment. Working with sustainability consultant Anthesis, we have designed a suite of metrics to measure the Urban&Civic approach. We continue to evolve our approach, refining these metrics and beginning to align them with relevant international standards. We seek to do things differently and to make a difference. That journey continues and crucially we enjoy dealing with the opportunities and challenges presented.



& CASE STUDY

ANCHORING A NEW COMMUNITY WITHIN AN HISTORIC TOWN – NEWARK

Forming authentic partnerships to deliver tangible activities that people want to see has been a key part of our community engagement efforts at Middlebeck, Newark. Working with Avant Homes, we have hosted coffee mornings in the show homes to foster early community and explore ways in which the Master Developer can bring forward early benefits for residents. Generating some awareness and traction within Newark for 'Middlebeck' was a clear goal amongst new families. We used our strong relationship with Newark and Sherwood District Council to accelerate the adoption of the name Middlebeck as a new suburb of the town to give it the legitimacy of place that people were keen to see. We also forged new relationships with the running community of Newark, off the back of our sponsorship of the Newark Half Marathon over the previous two years, to introduce Middlebeck as a thoroughfare for organised runs in the Summer 2019 calendar and have these integrated into the site's Sustrans Route. A tangible result for the new community which further stitches the fabric of old and new together.

W: **www.middlebecknewark.com**

QR: **Middlebeck coffee morning**

SCAN ME

UNLOCKING VALUE **THROUGH DELIVERY**

Our approach

Everyone agrees: the UK needs more housing. But it needs housing in communities that people want to live in and that provide the services – transport, schools, recreation – that are equally important. The Letwin Review, published in October, has also rightly focused on diversity of community as a key factor for large scale sites in key growth locations.

Achieving planning for and then delivering large scale sites which make this kind of quality and differentiated housebuilding possible, with increasing levels of market absorption, is the job of a Master Developer. This year, by way of example, we have continued to push forward with this objective on our strategic sites by:

- submitting an outline application for 2,800 homes in Cambridgeshire which the Council resolved to grant in only 20 weeks;
- commencing delivery of the link road through Radio Station Rugby, supported by Homes England acceleration funding, which will see it open in 2019, seven years ahead of schedule; and
- launching Civic Living at Alconbury Weald which is our own-brand of deliberately contemporary housing to complement the existing and more traditional housing already on site.

While these large complex sites are the focus of our work, we take an equally thought-out, quality-led approach to the smaller sites we develop for commercial uses or through our Catesby business.

Accelerating delivery

Delivering new housing quickly is partly about planning, and partly about the rate of absorption. We believe our model performs better on both counts. Our highly professional and innovative approach to planning, which has been continuously refined with the objective of increasing the efficiency of actual delivery, is giving local authorities real comfort and accelerating the planning process.

As mentioned earlier, at Wintringham we received approval for the proposed extension – including 2,800 new homes, two new primary schools, health facilities and 63,000 sq.m. of new employment space – just 20 weeks after submitting our application and are already on site. Our approach to planning gave our housebuilder customers the confidence to engage in pre-application discussions with the local authority even before outline consent was granted. By having discussions on Phase 1 and reserved matters applications for green and grey infrastructure alongside the outline planning consent process, we have substantially shortened the time it takes to get going once consent is received.

Once on site, we are also getting houses built more quickly. In his review of build-out rates for the Government, Oliver Letwin identified barriers to more rapid housebuilding – and picked absorption as the key inhibiting factor in increasing the speed of building on larger sites. His recommendation to package larger sites into smaller parcels and increase diversity to increase build-out rates reflects our Master Developer approach.

Housebuilders

- Hopkins Homes
- Morris
- Bellway
- Larkfleet Homes
- Jelson Homes
- Taylor Wimpey
- Redrow
- Avant homes
- Davidsons Homes
- Crest Nicholson
- Built around you CivicLiving
- Lagan Homes
- Barratt Homes
- Kier
- Francis Jackson Homes
- Where quality lives David Wilson Homes
- Electric Corby

For more information visit:
www.civicliving.co.uk

Built around you
CivicLiving

Civic Living homes under construction.

With several housebuilders working on our sites, we can build houses quicker and with a range of house types on offer reach a variety of customers on a single site.

In addition to our housebuilding customers, we have also launched Civic Living at Alconbury. This deliberately contemporary style of housing, which includes a number of flats, provides a complementary offer to potential homebuyers and directly addresses Letwin's focus on differentiation. We are also in discussions with a number of alternative housing providers which are seeking to bring forward differentiated product in terms of tenure and/or design.

The Master Developer model fully supports this approach to multi-channel delivery as the serviced land parcel provides a de-risked offer for companies specialising in modern methods of construction, private rental and more supported housing products who don't wish to compete in the land and planning markets. We also seek to accelerate infrastructure of scale wherever possible to create multiple fronts for housing delivery on the same site. This is a crucial element of diversity which is not fully focused on by the Letwin Review but is being actively addressed through Homes England acceleration funding.

Read more in our Civic Living case study page 30

& CASE STUDY

LINK ROAD – HOULTON, RUGBY

Work is underway on the early delivery of a 1.5-mile link road which will connect Radio Station Rugby to the town by July 2019.

It will get motorists from the new development at Houlton to Rugby train station and the town centre in less than ten minutes and will also provide an off-road footpath and cycleway to promote more sustainable transport. The improved connection will strengthen the link between the new community and Rugby, ensuring the town benefits from the economic growth brought about through the expansion.

The work is being delivered simultaneously through two separate infrastructure contracts with a combined contract value of over £27 million. Connecting to Rugby at Butler's Leap, an existing junction, the road will include a new road bridge over the Oxford Canal and structural works to create and extend culverts carrying the Clifton Brook as part of extensive flood alleviation works.

The early delivery of the road makes land available for construction on two housing fronts, thereby fast-tracking the delivery of homes. Redrow has been selected as the first housebuilder on the new western edge and it has already submitted an application for 248 homes which will be ready for sale in line with the opening of the link road.

W: **www.urbanandcivic.com/media-centre/video-library/link-road-houlton-takes-shape/**

QR: **Building the Houlton Bridge**

SCAN ME

UNLOCKING VALUE THROUGH DELIVERY CONTINUED

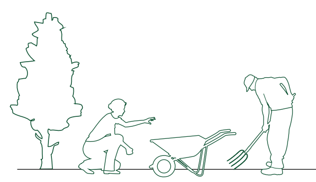
Supporting community development
Getting the right infrastructure in early is also about creating community. Knowing it will take two years to settle into a playable condition, we laid out the cricket pitch at Alconbury early in the development, so it will be ready to play for the 2019/20 season. Though that will still be too early for the development to have its own team, there are talks of the pitch being used as a County Ground to support cricket across Huntingdonshire. As well as a creating a sense of place, the pitch also lies on top of a sophisticated, sustainable drainage system meaning that the land is serving multiple purposes. At Waterbeach, reflecting what we did at Alconbury and Rugby, we are planning to deliver a community hub and primary school early, so they are available for the very first residents. These facilities have proved invaluable at providing the space and community magnets around which relationships are built both on and off site.

Green spaces are also vitally important. At Priors Hall, landscapers from an in-house management company look after the communal greenspace to ensure the development always looks its best and we are replanning zones 2 and 3 to maximise accessibility to greenspace for all residents. Our team has recently created a memorial garden which was opened in November. At Rugby, the ecological corridors we set out in 2014 together with Dollman Common, Normandy Hill and an adventure play area are now all open to residents and the public and we have held a number of ecology-focused events on site to help people understand what a rich habitat runs through the site.

Stakeholder engagement
Building strong relationships and having open and honest communication with people near our sites is an important part of creating trust and understanding, which not only means less concern and confusion during the planning process but also supports delivery thereafter. We consult with people and communities to understand local needs and address concerns. We also work with community groups, local authorities, businesses and charities to ensure the site and what it will offer are right.

£145,000

invested in non-obligatory infrastructure, including gyms, cafes and play areas to help build communities



& CASE STUDY

MEMORIAL GARDEN OPENING – PRIORS HALL

To mark the 100th year anniversary of Armistice, Priors Hall supported the local Parish Council event on the 11 November by planting two memorial gardens across the site. The in-house management team, two of whom are ex-military, planted the gardens in two prominent locations. To mark the opening of the garden, the local British Legion's standard bearer came to the site and met with members of the U&C Corby team, our local MP Tom Pursglove, local Councillor Bridget Watts and members of the Priors Hall community, some of whom are also ex-military.

W: **www.priorshallparkmanagement.co.uk**

QR: **Local communities join together to mark centenary of end of WWI**

SCAN ME

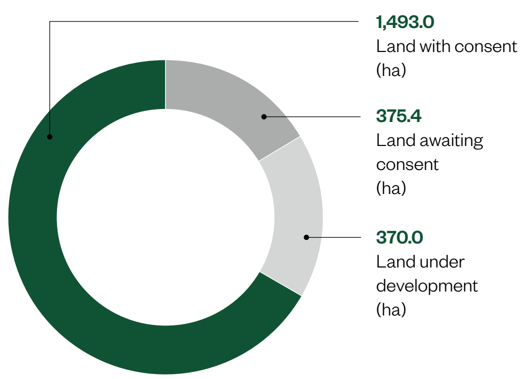
The opening of the first playground at Houlton, Rugby by Mark Pawsey MP.

At Wintringham we are working with partners to respond to local needs early in the development. Building on the strategy set out in the St Neots masterplan, we have committed to funding a business incubator in the first phase of development.

We are also working with the local Wildlife Trust to measure and monitor the biodiversity on site to ensure our development provides a net biodiversity gain.

Catesby has worked with Kenilworth Town Council, the Neighbourhood Plan Group and over 400 local people to refine the proposed scheme there. In Warwick, as well as working closely with the local councils, Catesby has set up a website to provide regular updates to over 1,500 people. At Waterbeach we have worked extensively with community partners and have held three drop-in sessions this year building on our track record of engagement since we started promoting the barracks and airfield land.

Our landbank and developments



83%

of land with outline consent or in development (2017: 78%)

1.1

Average number of years before U&C commences development on strategic sites (2017: 1.3)

SUSTAINABILITY BY DESIGN

Our approach
We continue to create places that support people to live sustainable lives, designing sustainability into our sites from the very beginning.

We tailor our designs to respond to local social and environmental concerns. This means that while some sites promote economic growth and job creation, others focus strongly on biodiversity. We also make sure these sites are accessible by public transport and on foot and that they promote easy and safe cycling.

Job creation and economic growth
Our developments actively seek to leverage our investment to create a positive economic impact, both during development and once in use.

At Alconbury, EDGE is a jobs and skills partnership to help businesses at Alconbury Enterprise Campus and beyond recruit and develop. EDGE works with local training providers, careers advice services, local authorities and the Job Centre to connect companies building and operating at Alconbury with local job seekers. Since opening, EDGE has promoted over 500 jobs with 150 different local businesses, and worked with over 420 customers.

To enhance this service, we now have a full-time in-house lead dedicated to supporting skills development. Through this new role, we have developed a new work experience programme to engage local students. Ten students from local schools were introduced to all aspects of our business, with platforms for partners and others to explain what they do and introduce practical elements. The feedback has been very positive and one of the students has already secured a placement with a partner business.

To further support economic development in the area, iMET, Alconbury's innovation, manufacturing, engineering and technology centre, has now opened.

iMET provides technical training and skills development to support key local industries. iMET is located on land donated by Urban&Civic and we sit on the board.

With skills and labour gaps having the potential to slow down delivery, we are continuously seeking opportunities to help new people into construction and upskill the existing workforce. Our recent application to the Government's Construction Skills Fund for a new construction training hub at Alconbury has been successful. Funding will cover set-up and operation for 18 months, supporting and promoting the new training hub.

The hub has the potential to work across all three of our sites in Cambridgeshire and our project partners currently include iMET, Cambridge Regional College, Breheny, Hopkins Homes and RG Carter. With EDGE and the schools providing the pipeline of new people wanting to get into construction, the housebuilders and contractors have an existing workforce for upskilling and training with specific targets to support those leaving industries in decline and ex-forces personnel. We expect to train over 600 people in the first 12–18 months and to create a sustainable business model which the housebuilders subscribe to.


Avon Valley School visit to Houlton, Rugby in collaboration with Warwickshire College Group and Galliford Try.

& CASE STUDY

FESTIVAL OF LEARNING – ALCONBURY WEALD

Alconbury Weald put together a busy calendar of events to join in the national Festival of Learning. The Festival of Learning is the biggest celebration of lifelong learning in England. The theme of the festival was "Have a go" encouraging adults to try something new.

Events covered a range of themes – from landscape walks describing the approach taken at Alconbury on habitats, to lampshade making, sports and fitness sessions and cookery and 3D printing demonstrations. The festival also marked International Picnic Day with a grand jamboree on Watch Office Green. And finally, the festival saw the launch of the new iMET skill centre.

EDGE played a pivotal part in the festival, with the Town Centre hub. The unit provided training sessions on varied topics from drumming and confidence building to CV writing and interview skills.

"With over 8,000 jobs coming up at Alconbury Campus, learning and skills development is a core priority and during the Festival of Learning we want to demonstrate the positive impact of lifelong learning and encourage more adults to see that it isn't too late to learn new, potentially life-changing skills. It's also a fantastic way for the local community to find out more about the new neighbourhood at Alconbury and meet new people whilst participating in fun and informative events."

Victoria Denny-Morley
Skills Lead for Urban&Civic

The funding allows us to prove the concept and once up and running this has the capacity to generate a step change for on-site delivery of jobs and skills.

We hope to replicate this success at other sites. St Neots, home to our Wintringham site, has lost its local Job Centre and local college provision and we are in discussion about how EDGE and our skills hubs can help fill those gaps.

The business incubator, mentioned earlier, that we are funding at Wintringham, will promote innovation and entrepreneurship, supporting the local growth plan and helping to fill this gap. We are already working directly with a local creative cluster and other sectors to explore the type of space, setting and facilities which should define the commercial areas of the development. We are also working with a local secondary school to explore how visits to the site and projects can be used to enrich curriculum content in a variety of subjects, from ecology and history to geography and science.

Supporting existing organisations is another way to promote economic growth. Through an agreement with Royal Papworth Hospital, the first residents have moved into our Waterbeach site. Doctors and nurses relocating to the hospital's new biomedical campus have now occupied two former barracks buildings which we converted and refurbished. These former barracks buildings now provide 236 units for clinical staff working at the world-leading heart and lung specialist centre.

In 2018 our developments created

640 jobs

Conversion of barracks building at Waterbeach.

SUSTAINABILITY BY DESIGN CONTINUED

Efficient design that promotes sustainability

We design all our sites to be low carbon and sustainable. We reuse materials on site where possible and recycle materials we cannot reuse. The small amount of material that cannot be reused or recycled is hazardous materials which are sent for appropriate processing. The reduction in waste materials this year reflects a change in activity, particularly at Rugby and Alconbury with fewer preparation works and more construction. Of the material we sent for recycling a large quantity originated from the refurbishment of the Barracks at Waterbeach.

Where we deliver buildings, these reflect our sustainability aspirations. For example, at Alconbury, Incubator 2 is a flexible office space for small and start-up businesses which was developed as our first incubator building was full and companies needed grow on space. The building will include a range of sustainability features as well as promoting entrepreneurship.

265,715

Reused on site (tonnes)
(2017: 1,068,224)

151

Recycled (tonnes)
(2017: 0)

4

Hazardous waste[1] (tonnes)
(2017: 0)

1. Asbestos sheets which were removed by a licensed contractor for processing.

& CASE STUDY

BIODIVERSITY IN ACTION – PRIORS HALL

When we took on the development in Corby, the biodiversity of the site had not been optimised, with some areas over-filled with material and others over-managed. We are now implementing careful plans to restore natural habitats and encourage biodiversity.

The site is home to Great Crested Newts, a protected species that we know and love from Rugby, along with many other species. The site is varied, including ponds, woodland and grasslands, and is bisected by a country wildlife zone.

Working with local wildlife groups including the Wildlife Trust we are collectively assessing how best to manage the site to promote biodiversity. This includes clearing trees that overcrowd ponds, removing invasive species, allowing grassland flowers to bloom and managing deer populations.

Biodiversity surveys help us monitor the wildlife on the site and ensure the habitats meet its needs. During these biodiversity surveys, we saw species of moth never recorded in the county before, along with bats and invertebrates.

Eventually the residents will become custodians of these wild areas, and just as we have done at Rugby, we want to raise their awareness of the wildlife on their doorstep. We have held Bioblitz events, community biodiversity surveys, to involve the local community while monitoring biodiversity. We are also holding presentations in the autumn to engage local people.

Incubator 2 which opened at Alconbury Weald this year alongside Incubator 1 and the Club.

Number of partnerships

166

Average duration of partnerships

5 years

Our sites preserve and promote biodiversity. At Wintringham our plans are designed to achieve a net gain on biodiversity. We started working with the Wildlife Trust early in the process and have engaged it to help develop our vision and refine our plans for two parts of the site, Railway Field and Brooks. We continue to collaborate with it to develop biodiversity audit frameworks so we can ensure that we meet our biodiversity net gain commitment and benefit wildlife.

At Waterbeach we also want to demonstrate a net gain on biodiversity and will take a similar approach, working with the Wildlife Trust and other local wildlife groups from planning right through to delivery and long-term management.

Transport

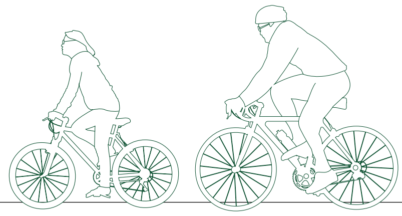
A great place supports people going about their daily lives. Travel planning is essential to ensure people living and working on our sites can access what they need quickly and sustainably.

To help build a culture of sustainable travel we offer free bus tickets and cycle vouchers to every new household at Alconbury as part of a wider travel strategy developed with Cambridgeshire County Council. This is supported by our on-site Community Development Worker who visits each household when they move to the site to take residents through our site-wide welcome pack. Uptake of these are recorded and people's travel choices measured each year in an annual survey which also includes the businesses on site.

We aim to promote a culture of cycling and walking and have integrated these considerations into our plans right across our portfolio of sites. At Waterbeach a 2.5km central spine for pedestrians and cyclists dominates the development and restores a historical causeway between Denny Abbey and Waterbeach Abbey. By working with Cambridge Cycling Campaign and Waterbeach Cycling Campaign we have driven a design to achieve what we anticipate will be a world-leading cycle-first community.

At Alconbury the southern gateway to the development is being designed to prioritise buses and cyclists. The design will provide a safe road through the centre of the roundabout, giving priority to buses and cyclists over cars and allowing them greater safety.

At Newark, the early bridge over the new link road for the SUSTRANS cycle route continues to ensure that the early phases of delivery have a safe and sustainable link into the town centre. The link road currently under construction at Rugby will also have a dedicated footpath and cycle route running alongside it to promote safe and sustainable transport between the site and the town.



INVESTING IN COMMUNITIES


1

Our approach

We want to build successful communities, and we believe the best way to do this is by creating strong relationships with local people and groups. We invest in our relationships, allocating time and funding to bring communities together and providing the services and activities both existing and future residents want and need.

With our sites at different stages and in different areas, our activities at each project vary. Our approach, however, remains the same: we develop community hubs and schools early in our developments while running events to build communities in response to specific local needs.

At Houlton, the Tuning Fork continues to form a hub for the community with an average of 121 visitors per day, many of whom also come to our Visitor Centre.

& CASE STUDY

SOCIAL MEDIA – HOULTON RUGBY

Over the past 12 months, we have used Houlton, Rugby as a test bed for how Master Developer led social media can support both house building customers in driving footfall and our growing communities in promoting events. Our month long Facebook messenger campaign was well received, particularly for Crest Nicholson who fully engaged and viewed it as an extremely valuable contribution to their on-site marketing effort. In total, this led to over 60 individual conversations with potential house buyers within 20 miles of Rugby. During the campaign, Crest Nicholson told us we also drove significant traffic to their website. Furthermore, from surveys collected at events in 2018, social media was consistently ranked the number one driver for where people learnt about it happening. We will continue to explore ways in which the Master Developer can use social media to support our housebuilding customers and our growing communities, sharing best practice between sites.

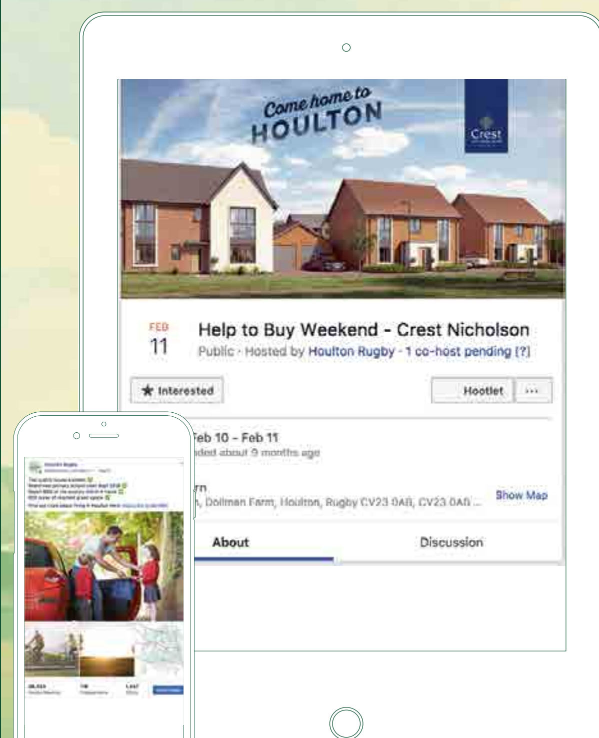
"Urban&Civic's social media support has definitely contributed to the enquiries and visitors we have seen at Hansford Park, Houlton. We look forward to continuing our work together, promoting the Houlton and Crest Nicholson brands, by campaigning our events and offers via their social media platforms and the Houlton website which have a strong following."

Chloe Simpson, Marketing Manager, Crest Nicholson

W: **twitter.com/HoultonRugby**

QR: **Houlton Rugby Facebook**

SCAN ME



2

1. Rt Hon. Sajid Javid and Nick Walkley in discussion with Tim Leathes.
2. New residents event at Houlton, Rugby.

It also plays a role in supporting local initiatives, providing a venue for events and opening out of hours to play their part in the growing community.

We continue to support substantial initiatives in Rugby through our Houlton sponsorship programme. We have invested £50,000 into the programme to strengthen the town's profile and its connection to Rugby and promote community engagement. Activities have included Pride of Rugby, Rugby's Got Talent, Festival of Culture, Spring Fair and Fireworks Extravaganza, which we have delivered with key partners including RBC, Rotary Club, Rugby Roundtable and Rugby FM. Social media provides a further mechanism for engagement and we use our voice to not only promote our sites but also to link to local activities and events in the surrounding area.

At a business level, our community engagement extends to active market and governmental involvement. We regularly hold site visits for key stakeholders and recently showed the boards and senior officers of the Ministry for Housing, Communities and Local Government (MHCLG) and Homes England around Alconbury to explain the Master Developer approach in action. Our team is also regularly invited to speak at key events such as MHCLG's national design conference and Homes England's all staff conference.

Staff engagement

We encourage our people to get involved with community projects that support our sites and now have several roles which are dedicated to supporting and developing site communities. In total we spent 5,776 hours on community development projects. With 2.5 full-time equivalents at Alconbury, our allocation of staff support is currently heavily weighted to this site. Roles here include a skills lead and community development. As some of these roles also cover the other sites in Cambridgeshire the staff support will redistribute more evenly as Waterbeach and Wintringham become further established.

Colleagues are involved in all kinds of community projects. For example, Priors Hall employees attend and present at bi-monthly residents' meetings, host monthly coffee mornings, attend Resident Association planning meetings and sit on the boards for the community centre and the business academy. In Cambridgeshire staff are involved in the local nature partnership – Natural Cambridgeshire – chairing of the Developers Panel and sit on the boards of local charities and school governing bodies.

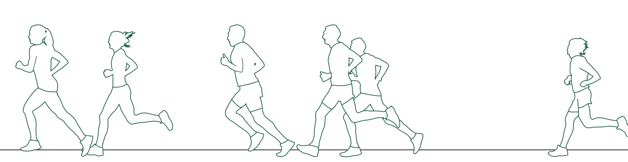
We supported the Newark Half Marathon for the second year to help fund a great local event and boost the profile of Middlebeck. 1,000 people took part and there were a range of activities on around the finish area for supporters.

While supporting a local initiative, the event also created goodwill and allowed the housebuilders to promote themselves and the development.

Our engagement with local communities starts early. We have already begun to build our relationships around Basingstoke to take forward Manydown, which we acquired in February. Our team took part in a four-day workshop, which was hosted by local architects and facilitated by SPUD Youth. The event gave 13 to 21 year-olds interested in architecture, buildings, art and green spaces a chance to develop their skills and have a say in the development of new communities at Manydown. We ran a workshop which explained master development and why community infrastructure is so important when designing at such a large scale. We then discussed Manydown in detail and helped the students prepare and present their own masterplans for parts of the site, addressing the real world constraints. The exercises helped the students grasp the scale and complexity of strategic delivery. The students subsequently presented their conclusions to the local council's Manydown Overview Committee to strong acclaim from the Councillors.

5,776

hours spent on community development projects



INVESTING IN COMMUNITIES CONTINUED

Community projects

We want to make a real difference to build and support the emerging communities on our sites.

At Alconbury we have been working with a community-run project called Grub Hub for a number of years. It provides a hot meal and get-together once a week for families who are receiving support from the Food Bank in Huntingdon. Grub Hub has developed into a positive environment, in which family support workers meet and work with families. Working with the EDGE team, we have helped provide advice on jobs and training, and by making connections with the companies growing at Alconbury Weald. Last Christmas, we asked all contractors and companies on site to contribute funding or goods to support the Food Bank and Grub Hub. Together we raised an incredible £14,000.
This secured enough funding for the Food Bank to provide Christmas and Easter hampers to families registered with them. The money left over covered the cost of hiring the venue for Grub Hub in 2018, securing its future and enabling the partners to provide more and different activities alongside food.

Waterbeach has hosted a broad range of activities over the year including a fundraising 10km run for a local toddler playgroup. Following the success of last year's event, we hosted Summer at the Beach, which is run by local artists to showcase their work and engage people in art and cultural activities, as part of the Cambridge Open Studios month of July.

At Rugby we are providing space for community groups in Houlton's The Barn. Events have included Dollman Dots (church-run play sessions for kids), yoga, pilates, mother and baby yoga and knitting. These community groups are proving integral to the foundation of a vibrant community at Houlton.

We supported Malcolm Hancock to publish his book 'A History of Rugby Radio Station' which covers the history of the site. As well as remembering the history of the site, all the proceeds have gone to charity, now raising over £6,500 for Warwickshire and Northamptonshire Air Ambulance.

1

Charitable activities

We also encourage our staff to donate their time and enthusiasm to charities beyond our site developments. 2017/18 saw a broad range of support for various good causes.

The Catesby team pulled together and walked the 42km Arden Way to raise funds for the Eve Appeal. The walk was in memory of Jayne Manning, a much loved and long-serving member of the Catesby team who passed away this year, and it raised £3,400.

Teams from across Urban&Civic also took part in a charity run raising money for Landaid, with the Catesby team ranking as the fastest team. Five Catesby cyclists rode 50 or 100 miles as part of The Bidwells Golden Triangle Bike Ride for Maggie's Cancer Centres and a joint team of 11 also pedaled4cancer between the Olympic Stadium in London and Cambridge City Centre.

A community taking shape

We are proud of the places and communities we create. With the first residents moving into the Royal Papworth Accommodation blocks at Waterbeach and at Newark, we now have emerging communities at five of our sites.

That does not mean our work is done. We are providing lots of support to these communities as they grow and develop. At Priors Hall, which now has 1,000 occupied properties, we held "A Right Royal Event" summer fête with stalls and live music. The fete was organised with funding from us and housebuilders from across the site and brought people together.

At Rugby, we are working with community leaders to help them establish a residents' association. The association will enable residents to facilitate and run their own events and amplify their collective voice.

Alconbury welcomed its pioneer minister, who moved in at Easter. With two children at the school he is rapidly becoming part of the community, organising summer trails and events and holding weekly services.

The Ermine Street Church Academy primary school at Alconbury welcomed 100 children in its second year and is continuing to grow.

With pancake races, assemblies and the summer fete, the school is becoming well established in the community. As part of our work to engage housebuilders with the emerging community we are working with Morris Homes and the school to provide a school allotment for the children to develop with Big Barn, which runs a field-to-fork campaign with local children.

To support local demand we are working with local authorities to deliver and open a primary school early at Wintringham and to bring forward the secondary school at Rugby. At Wintringham additional capacity will be provided at an existing school before transferring this over to the new school building once it has been developed.

At Rugby, terms have been agreed with the Department for Education (DfE) that will see Houlton's secondary school delivered some eight years ahead of the original timetable. Working closely with the DfE and the department's property company, LocatED, a pioneering funding arrangement is to be put in place that secures the early delivery of the school with reimbursements made by us in line with the section 106 triggers. This approach can herald a new dawn in the way schools are brought forward and is a product of a strong and positive collaboration with the Borough and County Councils, the DfE and Homes England.

2

1. Ermine Street Church Academy Allotment opening supported by Morris Homes.
2. Richard Coppell leading on charrette for the reuse of the C-station building at Houlton, Rugby as part of the new secondary school.

138,875

Estimated people reached (2017: 113,050)

58

Community activities (2017: 44)

& CASE STUDY

1,000th HOME SALE – PRIORS HALL

In November, Homes England joined Urban&Civic to celebrate the sale of the 1,000th property at Priors Hall Park in Corby. This important milestone comes just over a year after Urban&Civic purchased the site with the support of Homes England, after the previous owners went into administration. The 1,000th property was purchased by Jane and Richard Faller, who were among the first residents to move into the Park and have now bought a larger family property with space for them and their young children to grow.

"We have worked closely with Urban&Civic to secure the future of Priors Hall and the result is an excellent example of what can be achieved through collaborative working."

David Acheson Senior Portfolio Manager for Homes England

OPERATIONS

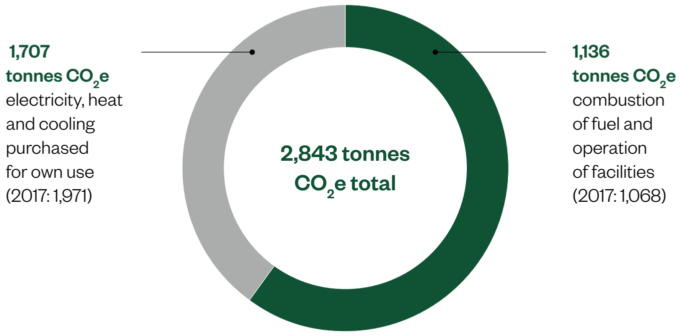
Our approach

The environmental impact of our operations is small, particularly when compared with the effect of our developments. But despite this we work hard to operate efficiently to keep our impact to a minimum.

Emissions

Emissions source	Reporting year end 30 September 2018 CO_2e tonnes	Reporting year end 30 September 2017 CO_2e tonnes
Combustion of fuel and operation of facilities	**1,136**	1,068
Electricity, heat and cooling purchased for own use	**1,707**	1,971
Total CO_2e tonnes	**2,843**	3,039
Financial turnover £k	**150,398**	60,333
Intensity ratio: CO_2e tonnes/turnover £k	**0.0189**	0.0504
Intensity ratio: CO_2e kg/turnover £k	**18.9**	50.4
Intensity ratio: CO_2e kg/turnover yearly percentage change	**-62.5%**	+75.0%

Our landbank and developments



Intensity ratio

18.9

CO_2e kg/turnover £k
(2017: 50.4)

↓62.5%

change in CO_2e kg/turnover £k compared to 2017

Our carbon footprint has reduced slightly compared to 2017, partly due to the sale of some assets. The sharp reduction in intensity factor relates to an increase in turnover and an increased number of strategic sites while the boundaries of our carbon footprint have remained largely unchanged. The hotel at Deansgate and Alconbury Weald were the largest producers of CO_2 emissions accounting for 75 per cent of our carbon footprint. This has highlighted areas for improvement on these sites which may help bring our carbon footprint down in the next year. To reduce our carbon footprint, all new buildings are designed with efficiency in mind and we are making improvements to increase the efficiency of our sites; for example, we have upgraded to LED street lighting at Waterbeach.

We measure and report our greenhouse gas emissions (GHG), providing a good proxy for our overall environmental impact. Our greenhouse gas emissions statement includes all emission sources required under the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013 for the financial year ended 30 September 2018 and includes comparison on a like-for-like basis.

Catesby's project management team on site at Myton Green, Warwick.

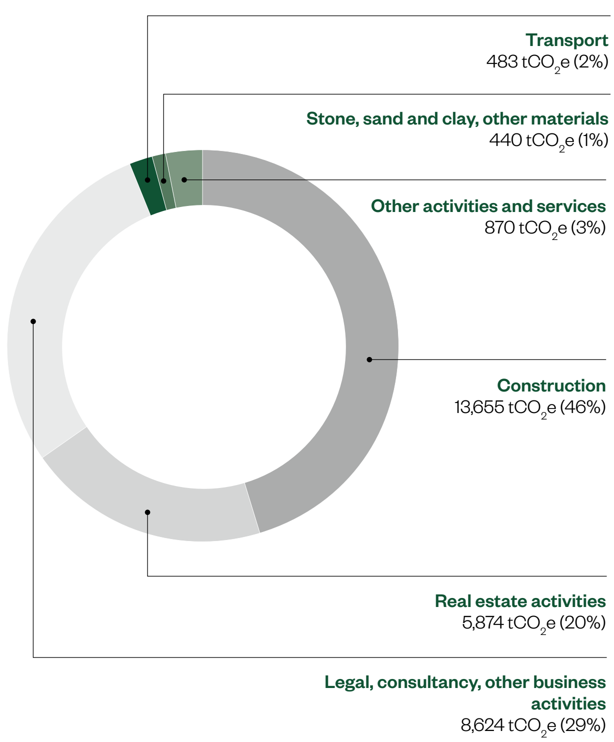
We used the following methodologies to calculate our GHG emissions:

- the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised edition);
- the Department of Environment, Food and Rural Affairs (DEFRA) Environmental Reporting Guideline (2013); and
- the Department of Environment, Food and Rural Affairs (DEFRA) Carbon Conversion Factors 2017.

The emissions reported are for facilities under our operational control. This includes all offices occupied by the Group, as well as Alconbury and the Renaissance hotel at Deansgate, Manchester.

Carbon emissions from assets we do not own or have operational control of, including tenant consumption and certain joint ventures, have been excluded from our carbon footprint. Also excluded are assets where we are acting under a development management agreement for their development: these will be included when the land is drawn down under that agreement in future periods.

Carbon footprint from bought goods and services



OPERATIONS CONTINUED

Emissions continued

We understand that our impact does not end with our operations, so we have undertaken an exercise to estimate the carbon footprint of our bought goods and services. The chart on page 63 is based on attributing a carbon value to spend in various categories, using input-output (IO) carbon factors (originally created by DEFRA but updated to reflect current market values by Anthesis).

In 2018, we estimated the carbon emissions of our bought goods and services to be 29,946 tonnes CO_2e. Of this construction (45.6 per cent) was by far the largest contributor to our indirect emissions. This with the next two biggest contributors – real estate activities (19.6 per cent) and legal, consultancy and other services (28.8 per cent) – contributed a combined 94 per cent of our indirect emissions.

We work with suppliers to reduce the impact of our operations and this analysis will help us to prioritise the areas where we can have the greatest impact.

Travel

Our team travel around the country to conduct their work, attending stakeholder engagement sessions, viewing sites and meeting landowners, tenants, local authorities and local communities.

This is shown in the fact that fuel for car journeys accounts for around 6 per cent of our carbon footprint. While our head office is in London we do have regional offices to reduce this travel as much as possible and open project-based offices once sites move into delivery. As well as reducing travel, this also allows us to cultivate the authentic local connection and local knowledge that underpin our business.

Most long-distance journeys are conducted by train. We also encourage cycling and have bicycles available at Alconbury and Waterbeach for site tours. We operate a cycle-to-work scheme open to all staff and around 10 per cent of our people commute by bike. All business travel must be documented and authorised to ensure it is necessary and that it is conducted via the most appropriate mode.

Health and safety

Health and safety (H&S) is a top priority for us. It is essential that we look after the people who work for us and those building, working and living on our sites. We review our policies regularly and engage with contractors, housebuilders and other stakeholders to ensure our approach is effective and up to date.

Segway training during the Festival of Learning at Alconbury Weald.

Our H&S policy is independently audited and re-issued to all staff every two years to incorporate recent guidance and legislative updates. This year we also introduced a user-friendly handbook, which provides a more accessible version of the Group policy to promote a culture of health and safety within the business. In addition, 84 per cent of our staff have received H&S awareness training within the last 12 months.

We surveyed staff to determine how well embedded our H&S policies and procedures are, as well as understanding general awareness across the offices and development sites. The areas of improvement identified by this report will be implemented in the next financial year.

We hold regular H&S consortia meetings for contractors and housebuilders at all our strategic land sites. As well as acting as general co-ordination meetings, the frequency of these meetings helps us identify and resolve issues quickly and reinforces the importance of health and safety to us and our contractors and housebuilders.

In April, we began supplementing these meetings with fortnightly intermediate visits by our team to the housing developer sites. These visits provide a spot check of the H&S culture being exhibited by the housebuilders and contractors. We feed back the results of these visits through the consortia meetings. We have been working with site staff and housebuilders across all the strategic sites to promote health and safety incident reporting and emphasising how incident reporting helps improve safety by flagging risks before an incident occurs. We have also produced a guide for residents on keeping themselves safe whilst living near a construction site.

We adhere to all relevant statutory provisions including the collation of H&S data from our construction activities, and risk assessments are undertaken to augment written policies and to ensure all our development activities and operations are undertaken safely.

A summary of our performance in the year

Reportable accidents	Nil
Fatalities	Nil
Prosecutions and fines related to health and safety	Nil
Incidents requiring first aid	10

OUR PEOPLE

Our approach

It is through our people that we deliver, build and grow. We provide a range of benefits to help us attract and retain the best employees including benchmarked salaries, goal-focused bonuses and incentive schemes, regular appraisals, training and professional development and internal promotion. We are proud of our high rates of employee retention.

Our approach is supported by policies and procedures which are regularly reviewed by the Board and updated as required. The Company Secretary circulates updated policies to all staff and regularly refreshes the staff handbook to ensure it reflects best practice and the latest regulations. All permanent employees are eligible to join our benefits schemes, including life insurance, permanent health insurance, medical insurance and our pension scheme.

Training and development

We continue to invest in training and promote personal development at all levels. We encourage and invest in our staff to attend seminars and training courses relevant to their role. Our annual staff seminar provides employees with an operational update and an overview of half and full year results, which keeps them engaged and included in how the Company is run. This year we have instituted a new business-wide training programme run by Victoria Denny-Morley, our Jobs and Skills lead at Alconbury, to identify training gaps and to provide a structured programme for the business and individuals. Victoria will also be working with our key consultants to run in-house training sessions during the year on key topics and organising regular site visits for our team to get out and about and see what is going on around the business. This is increasingly important as the business grows and there is a need for new joiners to understand the ambition, ethos and heritage of Urban&Civic.

Human rights

We expect high standards of our employees and have policies covering health and safety, diversity, bullying and harassment, anti-corruption and bribery and whistleblowing policies. These are included in our staff handbook.

Our Community Development lead, Steph Burton explaining her role at the Urban&Civic staff conference.

Employees are expected to report any concerns related to our business or our supply chains.

We take a zero-tolerance approach to slavery and are committed to ensuring there are no acts of slavery within any part of our business or our supply chains. We have adopted an Anti-slavery and Human Trafficking Code of Conduct which sets out the conduct expected of all our employees and the steps to be taken to ensure that slavery and human trafficking are not taking place within the business or its supply chains.

We expect all our first-tier suppliers to comply with the Modern Slavery Act and our Anti-slavery and Human Trafficking Code of Conduct and to communicate these requirements to their suppliers. We communicate our zero-tolerance approach to modern slavery at the outset of any relationship and request evidence from our suppliers that they have not undertaken any acts of modern slavery and are compliant with the Modern Slavery Act and our Code of Conduct. If doubts are raised about a supplier's compliance and they cannot provide evidence to the contrary, we will cease arrangements with that supplier within 12 months.

Our modern slavery statement and Code of Conduct are included in our staff handbook and we have policies and procedures to monitor our business. These include due diligence processes, training, reporting and monitoring, policies covering the issues, and protection for whistleblowers. Our formal statement regarding modern slavery and human trafficking was published in January 2018 and is available on our website, as required under the Modern Slavery Act 2015.

Diversity

We have a diversity policy to encourage the recruitment, development and retention of a diverse workforce and to eliminate discrimination. This policy is reviewed annually and can be found on our website. Appointments are made on merit, skills and experience but with due regard to the benefits of diversity. You can read more about our approach to diversity in the report of the Nomination Committee on page 89.

The strategic report contained on pages 4 to 65 was approved by the Board on 28 November 2018.

On behalf of the Board

Nigel Hugill
Chief Executive

Governance

First Floor terrace garden of the Civic Living show home at Alconbury Weald.

CORPORATE GOVERNANCE REVIEW

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We remain committed to upholding the highest standards of corporate governance and our governance structure reflects this commitment.

ALAN DICKINSON — CHAIRMAN

Dear Shareholder,
On behalf of the Board I am pleased to present our corporate governance review for the year ended 30 September 2018. This review explains the Group's governance arrangements and the Company's compliance with the UK Corporate Governance Code published in April 2016 (the 'Code').

This governance section of the Annual Report covers:

- the composition of the Board;
- Board processes and procedures;
- management structure;
- Board, committee and management responsibilities;
- key activities of the Board during the year;
- relations with stakeholders;
- reports from the Nomination, Audit and Remuneration committees, which seek to explain our compliance with the provisions of the Code relating to effectiveness, accountability and remuneration; and
- the Directors' report and Directors' responsibility statement.

Our compliance with the Code is set out in detail in the corporate governance report on pages 72 to 85. We were in full compliance with the requirements of the Code for the year under review and the report demonstrates our commitment to upholding the principles and provisions of the Code. Our good governance practices extend beyond the Board through the support of management and the culture of the Group.

The revised UK Corporate Governance Code, published in July 2018 (the '2018 Code') will take effect for financial periods commencing on or after 1 January 2019. The Company is therefore not required to report on its compliance with the 2018 Code until the financial year ending 30 September 2020. However, the Company intends to seek early adoption of the 2018 Code and to report on its compliance in the annual report for the year ending 30 September 2019. We have already identified areas for enhancement and will work towards full compliance over the next year.

I believe that the Board remains effective and continues to work well. We have assessed the skillsets of the Directors during the year and believe that the Board has the right balance of skills, knowledge and experience to operate effectively and in the best interest of the Company and its stakeholders. Succession planning remains an area of focus to ensure that the Group's strategy is supported by a strong Board, committee and management structure.

I and my fellow Directors look forward to meeting shareholders at the Annual General Meeting to be held on 13 February 2019 where we will be available to address any questions or concerns you may have.

Alan Dickinson
Non-Executive Chairman
28 November 2018

1 Alan Dickinson
Non-Executive Chairman

N

Appointed to the Board
22 May 2014

Independent
Yes, on appointment as Chairman

Appointed as Chairman
24 March 2016

Tenure[1]
4 years and 4 months

Experience
Alan has spent more than 50 years in banking, originally joining the Royal Bank of Scotland in 1973, having started his career with Westminster Bank in 1968. A former chief executive of RBS UK, he is an experienced retail and corporate banker with a strong strategic focus and considerable experience of the corporate world and the impact of current and past economic cycles upon markets and market participants.

External appointments
Alan is a non-executive director of Lloyds Banking Group and a director of the England and Wales Cricket Board.

2 Nigel Hugill
Chief Executive

EMC

Appointed to the Board
22 May 2014

Tenure[1]
4 years and 4 months

Key responsibilities
Nigel is responsible for the development and achievement of Group objectives and strategy, as approved by the Board. He ensures effective communication with investors and other stakeholders.

Experience
Nigel has held numerous senior positions within the property and regeneration industry over a career spanning 30 years, including serving as special policy adviser to Sir Bob Kerslake at the HCA. He was chief executive officer of Chelsfield plc from 1992 to 2005 and executive chairman of Lend Lease Europe from 2005 to 2008, having joined the company through the joint acquisition of the residential developer Crosby. He was presented with the Estates Gazette Lifetime Achievement Award in 2016.

External appointments
Nigel is chairman of the Royal Shakespeare Company and the respected urban think tank Centre for Cities. He is co chair of the Finance and Estates Committee and is a member of Council of the London School of Economics.

3 Robin Butler
Managing Director

EMC

Appointed to the Board
22 May 2014

Tenure[1]
4 years and 4 months

Key responsibilities
Robin has overall responsibility for the operational performance of the Group's business and for the overall management of the regional offices.

Experience
Robin joined Elliott Bernerd in 1985 and in 1986 became a founding director of Chelsfield plc and was a main board director until the sale of the business in 2004. At Chelsfield he was involved in regeneration projects of metropolitan scale and international significance, including Merry Hill, Paddington Basin, White City (now Westfield) and Stratford City in London. He joined Lend Lease Europe in 2005 and was appointed chief executive in 2006.

External appointments
Robin is on the board of the Royal Academy of Music and is chairman of New Heritage, the regeneration body for Dudley MBC.

4 David Wood
Group Finance Director

EMC

Appointed to the Board
1 July 2016

Tenure[1]
2 years and 4 months

Key responsibilities
David is responsible for financial strategy, treasury, management and statutory reporting and tax.

Experience
David joined Urban&Civic in April 2010, having previously held senior finance positions at Minerva plc, Multiplex Developments and Chelsfield plc. Having qualified as a chartered accountant with Deloitte & Touche, David has over 20 years of experience in the real estate sector.

External appointments
None.

5 Duncan Hunter
Senior Independent Non-Executive Director

A/R/N

Appointed to the Board
22 May 2014

Tenure[1]
4 years and 4 months

Independent
Yes

Experience
On leaving Oxford with a DPhil, Duncan joined Cazenove & Co in 1974, becoming a partner in 1981. As a managing director in the successor business, JP Morgan Cazenove, he led some of the firm's largest financial advisory mandates for M&A and equity offerings.

External appointments
Duncan is chairman of EQL Capital.

6 Ian Barlow
Non-Executive Director

A/R/N

Appointed to the Board
1 September 2016

Tenure[1]
2 years and 1 month

Independent
Yes

Experience
Ian was senior partner (London) at KPMG until his retirement in 2008. Other previous roles include chairman of WSP Group plc and Think London, the direct inward investment agency for London, and board member of the London Development Agency. Ian is a fellow of the Institute of Chartered Accountants in England and Wales and of the Chartered Institute of Taxation. He holds an MA in engineering science from the University of Cambridge.

External appointments
Ian is a non-executive director of Smith & Nephew plc, The Brunner Investment Trust plc, Foxtons Group plc and Goodwood Estate Company Limited.

7 June Barnes
Non-Executive Director

A/**R**/N

Appointed to the Board
22 May 2014

Tenure[1]
4 years and 4 months

Independent
Yes

Experience
June left the East Thames Group, a housing association, in 2014 after serving as group chief executive for over 16 years. She trained as a town planner and is also a member of the Chartered Institute of Housing. June has served on a number of boards and working groups over the years concerned with the built environment and poverty. She was chair of the London Sustainable Development Commission from 2005 to 2008 and, more recently, vice chair of the National Housing Federation, a board member of the Institute for Sustainability and a member of the London Mayor's Design Advisory Group.

External appointments
June is a trustee of the Building Research Establishment, a board member of the Hornsey Housing Trust and a member of the Jersey Architecture Commission.

8 Jon Di-Stefano
Non-Executive Director

A

Appointed to the Board
1 September 2017

Tenure[1]
1 year and 1 month

Independent
Yes

Experience
Jon joined Telford Homes Plc as financial director in October 2002 where he built up a strong finance function and played a significant role in establishing relationships with the Group's banking partners and institutional investors. Jon became chief executive on 1 July 2011 and is responsible for the Group's strategic direction, the approach to risk management and all other long-term business planning. Prior to joining Telford Homes, he had one year with Mothercare following five years with Arthur Andersen.

External appointments
Jon is chief executive of Telford Homes Plc.

9 Heather Williams
Company Secretary

EMC

Appointed
26 August 2015

Attends all meetings of the Board and Audit, Remuneration and Nomination committees.

Key responsibilities
Heather is responsible for the Group's corporate governance and compliance with listed company requirements and Group policies. She provides support and advice to the Chairman and to the Board and its committees and is responsible for the management of Board procedures. Heather is also responsible for the HR administration of the Group.

Experience
Heather is a Fellow of the Institute of Chartered Secretaries and Administrators with over 20 years' experience of working in the company secretarial area. She was previously company secretary to Petropavlovsk plc and to Helical plc. Her experience also includes nearly nine years as an investment trust company secretary.

Committee key

A	Audit Committee
N	Nomination Committee
R	Remuneration Committee
EMC	Executive Management Committee
Bold	**Committee Chair**

1. Tenure as at 30 September 2018.

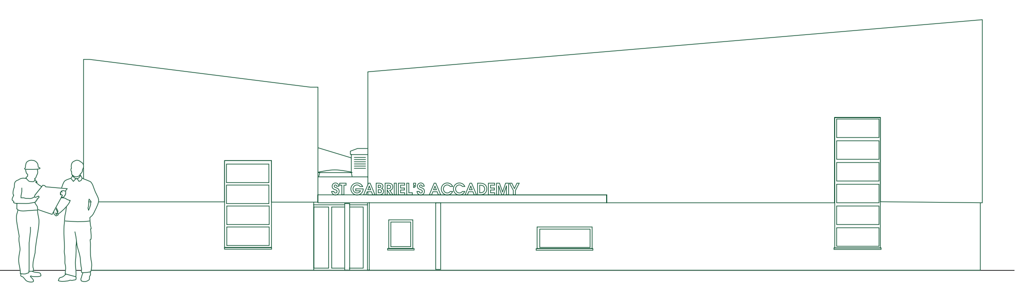
The Board

The Directors and their committee membership are shown below:

BOARD OF DIRECTORS

Audit Committee	Remuneration Committee	Nomination Committee
Ian Barlow Chairman	**June Barnes** Chair	**Alan Dickinson** Chairman
June Barnes	Ian Barlow	Ian Barlow
Jon Di-Stefano	Duncan Hunter	June Barnes
Duncan Hunter		Duncan Hunter

The Group has four Non-Executive Directors in addition to the Chairman. The Chairman, Alan Dickinson, was independent on appointment, therefore complying with provision B.1.1 of the UK Corporate Governance Code. All other Non-Executive Directors are independent. Duncan Hunter has been appointed as Senior Independent Non-Executive Director and acts as a support to the Chairman on governance issues. He also provides an alternative channel of communication between the Chairman and the other Directors.



Board committees

The Board has established three committees with a membership of Non-Executive Directors: the Nomination, Audit and Remuneration committees. The chair and members of these committees are appointed by the Board, following recommendation by the Nomination Committee and, where relevant, in consultation with the committee chair.

The Board and committee reporting structure is set out on page 78.

Information on the committees and reports of their respective chairs are found on:

- **Nomination Committee** page 86
- **Audit Committee** page 92
- **Remuneration Committee** page 98

The committees each focus on their own areas of expertise, in accordance with established terms of reference which can be found on the website. This enables Board meetings to focus on governance, risk, strategy, performance, leadership and people.

Key areas of focus for the Board during the year are set out later in this report.

Each committee chair reports to the Board at the Board meeting immediately following a committee meeting. The Board also reviews the minutes of each committee meeting. This ensures good communication flows and also enables the Board to discuss any items meriting full Board discussion.

Board tour of Houlton, Rugby.

Division of responsibilities

There is a division of responsibilities of the Board and its committees and of the Chairman, Senior Independent Director and executive management. The key responsibilities, which have been clearly established and approved by the Board, are summarised in the adjacent table.

The Board is responsible to stakeholders for setting strategy, for the achievement of long-term sustainable success of the Company and for the good governance, objective risk assessment and effective leadership required to deliver the Group's objectives. The Board has adopted a formal schedule of matters reserved for its decision. A division in responsibilities between the Board and its committees is important but it is vital that the Board retains control of key decisions. The Board has delegated specific areas of responsibility to the Nomination, Audit, Remuneration and Executive Management committees. Each of these committees has the authority to make decisions in accordance with its terms of reference, which are reviewed on an annual basis and on any changes to regulations and/or best practice. The terms of reference of all committees and the schedule of matters reserved for the Board will be reviewed during the forthcoming financial year in light of the new UK Corporate Governance Code. Any amendments to a committee's terms of reference are subject to Board approval.

The Non-Executive Directors contribute to the strategy of the Group by reviewing and, if necessary, constructively challenging the performance of management in the execution of the strategy. They provide guidance and an independent perspective to management.

Board

Key responsibilities

- Long-term success of the Group.
- Setting long-term strategy and overseeing its implementation.
- Approval of significant acquisitions and disposals.
- Leadership and direction.
- Internal controls and risk management.
- Overall financial performance of the Group.
- Approval of interim and annual financial statements.
- Dividend policy.
- Corporate governance.
- Approval of Group policies.

Alan Dickinson, Chairman,
with Nigel Hugill, Chief Executive.

Chairman – Alan Dickinson

Key responsibilities

- Leadership of the Board.
- Ensures constructive communications between Executive and Non-Executive Directors.
- Ensures appropriate delegation of authority from Board to management.
- Promotion of high standards of corporate governance.
- Ensures that new Directors participate in an appropriate induction programme and that the ongoing development needs of the Directors are met.
- Responsibility for ensuring that the performance of the Board, committees and individual Directors is assessed at least annually.
- Representation of the Company to stakeholders and communication with shareholders.

Senior Independent Director – Duncan Hunter

Key responsibilities

- Alternative point of contact for investors.
- Intermediary between other Directors and the Chairman.
- Sounding board for the Chairman on Board matters.
- Conducts the Chairman's annual performance appraisal.

Chief Executive – Nigel Hugill

Key responsibilities

- Leadership of the Company.
- Development and achievement of the Group's objectives and strategy.
- Identification of acquisitions and disposals of major projects and new business opportunities.
- Effective implementation of Board decisions.
- Representation of the Company to stakeholders and communication with shareholders.

Managing Director – Robin Butler

Key responsibilities

- Leadership of the Company.
- Development and achievement of the Group's objectives and strategy.
- Review of the operational performance of the Group's business.
- Identification of acquisitions and disposals of major projects and new business opportunities.
- Day to day responsibility for risk management and internal controls.

Finance Director – David Wood

Key responsibilities

- Review of the operational performance of the Group's business.
- Day to day responsibility for risk management and internal controls.
- Financial strategy and management, including budget, banking and finance.

Company Secretary – Heather Williams

Key responsibilities

- Secretary to the Board and its committees.
- Advice on corporate governance matters.
- Implementation of Group policies and procedures.
- Management of Board procedures.
- Inductions for new Directors.
- Management of HR policies and administration.

Division of responsibilities continued

Nomination Committee

Alan Dickinson (Chair)
Ian Barlow
June Barnes
Duncan Hunter

Key responsibilities
- Review of the structure, size and composition of the Board and its committees.
- Oversees succession planning for the Board and senior management.
- Recruitment and appointment process for new Directors.
- Oversees the annual Board evaluation.

Audit Committee

Ian Barlow (Chair)
June Barnes
Jon Di-Stefano
Duncan Hunter

Key responsibilities
- Financial reporting and the integrity of the financial statements.
- Risk management.
- Internal controls and the work of internal audit.
- Governance and compliance.
- Supervision of the relationship with the external auditor.

Remuneration Committee

June Barnes (Chair)
Ian Barlow
Duncan Hunter

Key responsibilities
- Reviews and recommends to the Board the remuneration policy.
- Reviews the Executive Directors' objectives and achievements.
- Determines the remuneration packages of the Executive Directors.
- Review of the remuneration policy for senior management.
- Oversight of the remuneration policy for all employees.

Executive Management Committee

Robin Butler (Chair)

Key responsibilities
- Implementation of the Group strategy determined by the Board.
- Oversight of the day to day management of the Group and its employees, including the development, progress and risk management of projects.
- Implementation of all Group policies and legislation where applicable throughout the Group.
- Oversight of the Group's HR function, office management and staff issues.
- Overview of Group communications.

Strategic Development Committee

Key responsibilities
- Oversight and reporting on infrastructure projects.

Commercial Development Committee

Key responsibilities
- Oversight and reporting on commercial projects.

Catesby Estates

Key responsibilities
- Oversight and reporting on the Group's land promotion business.

The EMC in discussion at the iMet building during the Urban&Civic staff conference.

EXECUTIVE MANAGEMENT COMMITTEE

Membership:

- **Nigel Hugill** (Chief Executive)
- **Robin Butler** (Managing Director)
- **David Wood** (Finance Director)
- **Rebecca Britton** (Communities, Communications and Partnerships Manager)
- **Paul Brocklehurst** (Chief Executive – Catesby)
- **Richard Coppell** (Development Director – Strategic Land)
- **Richard Hepworth** (Director of Project Management)
- **Tim Leathes** (Development Director – Strategic Land)
- **Philip Leech** (Property Director – Commercial)
- **David Morris** (Planning Director – Catesby)
- **Myron Osborne** (Land and Development Director – Catesby)
- **James Scott** (Director of Planning and Communication)
- **Heather Williams** (Company Secretary/HR)

Role:

To assist the Board in the performance of its duties within the bounds of its authority, including:

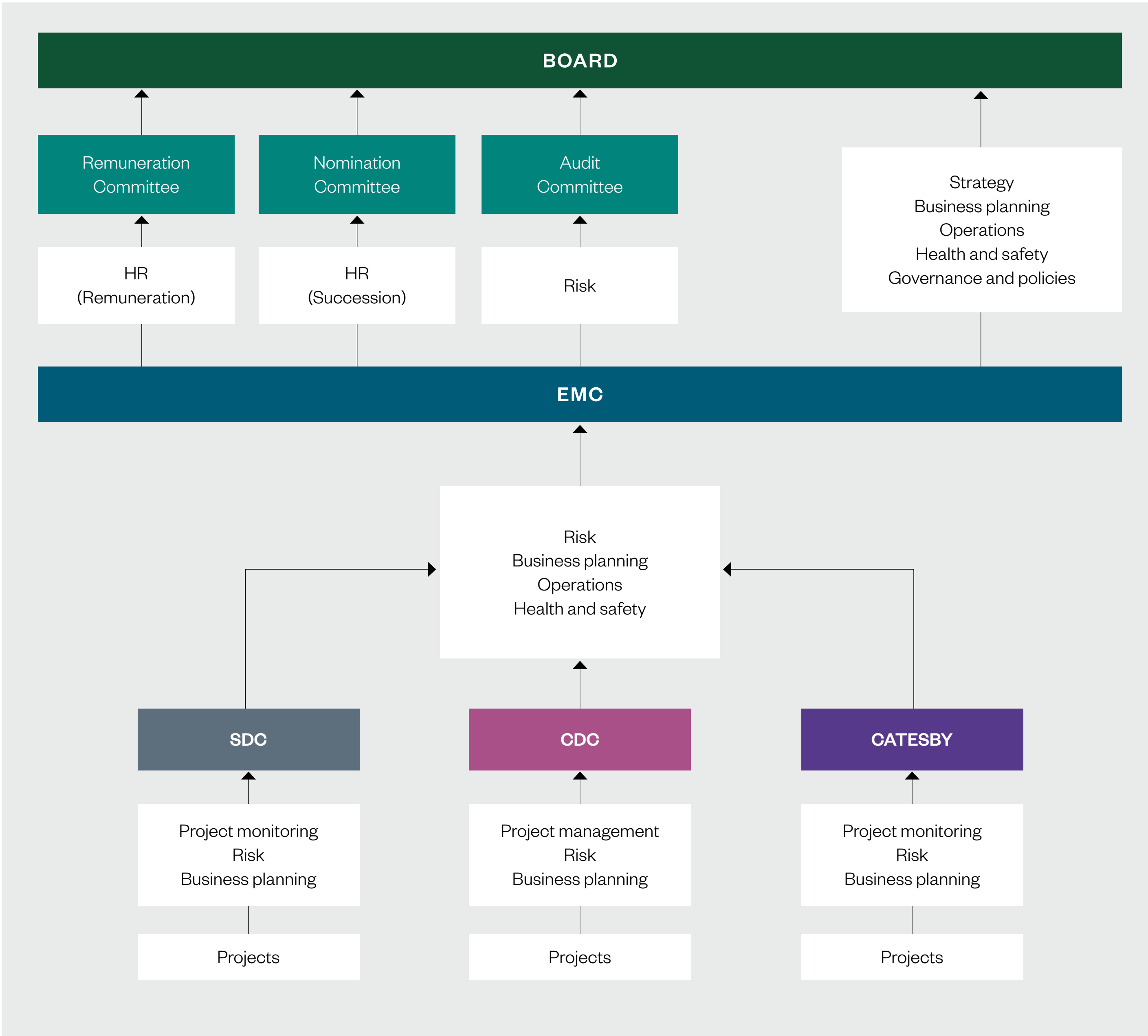
- the development and implementation of strategy, operational plans, policies, procedures and budgets;
- examining all investments, realisations and major capital expenditure proposals, prior to recommendation to the Board;
- the monitoring of operating and financial performance against targets, objectives and key performance indicators set by the Board;
- the assessment, control and monitoring of risk and internal controls;
- optimising the allocation and adequacy of the Group's resources;
- the development of HR policies and procedures; and
- the development and review of the remuneration policy for Group staff (below Board level).

The Executive Management Committee (EMC) was established at the beginning of the financial year with the key aim of overseeing the implementation of Board strategy and policies and to provide feedback and recommendations from the executive team to the Board. The EMC met six times during the year with meetings scheduled shortly before Board meetings, providing a relevant and current comment to the Board on any matters of significance. The chairman of the EMC, Robin Butler, reports to the Board following each meeting and the Board reviews the minutes of all meetings. During the year, two Non-Executive Directors each attended an EMC meeting for the discussion of specific issues and it is intended that a rolling programme of attendance by Non-Executive Directors is put in place to ensure that the Board maintains a good understanding of management and staff views on issues of importance.

The management committee structure has strengthened the working relationship between the Board and the executive management team and has provided senior management with a structured forum to address issues ranging from strategic planning, setting business plans, risk management, the establishment of Group policies and HR management, through to the design of the head office space.

Three other committees report in to the EMC: the Strategic Development Committee (SDC), the Commercial Development Committee (CDC) and Catesby Estates. Work has taken place throughout the year to streamline the reporting process and to standardise Board reports to ensure clarity and sufficient detail for the Board to assess key information on the strategic sites (SDC) and the commercial portfolio (CDC). A table setting out the governance structure of the Group is on the following page and this sets out the reporting areas assessed by each committee and reported upwards.

Governance and reporting framework



Board meetings and main activities

The Board held six scheduled meetings during the year. In addition to these meetings, a number of unscheduled Board and committee meetings were held to discuss ad hoc issues, routine or administrative matters or matters of a time sensitive nature. Ad hoc meetings do not necessarily require full Board attendance but all Directors are given the opportunity to attend and to comment on the proposals. The attendance record of the Directors at the scheduled Board meetings is shown below. Attendance at committee meetings is shown in the individual reports of the Audit, Nomination and Remuneration committees. Non-committee members attend committee meetings by invitation. All Directors in office at the time attended the AGM in February 2018 and the Board strategy meeting held in July 2018. If Directors are unable to attend meetings they have the opportunity beforehand to discuss any agenda items with the Chairman or with management, and their comments are reflected to the Board or committee at the meeting.

	Board meetings eligible to attend
Chairman	
Alan Dickinson	
Executive Directors	
Nigel Hugill	
Robin Butler	
David Wood	
Non-Executive Directors	
Ian Barlow	
June Barnes	
Jon Di-Stefano	
Duncan Hunter	

Meetings attended Meetings absent

Jon Di-Stefano was unable to attend the Board meeting in January 2018 but read the papers and provided comments in advance, enabling his views to be included in discussions at the meeting.

Where appropriate, members of the senior management team are invited to give a presentation at Board meetings.

The Company Secretary maintains a rolling agenda plan for the Board and its committees. In consultation with the Chairman, she ensures that the timetable of Board agenda items and the papers discussed at each meeting provide sufficient information and discussion throughout the year on the items included in the schedule of matters adopted by the Board. The rolling timetable of agenda items ensures compliance with the UK Corporate Governance Code (the 'Code') and with any other regulatory requirements, and enables key issues and matters reserved for the Board to be discussed at the appropriate time. The Chairman and the Company Secretary, in conjunction with the Executive Directors, identify any requirement for additional meetings.

The Company Secretary maintains a schedule of matters arising and action points from all meetings and the progress of these actions is reviewed at each Board meeting.

A comprehensive pack of Board papers is circulated electronically to all Directors in advance of each meeting to enable them to fully consider the issues to be discussed. Meetings are led by the Chairman, who encourages open discussions and constructive debate. Where appropriate, Non-Executive Directors challenge and question the Executive Directors on the progress and strategy of the Group and provide support and experience to senior management. Selected members of the EMC attended Board meetings during the year presenting on topics of relevance, thus increasing the range of views and input available to the Non-Executive Directors.

The annual Strategy Day was held in July 2018 and provided the Board with an in-depth review of the Group strategy. It provided the opportunity for Non-Executive Directors to share their expertise and experience and to provide independent oversight to the direction of the business. Presentations to the Board and items discussed included:

- Business model
- Financial plan
- Capital allocation
- Risk review
- Market overview
- Shareholder base
- Dividend policy
- Management structure
- Culture
- Succession planning
- Staff development
- Communities

The Board considers the Company's stakeholders in its discussions and takes account of the views of, and feedback from, shareholders, employees and other stakeholders. The Non-Executive Directors are encouraged to spend time with executive management below Board level and, in visiting the sites and regional offices, receive views of employees on a range of topics on a less formal basis than in a Board meeting. The Company Secretary is responsible for the HR administration of the Group and she and the Managing Director report to the Board on HR issues, including employee feedback on employment policies, practices and conditions. The Company Secretary carries out exit interviews with all leavers and will report to the Board on any significant issues or trends.

All staff attend an annual Away-Day in September and the Managing Director reports back to the Board with feedback on the discussions at this event, which takes the form of presentations and group discussion forums.

During the year, the Chairman held meetings with the Non-Executive Directors without the Executive Directors present and the Senior Independent Director maintained regular contact with the Non-Executive Directors. The Board also meets regularly on an informal basis to facilitate discussions on the Group's business and the wider environment outside the more formal structure of a Board meeting.

Key activities of the Board during the year

The Board is responsible for overseeing the Group's strategy and its implementation, for leadership of the Group and for creating value and growth for stakeholders. A summary of the Board's activities during the year is below.

Operations

- Reports from Executive Directors at every Board meeting covering the progress of each of the Group's developments.
- Periodic recommendations and risk assessment by management for site acquisitions requiring Board approval.
- Review of health and safety reports covering the Group's strategic and commercial sites and the Group's offices.
- Site visits by Non-Executive Directors.

Governance

- Regular review of Directors' conflicts of interest.
- Review of the progress towards GDPR compliance and monitoring of action taken by management.
- Review of the outcomes and resulting actions arising from the 2017 Board performance evaluation.
- Approval of the mechanism for the 2018 Board evaluation.
- Review of the outcome of the 2018 evaluation process and established and reviewed the action points arising from the review.
- Review of compliance with the 2016 UK Corporate Governance Code.
- Received regular updates on the 2018 UK Corporate Governance Code and established a list of actions required for compliance.
- Review of Non-Executive Directors' fees.

Policy and procedures

- Annual approval of the Group modern slavery and human trafficking statement.
- Approval of revised anti-corruption and bribery policy.
- Annual approval of the Group's diversity policy.
- Annual approval of the Group's charitable donations policy.

Calendar of governance meetings during the year

	2017			2018								
Meetings:	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Scheduled Board		●		●		●		●		●		●
Unscheduled Board/Committee	●	●		●	●	●		●		●		
Strategy Day										●		
AGM					●							
Nomination Committee		●						●		●		
Audit Committee		●				●		●		●		●
Remuneration Committee		●	●		●					●		●
EMC	●			●		●		●	●			●

Risk

- Review at every Board meeting of:
  - risk appetite;
  - principal risks and mitigation;
  - risk heat map;
  - risk management;
  - project risks for each of the Group's developments; and
  - internal controls report.

Strategy

- Annual strategy meeting in July 2018 at which the following were reviewed:
  - strategy and business plan;
  - business structure and objectives;
  - funding strategy;
  - capital and operational constraints to the business;
  - risk review;
  - dividend policy; and
  - marketing.

Financial

- Approval of the Report and Accounts and announcement of results for the year ended 30 September 2017.
- Approval of interim results for the six months to 31 March 2018.
- Review at every Board meeting of:
  - budget/cash flow;
  - the Group's borrowing facilities in relation to current strategic forecasts and approval of loan facilities as required; and
  - loan covenant compliance.

Leadership and people

- Regular reports from the Nomination, Audit, Remuneration and Executive Management committees.
- Review of minutes of all committee meetings.
- Presentations by senior management.
- Approval of the terms of reference of the EMC.
- Review of the effectiveness of the management committee reporting structure.
- Review of the effectiveness of the HR function.
- Review of resources for projects.
- Succession planning and development of staff.
- Training and development of Directors on relevant areas.

Shareholders

- A major shareholder analysis report is reviewed at every Board meeting.
- Review of feedback from investor meetings following the announcement of results.
- Consideration (through the Remuneration Committee reporting to the Board) of shareholder feedback on the 2018 remuneration policy. Approved the policy and recommended adoption by shareholders at the 2018 AGM.
- Approval of final and interim dividend proposals. The Company operates a dividend reinvestment scheme allowing cash dividends to be automatically reinvested as shares.
- Consideration of the commitment to and effectiveness in the role of Directors and recommendation for re-election at the 2018 AGM.
- Annual General Meeting held in February.

Planning ahead

Looking forward to the 2019 financial year, the Board and its committees will focus on:

- **Leadership** – implementation of strategic priorities.
- **Effectiveness** – developing succession plans of the Board and of management below Board level.
- **Accountability** – continued focus on risk management and internal audit review.
- **Remuneration** – continued review of the Group's remuneration policy and processes.
- **Governance** – ongoing development of the governance structure and work towards compliance with the 2018 UK Corporate Governance Code.
- **Relations with stakeholders** – continued programme of communication and interaction with stakeholders.

Effectiveness, time commitment and skills

The Code requires that the Board, its committees and individual directors should demonstrate sufficient knowledge, skills, experience and independence to carry out their respective duties and responsibilities effectively. Appointments to the Board are led by the Nomination Committee, which has due regard to the Board's balance of skills, experience, knowledge, diversity and independence. However, appointments are made on merit, assessed against objective criteria. The current Non-Executive Directors have a range of backgrounds and experience, and appointments are made to maintain an appropriate balance of skills on the Board. During the year, a review and assessment of the skillset of the Board was carried out which not only provides an overview of the balance of knowledge and experience of the current Board, but also provides a useful tool for the Nomination Committee when reviewing succession planning.

The Board has reviewed the composition of the Board during the year and is of the opinion that the current Board and committee structure works effectively and to the benefit of shareholders and the Group as a whole. Given the nature and size of the business, it believes that the balance of Executive and Non-Executive Directors is appropriate and works efficiently. The Nomination Committee reviews the structure of the Board and succession plans on an ongoing basis and seeks to refresh the Board accordingly. Following the external evaluation of the Board in 2017, a follow-up evaluation took place this year by means of a questionnaire-based process, led by the Company Secretary. Further details are contained in the Nomination Committee report.

The assessment of the Directors' skillsets also included a review of the time commitments of Directors, who were asked to disclose the number of other significant commitments they have and an indication of the time involved on those commitments. Non-Executive Directors' letters of appointment specify the expected time commitment and any changes to outside commitments are reported to the Board, following approval by the Chairman. Outside directorships of the Executive Directors are permitted (subject to Board approval) but they are required to devote substantially all of their working time to their role.

Directors are expected to attend all scheduled Board meetings, the annual Strategy Day, the Annual General Meeting and all meetings of committees of which they are a member.

Professional development

Each Director is provided with a bespoke induction on joining the Board. This includes comprehensive information on the Group and its operations, guidance on specific areas of the Group's business, one-to-one meetings with fellow Directors, senior management and key advisers, a briefing by the Company Secretary on governance, Board procedures and the legal and regulatory framework in which the Board operates, and visits to our key sites.

Directors are expected to develop their understanding of the Group's operations and to update and enhance their skills and knowledge. Directors are offered training and guidance (both in house and by third parties) to enable them to fulfil their duties effectively and are encouraged to attend relevant seminars and briefings, at the Company's expense. During the year, specific training has been provided through presentations at Board meetings by senior management and external advisers. Personalised one-to-one training sessions with executive management have also been provided to the Non-Executive Directors throughout the year. The Finance Director provides individual training sessions with Non-Executive Directors covering areas such as financial reporting, management reporting, the valuation process and risk management. The Company Secretary regularly provides briefings on legal, regulatory and corporate governance matters by the provision of Board papers and presentations at Board meetings, or between meetings as required. A programme of attendance by senior management at Board meetings has been introduced which has assisted the Directors in their understanding of the Group's business and operations. During the year, senior management

1. Tim Leathes leading a Urban&Civic team site tour around Alconbury Weald.
2. Alan Dickinson, Chairman, with Heather Williams, Company Secretary.

2

presented on topics including challenges and opportunities for the business, the process of allocation of land parcels, challenges faced by strategic sites in operation and the evolving role of our Communities, Communications and Partnership Manager. Non-Executive Directors are encouraged to visit our operational sites allowing them to spend time with project management and staff and to enhance their knowledge of the Company's operations. The Non-Executive Directors visit the key sites at least annually, enabling them to see and monitor the progress first hand. Open communication between the Non-Executive Directors and management between Board meetings is encouraged.

During the year, the Board received training on a range of topics, including GDPR, the UK Corporate Governance Code, Market Abuse Regulation and anti-bribery legislation. This training was provided in the form of presentations by management and by attendance at committee and Board meetings by the Company's advisers.

Information and support

Directors have access to the advice and services of a professionally qualified and experienced Company Secretary, who supports the Chairman in ensuring that appropriate information is made available to the Board and its committees. The Company Secretary is responsible for planning the agendas for the annual cycle of Board and Committee meetings.

Prior to all Board and committee meetings, Directors receive agendas and supporting papers, which contain market, property, financial, governance and risk updates together with any other papers relating to specific agenda items as required. Presentations and verbal updates are also given at each Board meeting and open discussions take place on all agenda topics. In between scheduled Board meetings, ad hoc and transactional papers are circulated to Directors to allow appropriate review and consideration.

The open communication between Non-Executive and Executive Directors means that objective and constructive challenge by the Non-Executive Directors is welcomed and Directors are able to make enquiries or requests for further information from management. The Company Secretary facilitates professional development and ensures compliance with Board, regulatory and corporate governance procedures.

Minutes of Board and committee meetings, including ad hoc meetings, are circulated to all Directors shortly after each meeting. The minutes of each meeting are also included in the following Board pack, providing the opportunity for review and for the Board to confirm that they accurately reflect the discussions held and the decisions taken, prior to signature by the chair of that meeting. Committee chairs also provide a verbal update to the Board on matters discussed at every committee meeting. A detailed action list is circulated immediately following each meeting and the Company Secretary co-ordinates the agendas and Board papers for the following meeting to ensure that management has dealt with all outstanding action points.

If requested, Directors are able to seek any further information or take independent professional advice that they may require in the performance of their duties, at the expense of the Company. During the year, no Director sought such advice.

Accountability

Ian Barlow (Chairman of the Audit Committee) and Duncan Hunter and Jon Di-Stefano (members of the Audit Committee) are all considered to have recent and relevant financial experience and the Board considers that the Audit Committee as a whole has competence relevant to the sector in which the Company operates. Further details are set out in the report of the Audit Committee.

Risk management and internal control

The Board has ultimate responsibility for the Group's risk management and internal controls and carries out a review of the Group's risks at every Board meeting. The EMC also discusses risk at every meeting and reports upwards to the Board. At an operational level, the SDC, CDC and Catesby committees assess the risks of each individual project.

The Board has previously agreed that, due to the size and structure of the Group, it does not recommend the appointment of a separate risk committee and has instead delegated responsibility to the Audit Committee. This committee ensures that the framework and processes by which risks are identified and mitigated are effective and that residual risks after mitigation are within the Group's risk appetite. Further details of how this is achieved are contained in the risk review on pages 36 to 43.

The Board recognises the importance and value of the involvement of executive management in the internal controls and risk management of the Group and the EMC is fully engaged in this process. For additional support, the Board has appointed Grant Thornton to fulfil the internal audit function. Details of the scope of their work and the role and input of the Audit Committee in risk management are described in the report of the Audit Committee.

Remuneration
This information is contained in the Directors' remuneration report.

Relations with stakeholders
Shareholders
Communication with existing and potential shareholders is given a high priority by the Board, which believes that understanding the views of shareholders is key to the success of the Company. The Chairman, the Chief Executive and the Finance Director are the Group's principal representatives and hold meetings with investors, analysts and other interested parties throughout the year to communicate the Company's strategy and performance. Duncan Hunter, as Senior Independent Non-Executive Director, is available to meet with shareholders at their request to discuss any issues or concerns they have or, if other communication channels fail, to resolve queries raised. He is willing to hold meetings with shareholders whenever requested. No such requests were received from shareholders during the year. At the beginning of the financial year, and in advance of the 2018 AGM, the Chair of the Remuneration Committee wrote to major shareholders setting out the proposed changes to the Directors' remuneration policy and offering discussion with them. The Remuneration Committee ensured that the views of shareholders were considered when formulating the revised Directors' remuneration policy, which was subsequently approved at the 2018 AGM.

A report on the Company's major shareholders and feedback from any meetings with investors and analysts is reviewed at each Board meeting, enabling Directors to develop a good understanding of the views of the Company's major investors. Shareholder engagement and communication occur throughout the financial year, including presentations, one-to-one meetings, conferences and site visits.

The Group's website is an important source of information, enabling shareholders to keep up to date with the Company's activities. Regulatory announcements made by the Company are maintained on the website which also contains all other material information including Annual Reports and share price information. A live webcast of the presentation of the Group's half and full year results is broadcast, enabling shareholders to raise questions directly with the Chairman and Executive Directors.

Key investor activities

Presentation of the annual results for the year ended 30 September 2017 and the interim results for the six months ended 31 March 2018.

Programme of meetings between the Chairman, Chief Executive and Finance Director and the Group's largest shareholders and analysts.

Presentations to potential investors.

Annual General Meeting held in February 2018.

Property tours at our strategic sites for investors and analysts, attended by Directors and senior managers. A programme of tours was arranged throughout the year.

Consultation with major shareholders on the proposed changes to the Directors' remuneration policy.

& CASE STUDY

INVESTOR TOUR – STRATEGIC SITES

We hold a series of investor, partner and stakeholder tours of our sites throughout the year. For example in March, organised by JPMC, we held a Cambridgeshire-focused investor tour of Waterbeach, Wintringham and Alconbury. Hosted by Nigel Hugill, David Wood, James Scott and Tim Leathes, we took representatives of EdenTree IM, CBRE Clarion, Thames River, Northwood Securities, Degroof Petercam and Premier AM around the three sites. With each site at a different stage of development we were able to highlight the activities that were being undertaken on each, from promotion to infrastructure delivery and from planning to house sales, as well as demonstrating the scale of the land holdings and their strategic locations.

"The site visits with Urban&Civic are a great way to meet with senior management and get a deeper understanding of the scope of the opportunity and potential for future value creation for shareholders and stakeholders alike."

Yvo Timmermans
Northwood Securities

LISTENING TO STAKEHOLDERS – ENGAGEMENT IN ACTION

& CASE STUDY

At Alconbury Weald we work hard to engage with a wide range of local stakeholders, including businesses, schools and education, health teams, local authorities, residents and local community groups. Throughout the year, our activities have ranged from holding careers fairs, connecting businesses and schools, site tours and regular updates for the local authorities (allowing for a joined up approach), an open air cinema screening which involved local artists, and seasonal community events, delivered in partnership with local sports projects, youth clubs and social enterprise groups. We have also engaged with cultural and religious groups and have arranged a Remembrance Service and carols around the Christmas tree. We encourage our residents to openly engage with us to ensure they have a say in the future plans for their community spaces. For example, we held a consultation event, where children were asked to draw pictures of what they would want to see in our next community building and how they would use the space. We welcome and enjoy this engagement, with residents of both Alconbury Weald and the wider community.

Steph Burton
Community Development

Employee engagement
The Board engages with the workforce on a regular basis. Non-Executive Directors are encouraged to spend time with staff in the absence of the Executive Directors, which has strengthened the relationship with senior management and contributed to a greater understanding of Group culture and of issues affecting staff. Employees are actively encouraged to develop in their role and to use their talents and skills across the organisation. Several of our staff volunteer in roles outside the organisation enabling them to utilise their knowledge and gain experience elsewhere. This is viewed as a useful and incentivising tool for development. A register of all such roles is maintained by the Company Secretary to ensure that no conflicts of interest or undue time demands are placed on employees. The Group holds an annual offsite meeting for all staff consisting of presentations and discussion groups. Management view this as an important mechanism to understand the needs and feedback of their employees on a range of issues. The interactive nature of the session is welcomed by staff as a valuable means of putting their views across to management. The action points from each session are progressed throughout the year and staff feedback is communicated to the Board through the EMC.

Annual General Meeting
The Company's Annual General Meeting provides an opportunity for shareholders to raise any questions or points of concern with Directors and to vote on the resolutions proposed. At the 2019 AGM, to be held on 13 February 2019 at 10.00 a.m. at The Savile Club, 69 Brook Street, London W1K 4ER, it is intended that all resolutions will be voted on by poll. This will allow more time for shareholders attending to raise any concerns and to ask questions. Details of the number of proxy votes for, against and withheld on each resolution will be disclosed at the meeting and will be posted on the website after the meeting.

In accordance with the Code, the Board has adopted the policy that all Directors will be subject to annual election by shareholders. Biographies of Directors are on pages 70 and 71 and separate resolutions relating to their re-election are contained in the notice of meeting for the 2019 AGM, circulated with this Annual Report. Following a review, the Board is satisfied that each of the Directors standing for re-election continues to be effective and demonstrates commitment to the role, and that their continued appointment is in the best interest of the Company. All Non-Executive Directors seeking re-election are independent.

Duncan Hunter has announced that he will not be seeking re-election at the 2019 AGM.

The Company will give shareholders at least 20 working days' notice of Annual General Meetings. Details of the resolutions to be proposed at the 2019 AGM can be found in the notice of meeting.

All Directors will attend the 2019 AGM and welcome the opportunity to meet shareholders.

Annual Report and Accounts
The Board has considered the Group's Annual Report and Accounts for the year ended 30 September 2018 and, taking account of the recommendations of the Audit Committee, is satisfied that taken as a whole it is fair, balanced and understandable and provides the necessary information for shareholders to assess the Group's performance, business model and strategy.

Heather Williams
Company Secretary
28 November 2018

NOMINATION COMMITTEE REPORT

ALAN DICKINSON —
COMMITTEE CHAIRMAN

Membership and meetings

The membership of the Committee and attendance at the three scheduled meetings held during the year ended 30 September 2018 are shown below:

		Independent	Date of appointment	Meetings eligible to attend
Alan Dickinson	Chairman	Yes[1]	22/05/14	3
Ian Barlow	Member	Yes	01/09/16	3
June Barnes	Member	Yes	22/05/14	3
Duncan Hunter	Member	Yes	25/03/15	3

Meetings attended

1. On appointment as Chairman of the Company.

Introduction

This report sets out the role and responsibilities of the Nomination Committee and summarises the key activities and focus over the year. It explains the processes by which the Board ensures the effective operation of the Board, including a description of the work we have carried out in relation to succession planning, an update on the action points identified in last year's report arising from the 2017 Board evaluation and an explanation of the 2018 evaluation process.

Dear Shareholder,

I am pleased to present the report of the Nomination Committee covering our work in the year ended 30 September 2018. This report should be read in conjunction with the report on our compliance with the UK Corporate Governance Code (the 'Code') on pages 72 to 85. Changes to the Board during the year were the resignation of Robert Dyson and Mark Tagliaferri as Non-Executive Directors and, as a result, the Committee has continued its focus on the review of succession planning and the evolution of the Board. In 2017, the Board undertook its first externally facilitated evaluation and the process was continued this year with a questionnaire-based approach, led by our Company Secretary. This is described later in the report.

The composition of the Committee, which is reviewed by the Board annually, complies with Provision B.2.1 of the UK Corporate Governance Code with all members being independent Non-Executive Directors.

Role and responsibilities of the Nomination Committee

The key responsibilities of the Nomination Committee are to:

Leadership needs

- review the adequacy of succession planning of the Board and senior management.
- lead the process for new appointments to the Board, ensuring a balance of skills and experience.
- ensure the induction process for new Directors is appropriate.

Board balance and skills

- review regularly the size, structure and composition of the Board and its committees.
- ensure that Directors undertake to update their skills and knowledge by an ongoing process of training and development.

Evaluation

- review and lead the Board evaluation process.

Diversity

- review the diversity policy of the Group.
- satisfy itself that the policy is conveyed throughout the Group for recruitment, retention, development and succession planning.

Main activities during the year

- In light of the resignation of Robert Dyson and Mark Tagliaferri and as part of an ongoing review we assessed the structure, size and composition of the Board and its committees taking into account leadership needs and balance of skills, experience, knowledge and independence of Directors.
- Reviewed succession plans for Non-Executive Directors and monitored the progress of a phased rotation and refreshing of Directors.
- Oversaw the induction process for Jon Di-Stefano, who was appointed to the Board in September 2017.
- Received updates from management on measures taken to address the retention and development of senior executives.
- Reviewed the Directors proposed for election or re-election at the 2018 AGM and considered their performance, ability and suitability in the role. Recommended to the Board that they be proposed for reappointment.
- Discussed the time commitment of the role of Non-Executive Directors and confirmed that each Director was able to allocate sufficient time to performing the role effectively and that they devote ample time to their duties.
- Discussion of the training and development needs of the Non-Executive Directors.
- Ongoing review and monitoring of the action points arising from the 2017 Board evaluation.
- Agreed to proceed with an internally facilitated Board evaluation in 2018. The Chairman oversaw the process and led Board discussions of the action points arising from the evaluation.
- Approval of the Nomination Committee report for inclusion in the 2017 Annual Report and Accounts.
- Annual review of terms of reference.

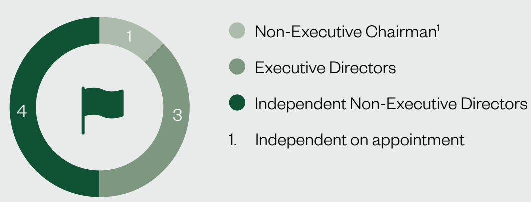
The content of the agendas and papers of the Committee meetings ensures that the Nomination Committee fulfils its responsibilities in accordance with its terms of reference and with corporate governance and other regulatory requirements. The terms of reference can be found on the Company's website. The Company Secretary sets the agendas for all meetings, which are discussed with the Chairman in advance and meet all the requirements to ensure that the Committee fulfils its role. The Company Secretary attends all meetings, providing advice and support as required. Other Directors attend the Committee meetings by invitation only.

Composition of the Board

In considering the composition of the Board, we review the balance of Executive Directors to Non-Executive Directors and the background, skills and experience, independence and diversity of the Board. We also review committee membership. Details of the composition of the Board and the division of responsibilities between the Chairman, Senior Independent Director and Executive Directors are contained in the corporate governance report.

The Board consists of a Non-Executive Chairman, three Executive Directors and four independent Non-Executive Directors. The membership of the Board and committees is well balanced in terms of skills, effectiveness, experience and independence and we will seek to retain and enhance this balance when appointing any new Directors. A review of the Directors' skillsets took place during the year and the analysis, which is summarised on the following page, will assist us in identifying areas of focus to consider when appointing new members of the Board. This will aid our succession planning and talent management. The skillsets matrix will be updated periodically and will be used as a tool for identifying Board requirements for the next three to five years in relation to skills, knowledge and experience. We are mindful of the need to balance continuity and refreshment of the Board. Collectively, the Directors have many years' experience and a wide range of skills and knowledge to provide a strong and effective leadership.

Composition/Independence of Directors



1. Independent on appointment

Skills and experience of Directors

Succession planning

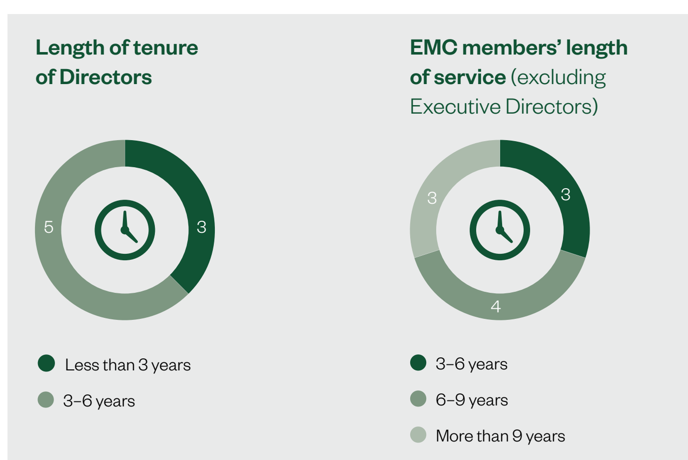
The Nomination Committee has continued its focus on this key area. It regularly reviews succession planning for Directors and also reviews and comments on the approach taken on succession plans for senior management. The Committee considers the opinions and advice of the Chief Executive and Managing Director in this process. During the year, the Committee reviewed the measures taken to retain and develop senior management including both financial and non-financial incentives, potential for career progression, the effectiveness of internal communication and an overview of job titles and job descriptions throughout the Group.

In discussing retention of staff, the Committee recognises the importance of employee engagement by methods such as regular meetings with management, presentations to staff, an informative staff newsletter, open lines of communication, annual performance appraisals, open plan offices, site visits by Non-Executive Directors, training and development and a share option scheme designed to incentivise and reward. The Committee will work with the Remuneration Committee which will, over the next year, take on more responsibility for setting the remuneration of senior management.

The Group's policy is to invest in its workforce and we actively encourage all staff in their development and in the broadening of their skills and experience. During the year, a programme of widening roles and integrating skills across the Group has been introduced and an internal "jobs brokerage" has been encouraged. In addition, a training and development role has recently been created to oversee and co-ordinate the training and personal development of staff. The introduction of a mentoring programme to enable any member of staff to request mentoring from senior management has been discussed. This would enable staff to benefit from their mentor's knowledge and experience and to assist and encourage progression upwards in the organisation, recognising career aspirations. The Committee has assessed the Group's senior management structure and is satisfied that suitable progression, talent management and succession plans are in place for the management layer below Board level.

The Committee recognises the importance of adequate succession planning for the Board and senior management and will continue to review this over the coming year. The low staff turnover at management level demonstrates that the policy for the development, retention and reward of staff is successful and results in a stable senior management structure. The average length of service of the members of the Executive Management Committee (EMC) as at 30 September 2018 was 8.35 years, ranging from 3.4 years to 25.7 years.

As part of ongoing succession planning discussions for Non-Executive Directors, the Committee gives due consideration to corporate governance guidelines on length of service. Non-Executive Directors are appointed to the Board for a fixed initial term and will typically serve a second three-year term. A third term of up to three years may be served in certain circumstances but this would only be considered following a thorough review of the individual and of the Board composition. The chart below demonstrates the length of service of the Directors and senior management as at 30 September 2018.



Appointment process

The Nomination Committee leads the process for identifying the need for the appointment of new Directors, for the selection of candidates and for the eventual recommendation to the Board for their subsequent appointment.

The Committee recognises the importance and is supportive, of promoting greater diversity on the Board and gives this full consideration when proposing new appointments. The Board believes that the overriding policy for selection should be based on suitability for the role based on independence, skills, knowledge, experience and ability to promote the success of the Company. The ability of the Board as whole and of individual Non-Executive Directors to maintain an effective and constructive relationship with the Executive Directors is important, as is personality "fit" with both the Board and the culture of the Urban&Civic Group. It has previously been decided not to impose a quota relating to gender balance at Board level, but the Committee gives full consideration to achieving a diverse working environment when considering the appointment of any new Directors. For the most recent Board appointments, the Nomination Committee appointed an executive search consultant who was instructed to identify candidates, both men and women, with a range of backgrounds and experience. The Nomination Committee selected candidates from a shortlist, for interviews with members of the Committee. The preferred candidate was then invited to meet all Directors, following which the Nomination Committee recommended to the Board the appointment to the Board and any committees. The consultant had no prior connection with the Company or individual Directors.

Appointment process

- Selection of external recruitment consultant.
- Discussion with them of the candidate specification, paying due regard to diversity needs.
- Review of potential candidates.
- Identification of a shortlist for initial interviews with members of the Nomination Committee.
- Preferred candidate to be interviewed by other Board members.
- Recommendation to the Board for appointment.
- Induction programme organised by the Company Secretary.
- Proposed election by shareholders at the first AGM following appointment.

We will ensure that any executive search consultant we engage has adopted an industry standard voluntary code of conduct addressing gender and ethnic diversity.

On the appointment of a new Director, a formal letter of appointment or service agreement will be issued. For Non-Executive Directors, this will contain details of the terms of appointment, including the time commitment of the role. All new Directors are also asked to declare any interests which may constitute a conflict or a potential conflict of interest and details of these are included on the Company's register of conflicts, which is maintained by the Company Secretary. This is updated throughout the year as required, with all Directors signing a compliance declaration as at the financial year end.

New Directors receive a comprehensive, tailored induction, facilitated by the Company Secretary, when they join the Board.

A typical induction programme includes:

- One-to-one meetings with all Directors.
- Guidance on the Group's policies and procedures and on the legal, regulatory and governance framework of the Board.
- Visits to our key strategic sites.
- Meetings with senior management.
- Meetings with key advisers.

Thereafter, training is ongoing by means of site visits, presentations by management and advisers, attendance at external seminars, briefings on current developments and circulated updates on technical, regulatory and governance matters.

Diversity

The Group is committed to the principle of equal opportunity in employment and has adopted a diversity policy, which can be found on the Group's website. The Company is committed to achieving a working environment which provides equality of opportunity and we seek to encourage the recruitment, development and retention of a diverse workforce and to eliminate discrimination. Both current and potential employees are offered the same opportunities regardless of background, gender, age, disability, religion, nationality, ethnic origin, sexual orientation or marital status. When recruiting, our screening, interview and selection process is in compliance with the Group's diversity policy and seeks to achieve a diverse environment. We welcome and encourage the application by female candidates for roles in the Group, acknowledging that the diversity of recruitment will always be subject to the availability of suitable candidates. The Committee will continue to monitor, encourage and strengthen diversity within the Group. All our employees are expected to act in accordance with the Group's diversity policy.

Gender diversity of the Board, senior management and the Group as at 30 September 2018 is shown below:

Board evaluation

A key requirement of good governance is to ensure that the Board operates effectively. The annual evaluation of the Board is one way in which we can monitor the effectiveness of the Board and committee structure and lead the process for continuous improvement. The Board has previously agreed that evaluation will be carried out annually, with an external party conducting the exercise at least every three years.

In 2017, Independent Audit was engaged to carry out an externally facilitated evaluation of Board and committee effectiveness. Independent Audit had no prior connection with the Company or individual Directors. A review of Board processes and procedures was followed up by interviews with the Directors and the Company Secretary, which formed the basis of the report and recommendations. The action points arising from this review have been monitored throughout the year with the progress against the action points being reviewed at each Board meeting as a standing item on all Board agendas.

I reported last year on the action points identified by the review and am now pleased to report on the progress we have made on these areas. These included the enhancement of Board reporting and improvement in communication between the Board and senior management. Executive management has responded to the needs of the Non-Executive Directors and, as a result, Board reporting has been streamlined and now meets our information needs allowing us to better appraise progress against strategic targets and to analyse risk. As reported in the corporate governance report, a programme of attendance at Board meetings by senior management, and at Executive Management Committee meetings by Non-Executive Directors, has enhanced the relationship between the Board and management. The open dialogue and regular contact have facilitated the Committee's discussions on succession planning as we have a greater understanding of the roles and requirements of senior management. We receive regular updates on the Group's senior management structure and succession planning remains an important area of debate by the Committee, as discussed earlier in my report.

A further action point from 2017 was to increase the time devoted to the discussion of risk management and mitigation, and to embed throughout the Group. The management structure throughout the Group enables risk management discussions to be reported upwards from project level, through management committees and the EMC, up to the Audit Committee and Board. Risk reports are reviewed at every Audit Committee and Board meeting.

The 2018 Board evaluation process took the form of an online survey with all Directors required to submit a response to a series of questionnaires. The format of the questionnaires was devised by Independent Audit, in conjunction with the Company Secretary, providing the tools for an internal review with the benefit of an external perspective. Modules covered (as summarised below) were the progress on Board effectiveness since the evaluation process in 2017 and questionnaires relating to the Remuneration Committee, the Nomination Committee and the Audit Committee and risk. These covered the role and responsibility, composition, accountability and governance of the committees and the interaction of the committees with the overall Board structure.

The 2018 Board evaluation questionnaires covered:

Board effectiveness

- Strategic planning process.
- Communication of hurdle rates for projects.
- Resource management.
- Communication of risk appetite and risk management across the Group.
- Content of Board papers, information and support.

Audit Committee and risk

- Quality of external reporting.
- Assessment of external and internal auditors.
- Risk strategy and framework.
- Specific risk areas.

Remuneration Committee

- Reward strategy.
- Remuneration oversight.
- Internal/external engagement.

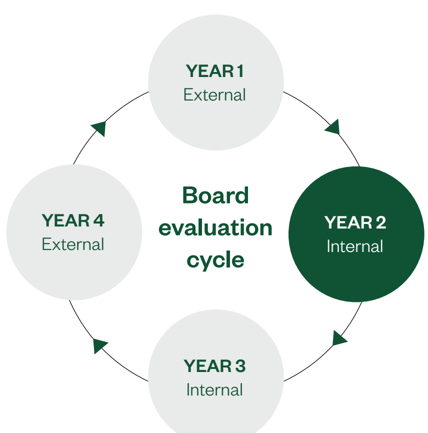
Nomination Committee

- Assessment of future strategy.
- Oversight of executive team.
- Recruitment planning.

2018 Board effectiveness review – conclusions and actions

Recommendations included	Agreed actions/progress
Board to review past decisions for lessons learnt.	A specific agenda item will be added to the annual strategy day agenda.
Joint venture relationships to be further reviewed.	Grant Thornton was engaged to carry out an internal audit of joint venture relationships. Further details can be found in the Audit Committee report.
There is scope for the Directors to further enhance and refresh their knowledge.	Non-Executive Directors are encouraged to seek additional training on any relevant area.
Review the role of the Remuneration Committee in light of the UK Corporate Governance Code.	This is in progress and we will report on our compliance with the 2018 UK Corporate Governance Code in our 2019 Annual Report.
Devote more time to risk discussions.	Board agendas and papers are structured to facilitate this.
Nomination Committee to put in place adequate succession plans for Non-Executive Directors and senior management.	This is under review and is discussed at each Nomination Committee meeting.

The Company Secretary collated all questionnaire responses and prepared separate reports on the outcome of the evaluation process for review by the Chairman and by each respective committee Chair. A summary of the recommended actions was then discussed by the Board. The results were generally positive and demonstrated that Directors considered that the Board and committees are operating effectively. The anonymity of responses was guaranteed, promoting an open and frank exchange of views. The issues raised, action points arising and action taken are summarised above. In addition, all committees carry out an annual review of their performance against their role and responsibilities set out in their terms of reference.



The year ahead

We will continue to focus on:

- Succession plans for the Board and senior management.
- Ensuring that the recruitment process and diversity policy support the Group strategy.
- Talent management.
- Encouraging diversity in the Group.
- Overseeing year three of the rolling Board evaluation process.

Annual General Meeting

The Board has adopted the policy that all Directors are subject to annual election by shareholders as it supports the view that shareholders should have the right to vote on each Director's re-election to the Board on an annual basis. On the recommendation of the Committee, the Board considers it appropriate to propose the reappointment of those Directors seeking re-election at the Annual General Meeting to be held on 13 February 2019.

Duncan Hunter has announced his intention to step down from the Board following the 2019 AGM.

Accordingly, the following resolutions relating to the appointment of Directors will be proposed:

- the re-election of Alan Dickinson as Chairman;
- the re-election of Nigel Hugill, Robin Butler and David Wood as Executive Directors; and
- the re-election of Ian Barlow, June Barnes and Jon Di-Stefano as Non-Executive Directors.

Further biographical information on all Directors can be found on pages 70 and 71.

The Nomination Committee has concluded that all of the Directors seeking re-election continue to be effective and to demonstrate commitment to their role and confirms to shareholders that they have the necessary skills, knowledge and experience to continue to discharge their duties effectively. The Board considers that they each provide valuable input to the operation of the Board. I hope that shareholders will support the Committee and vote in favour of these resolutions.

Alan Dickinson
Chairman of the Nomination Committee
28 November 2018

AUDIT COMMITTEE REPORT

IAN BARLOW —
COMMITTEE CHAIRMAN

Membership and meetings

The membership of the Committee and attendance at the five scheduled meetings held during the year ended 30 September 2018 are shown below:

		Independent	Date of appointment	Meetings eligible to attend
Ian Barlow	Chairman	Yes	01/09/16	5
June Barnes	Member	Yes	22/05/14	5
Jon Di-Stefano	Member	Yes	01/09/17	5
Duncan Hunter	Member	Yes	22/05/14	5

Meetings attended

Introduction

The Committee's role is to ensure a thorough and effective review of the areas within its remit and to report to the Board on its key responsibilities. This report sets out the membership and meetings structure of the Committee, its role and responsibilities and details of its key actions during the year under review.

Dear Shareholder,

Summary

I am pleased to present my report for the financial year ended 30 September 2018. The membership of our committee remained unchanged and relevant. In addition to our recurring responsibilities for external reporting, internal controls and risk, we reviewed the preparation for the introduction of three new important accounting standards on the recognition of income, accounting for leases and measurement of long-term financial assets which will affect the financial statements from the financial year 2019 onwards. A note on these is set out in note 1 to the consolidated financial statements on page 130. We also noted the maturing of our internal risk management processes and the internal audit programme provided by Grant Thornton, which both the committee and management have found very helpful.

Accountability

The Audit Committee is responsible for overseeing the accounting, financial reporting, internal control and risk management processes and for supporting the Board in ensuring that the financial reporting of the Group represents a fair, balanced and understandable assessment of the Company's position and prospects. The Committee also has responsibility for the relationship with the external auditor. This Audit Committee report sets out how the Committee meets its responsibilities and the main activities during the year. The terms of reference, which can be found on the Company's website, are reviewed at least annually to ensure ongoing compliance with regulatory and governance developments.

Members

We have a good balance of skills and experience. I have financial experience as a chartered accountant, having had a long career in finance and accounting. I am also chairman of the audit committees of two other listed companies. Jon Di-Stefano, a qualified accountant, has extensive financial and housing sector experience and Duncan Hunter's career as a managing director of corporate finance at a leading investment bank has given him valuable experience and insight. June Barnes has experience of running a large business and of risk management. Consequently the Board is satisfied that the Committee has competence relevant to the sector in which the Company operates.

The Chief Executive and Finance Director attend all meetings of the Committee, to which the Chairman is also invited. Other Executive Directors, senior members of the finance team, the external auditor and the internal auditor attend by invitation only, if required. The Committee is satisfied that it receives sufficiently detailed and relevant information from the Company's management, external auditor and internal auditor to enable it to fulfil its duties and to meet its responsibilities. The Chairman of the Committee provides a report to the Board following each Committee meeting summarising matters discussed and highlighting to the Board any issues requiring Board discussion. The Board also reviews the minutes and action points arising from each Committee meeting.

Members of the Committee spend time with executive management outside of the scheduled Committee meetings. This helps them to gain a better understanding of key issues and to identify matters requiring discussion by the Committee and areas requiring further clarification at meetings. This also enables direct contact with senior management outside the arena of a Board or committee meeting. The Committee meets with the external auditor without management being present at least twice a year.

Role and responsibilities

During the year, the Committee has continued its focus on risk management processes and on internal controls. The Group executive committee structure established at the beginning of the financial year, as set out in the corporate governance report, has resulted in a more streamlined approach by management to risk reporting. The assessment of risk takes place at all levels throughout the organisation and this analysis is summarised in reports to the Committee and to the Board. Grant Thornton was appointed as internal auditor in 2016 and, during the year, we have continued to oversee their workstream and the outputs and action points arising from their reviews. Further details of the internal audit process are set out later in this report.

Key responsibilities

- Financial reporting – to ensure the quality and integrity of published financial reporting and of financial statements and related disclosure.
- Risk management – to monitor the assessment of risk and the risk management and mitigation processes in place.
- Internal controls – responsible for the relationship with the Group's internal auditor and for monitoring the internal control environment of the Group.
- Governance and compliance – to ensure that the Group complies with all regulatory and governance requirements and guidelines in relation to financial reporting and accounting matters, including accounting policies and practices.
- External auditor – responsible for the supervision of the relationship with the external auditor including their qualification, independence, performance and effectiveness, and for ensuring an effective audit process.

The Committee's work on these key areas during the year ended 30 September 2018 is summarised overleaf.

Main activities during the year

Financial reporting

- Assisted the Board in ensuring that the information contained in the 2017 Annual Report was accurate and that the information contained in the strategic report was consistent with the financial statements and notes to the accounts. Reviewed and approved the Company's viability statement, statement of going concern and the appropriateness of accounting policies for the year ended 30 September 2017. All material Committee recommendations were actioned.
- Reviewed and discussed with the auditor the report on the audit findings on the Group accounts for the year ended 30 September 2017. Key matters discussed were:

  i) Valuation of investment properties and the carrying value of trading properties
  The Committee discussed the valuation of each property with the external valuers and/or management if held at Directors' valuation. The Committee assessed the integrity of the valuation process. Key judgements and assumptions applied to each valuation were considered as well as the valuation movement in the year. The Committee considered the key inputs to the discounted cash flow model (used for the largest assets valued, Alconbury, Rugby and Newark) or other valuation models and concluded that the assumptions applied were appropriate.

  ii) Revenue and profit recognition
  The Committee considered revenue and profit recognition in respect of sales of residential land parcels and individual units constructed on its strategic sites, assessing the conditions of the licence arrangements, and concluded they were appropriate.
- Reviewed and recommended to the Board the approval of the audited financial statements and preliminary announcement of the Group for the year ended 30 September 2017 and the Group's interim financial statements and announcement of results for the six months to 31 March 2018, together with the related investor presentations of the results, concluding that they were accurate and consistent with the audited financial statements.
- Reviewed the audit planning report prepared by the external auditor in respect of the financial year ended 30 September 2018, confirming materiality thresholds and agreeing the key audit matters for consideration by the auditor as part of the audit.

Risk management

- Assessed the Group's risk management framework and risk appetite and reviewed the effectiveness of the risk management and internal controls processes, which are also reviewed by the Board.
- Reviewed at each meeting a risk matrix setting out the identification and evaluation of risks at a strategic and project risk level and the impact of mitigation controls. The Committee reviews the likelihood, impact and mitigation of risks and approves the resulting risk rating.
- Further details of the Group's key risks and its development of risk management processes are contained in the risk review on pages 36 to 43.

Internal controls

- Reviewed the work carried out by Grant Thornton, who have been appointed to provide an internal audit service to the Group and to report on and provide assurance on the adequacy of the internal financial and non-financial controls. The Committee monitored the follow-up by management of actions identified in the 2017 reviews on areas previously assessed, including the risk management framework and procure to pay processes.
- Reviewed the findings from the 2018 audits and of the 15 identified action points only two remain to be addressed. In addition:
  - IT security – assessed the performance measurement of the Group's third party provider of IT services and the effectiveness of IT security management. Even though this audit was undertaken in the first half of this financial year, nine out of the 17 action points have been implemented.
  - Budgeting and forecasting – reviewed the effectiveness of budgeting and forecasting processes and the way they work throughout the Group, covering strategic, commercial and Catesby business segments together with the overheads of the business.

    Grant Thornton registered three action points and gave their report a low-risk rating.
  - Joint venture relationships – assessed the governance and management of relationships with joint venture partners. This was again given a low-risk rating by Grant Thornton who suggested four action points.

    The Committee also approved the internal audit plan for 2019.

Main activities during the year continued

Governance and compliance

- The Committee receives regular technical updates to reflect changes to the regulatory, governance and reporting environment. BDO led a technical update to the Committee covering the introduction of new accounting standards, changes in narrative reporting and the disclosure requirements in relation to the 2018 UK Corporate Governance Code.
- Reviewed the performance evaluation of the Committee. During the year the Committee assessed its own performance against the role and responsibilities set out in its terms of reference. The 2018 Board evaluation process also included a detailed review and evaluation of the Audit Committee. Further details of the 2018 evaluation process are set out in the report of the Nomination Committee.
- Reviewed regular reports on the work carried out by the Group to ensure GDPR compliance. Received a presentation by Mills & Reeve, which advised the Group on compliance and provided recommendations for action. The Committee monitored progress by management against the list of recommendations arising from the review carried out by Mills & Reeve.

External auditor

- Assessment and confirmation of the qualifications, expertise, independence and objectivity of the external auditor. The Committee considered the effectiveness of the auditor and the audit process and concluded that both were effective. Committee members each reviewed an effectiveness questionnaire, taking into account feedback from management, which was discussed at a Committee meeting before recommending to the Board the reappointment of the auditor.
- Approval of the terms of engagement and the fees of the auditor for work related to the review of the interim results for the six months to 31 March 2018 and for the audit for the year ended 30 September 2018. The Committee reviews any non-audit fees paid to the auditor and is satisfied that these are within the Group policy for the agreement and authorisation of non-audit services and do not compromise their independence.

Financial year ended 30 September 2018

Since the year end, the Committee has reviewed and recommended for Board approval the Annual Report and Accounts and preliminary announcement for the year ended 30 September 2018 and the investor presentation of results. The Committee is satisfied with the accuracy and consistency of information included in the Annual Report and Accounts for the year ended 30 September 2018 and that, taken as a whole, they are fair, balanced and understandable and that the financial statements represent a true and fair view of the financial state of the Group. The Committee has reviewed the assumptions upon which the going concern principle has been adopted for the preparation of the financial statements and has approved the long-term viability statement, which is set out on page 35.

Financial reporting and significant judgements

The significant areas of judgement considered by the Committee and discussed and assessed with the external auditor in relation to the year ended 30 September 2018 were as follows:

1. Valuation of investment properties and carrying value of trading properties

It is important to value the Group's property interests in order to ascertain the fair value of investment properties and the carrying value of trading properties, which are held at the lower of cost and net realisable value. Property valuations also inform the calculations of EPRA NAV. At 30 September 2018 the total EPRA value of all the Group's property interests was £609.1 million, which was made up of investment properties, trading properties, properties within property, plant and equipment, property related trade and other receivables and the Group's share of properties and related receivables held by joint ventures and associates. Independent valuers, CBRE Limited, valued 90 per cent of the property interests and the Directors valued the remaining 10 per cent.

Due to the subjective nature of property valuations, significant judgement is required. Members of the Committee met with the external valuers, without management present, to discuss the half-year and year-end valuations. Each property valuation was discussed individually with the integrity of the valuation process also assessed. Key judgements and assumptions applied to each valuation were considered as well as the valuation movement in the relevant period. For the strategic land assets valued, a discounted cash flow model was used reflecting the scale of the assets and the length of time over which the assets will be realised. The Committee considered the key inputs to the discounted cash flow models, namely the quantum and timing of significant cash outflows, land prices and forecast house price and cost inflation, the assumed profit required by housebuilders, and the applied discount rates. It was concluded that the assumptions applied to the valuations were appropriate.

Members of the Committee also discussed and reviewed Directors' valuations and considered that the key assumptions applied to the valuations were appropriate.

Financial reporting and significant judgements continued

2. Revenue and profit recognition

The Committee considered revenue and profit recognition in respect of sales of residential land parcels and individual units constructed on its strategic sites.

Proceeds from land parcel sales under licence arrangements are receivable in stages; a fixed price element initially being earned when risks and rewards of ownership transfer, with a further variable overage element being receivable when homes are sold. Total receipts are ultimately dependent upon sales prices achieved by housebuilders. Members of the Committee assessed the substantive conditions attaching to these arrangements when deciding how much and at what point revenue should be recognised, which was determined with reference to contractual terms, forecast timescales over which these amounts were payable and the ability to reliably measure variable consideration elements. Amounts were discounted to adjust for the time value of money. The Committee also considered the methodology and allocation of directly attributable costs of servicing each land parcel prior to sale which includes an allocation of site-wide infrastructure costs.

As with the sale of residential land parcels, some commercial land sale contracts entered into provide for deferred and sometimes variable consideration. This adds a certain complexity as to the point at which revenue should be recognised in the financial statements and the value at which it should be measured.

The Committee reviewed these methods of revenue and profit recognition and concluded they were appropriate.

Assessment of the effectiveness and independence of the external auditor

The Audit Committee has reviewed, as it does every year, the effectiveness of the external auditor taking into account their independence, objectivity, expertise and resources and has concluded that both the audit and audit process were effective. The Audit Committee considered the fulfilment of the audit plan and the degree to which BDO was able to assess key accounting and audit judgements and the content of the audit clearance report issued by them. The Committee considers that the auditor provides effective and appropriate challenge to management where required. This process was carried out through both formal and informal meetings with the external audit team.

BDO was previously auditor to the Terrace Hill Group and has been the auditor to the Urban&Civic Group since its Listing in May 2014. The Committee has previously reviewed the requirements relating to the tender of auditors and concluded that the date of appointment of BDO is deemed to be May 2014. As reported last year, a competitive tender will therefore be required by 2024. Audit engagement partners are required to rotate every five years and a rotation will not be required for Thomas Goodworth until the year ending 30 September 2021.

The Company supports BDO's policy that senior management of the audit team should rotate after seven years.

After reviewing the external auditor's performance during the year, the Committee has concluded that BDO remain effective in their role as external auditor and recommends to the Board that they be reappointed for a further year. A resolution to this effect will be proposed at the 2019 AGM. The Committee will continue to review the effectiveness and independence of the auditor on an ongoing basis.

Anti-corruption and bribery and whistleblowing procedures

In line with the Bribery Act 2010, the Group has in place written policies on avoiding and not tolerating bribery or corruption. The Board has approved an anti-corruption and bribery policy, a gifts and hospitality policy and a whistleblowing policy, which have been circulated to all Directors and staff. The anti-corruption and bribery policy and whistleblowing policy are also found on the Company website. All staff are provided with copies of these policies on joining the Group and are required to confirm in writing, on an annual basis, that they have complied with the anti-corruption and bribery policy and gifts and hospitality policy throughout the year. The Committee reviews, on a six-monthly basis, declarations made by Directors and staff under the Group's gifts and hospitality policy above an agreed threshold.

Under the whistleblowing policy, Directors, management, employees and external stakeholders can report in confidence any concerns they may have of malpractice, financial irregularity or breaches of any Group procedures. During the year, the Committee received anti-bribery and whistleblowing reports from management. It has been agreed that, going forward, the Board will be responsible for monitoring the procedures and effectiveness of the whistleblowing policy and for any reports made under the policy. This is consistent with the requirements of the 2018 UK Corporate Governance Code.

Future accounting changes

The Audit Committee has been briefed by management and the external auditors on the effect of the following new accounting standards from the financial year 2019 onward.

IFRS 15 'Revenue from Contracts with Customers'

This standard will result in a significant change to the way revenue is recognised, particularly in respect of the Group's licensed overages. The impact of the incoming standard on this year's results is set out in note 1 of the financial statements.

IFRS 16 'Lease Accounting'

Leases will now be required to be brought on balance sheet as both a right to use asset and an associated liability. This new standard would result in the Group bringing on balance sheet operating leases for the first time. The impact of the incoming standard on this year's results is set out in note 1 of the financial statements.

IFRS 9 'Financial Instruments'

The introduction of IFRS 9 should not materially impact the Group in the first instance although it is likely that long-term receivables under licence arrangements will be reviewed more frequently to ensure no losses are expected.

Long-term viability statement
The Committee has assessed the prospects and financial viability of the Group and has approved the long-term viability statement set out on page 35.

2019 priorities
The Committee's continued focus for the year ended 30 September 2019 will be the assessment of risk management within the Group and the review of reports prepared by Grant Thornton as part of the ongoing internal controls programme. The next phase of the internal controls review will cover investments and divestments, outsourced contract management, capital expenditure, health and safety, and HR and succession planning. The Committee will also continue to focus on financial reporting related to the half-year and year-end processes. During the year ending 30 September 2019, the Committee will work with management and be assisted by the auditor in overseeing the introduction of new accounting standards as discussed above.

I will report further on the activities of the Committee in next year's Audit Committee report.

Ian Barlow
Chairman of the Audit Committee
28 November 2018

DIRECTORS' REMUNERATION REPORT

JUNE BARNES —
COMMITTEE CHAIR

Membership and meetings

The membership of the Committee and attendance at the six scheduled meetings held during the year ended 30 September 2018 are shown below:

		Independent	Date of appointment	Meetings eligible to attend
June Barnes	Chair	Yes	01/07/17	6
Ian Barlow	Member	Yes	01/09/16	6
Duncan Hunter	Member	Yes	14/05/14	6

Meetings attended

Introduction

The Remuneration Committee's role is to ensure that the remuneration policy for Executive Directors is appropriately designed to promote the long-term success of the Company and is a fair reward structure to incentivise Executive Directors to deliver the Group's strategic objectives. This Directors' remuneration report includes the Directors' remuneration policy, as approved by shareholders at the 2018 AGM, and a report on the operation of the policy during the year under review.

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Directors' remuneration policy report	Pages 102 to 105
Annual report on remuneration	Pages 106 to 113

Dear Shareholder,

I am pleased to introduce the Directors' remuneration report for the year ended 30 September 2018. As in previous years, the report has been divided into three sections.

This introduction details the membership of the Committee, sets out the key activities of the Committee over the financial year ended 30 September 2018 and contains an overview of the year ahead. This is followed by the Directors' remuneration policy report, setting out the policy in full. This policy was approved at the 2018 AGM and this financial year represents the first year in which the revised policy has been in operation. The Committee has overseen and assessed the introduction of the new policy and has agreed that no changes are recommended to shareholders for the 2019 AGM. Finally, the annual report on remuneration sets out the remuneration earned by the Group's Directors in the year ended 30 September 2018 and the implementation of the policy. The annual report on remuneration will be subject to an advisory shareholder vote at the 2019 AGM.

The Committee's key purpose is to ensure an appropriate reward structure and remuneration policy. This incorporates the provision of competitive awards for Executive Directors, taking into account the performance of the Group and of individuals. The Committee takes into consideration market comparisons and the attraction, retention and motivation of high calibre individuals. The reward structure also takes into account the relatively long-term business model of the Company and is designed to align the pay and incentives of executives with the delivery of the Group's strategic objectives and financial returns for shareholders.

All members attend meetings of the Committee, which are also attended by other Directors and advisers by invitation. The Company Secretary is secretary to the Remuneration Committee and attends all meetings. Robert Dyson and Mark Tagliaferri both resigned from the Board and the Committee during the year. There were no other changes to the Committee membership during the year. The Company Secretary has established a governance calendar of events requiring Remuneration Committee discussion and approval, and the agendas of Committee meetings reflect this, ensuring that a thorough and effective review of key areas takes place over the year.

Main activities during the year

Shareholder consultation

Review of the Directors' remuneration policy prior to recommendation to shareholders for approval at the 2018 AGM. The review of the policy took into account market conditions, market practice, legislation and regulation, corporate governance and published guidance, motivation of executive management, employment conditions in the Group and Group culture and values. The views of shareholders and institutional investors were also taken into account and the process included writing to all our major shareholders and to two investor bodies inviting feedback and face to face discussion. When formulating the proposed policy, we took into account the views that shareholders expressed during this consultation process.

PSP awards

Approved the vesting calculations of the PSP awards granted in respect of the performance period ended 30 September 2017, which vested in December 2017. The EPRA NAV condition was satisfied in part and the TSR condition was not satisfied. Further details are included in the annual report on remuneration.

Proposed an amendment to the rules of the Performance Share Plan 2016 (the 'PSP rules') for consideration by shareholders at the 2018 AGM. The amendment increased the individual limit such that a participant may not receive awards under the PSP rules in any financial year of the Company over shares having a market value (as at the time of the award) in excess of 300 per cent (increased from 200 per cent) of their annual base salary. This amendment was proposed as part of the review of the remuneration policy, as described in last year's report.

Agreed that the Performance Share Plan ('PSP') awards granted in respect of the year ended 30 September 2017 should be made under the PSP rules, which were adopted following approval by shareholders at the 2018 AGM. Subsequently (in February 2018) approved the grant of PSP awards to Executive Directors and other staff in respect of the performance period starting on 1 October 2017.

Agreed the performance conditions for the PSP awards granted in February 2018, in respect of the performance period starting on 1 October 2017. The conditions, relating to EPRA NAV and absolute TSR performance, are set out in more detail in the annual report on remuneration.

Reviewed a schedule of headroom of shares held by the Employee Benefit Trust at every meeting, to ensure that there is sufficient capacity to issue shares on the exercise of PSP awards.

Executive Directors' remuneration

Reviewed and assessed the achievement of the Executive Directors' 2016/17 objectives. Approved the bonus in respect of the financial year ended 30 September 2017, based on the achievement of these objectives.

Approved salary increases of Executive Directors to take effect from 1 October 2017.

Approved the Executive Directors' objectives for the 2017/18 financial year. These were based on EPRA NAV performance, personal objectives and cash generation conditions. Further details are set out in the annual report on remuneration.

Approved the grant of the deferred share bonus awards to Executive Directors in respect of the bonus awards for the year ended 30 September 2017, in accordance with the rules of the Annual Bonus Plan and the Deferred Share Bonus Scheme adopted by the Company in 2016. Under the remuneration policy approved at the 2018 AGM, annual bonuses are no longer subject to any deferred payment element.

Approved the vesting of the deferred share bonus awards granted in respect of the financial year ended 30 September 2015.

Main activities during the year continued

Senior management remuneration

Approved the performance bandings upon which 2017 remuneration awards to senior management were made.

Reviewed the 2017 salary, bonus and LTIP award proposals for the Company Secretary and other selected senior management.

Approved the grant of PSP awards to senior management and other staff.

Other staff remuneration

Reviewed the recommendations by management for the annual salary, bonus and PSP awards for all other staff in respect of the financial year ended 30 September 2017, noting the performance metrics applied by management in proposing these awards.

Carried out an initial review of the Group staff remuneration policy in February 2018 and subsequently appointed a third party consultant to carry out a thorough review of the remuneration of senior management and all other staff (excluding the Executive Directors). The purpose of this review was to assess current remuneration against market data and to provide recommendations for improvements in remuneration processes. The report included an analysis of market trends in general, as well as a benchmarking of the salary, bonus and other benefits of staff with available market data collected by an independent third party. The comparisons took into account seniority, length of service, performance in the role and development potential. Gender diversity was also reviewed. The conclusion was that the remuneration for the majority of roles was within market ranges, or that there were justifiable circumstances explaining why levels fell outside the market ranges, for example competency levels. Some individuals require additional review which will be carried out by executive management, reporting to the Committee. The Committee recognises the importance of taking into account the overall remuneration package, not just base salary.

Share ownership guidelines

Long-term ownership culture and an alignment of executive and shareholder interests is encouraged and, during the year, the Committee proposed changes to the share ownership guidelines for the Group.

The Committee approved revised share ownership guidelines for Executive Directors which were adopted by shareholders at the 2018 AGM as part of the revised remuneration policy. The Chief Executive and Managing Director are required to build and then hold 500 per cent of their base salary in the Company's shares. The Finance Director, and any other Executive Directors appointed to the Board in future, will have a minimum shareholding requirement of 250 per cent.

The Committee also adopted share ownership guidelines for selected members of senior management. The target holding for such staff is 100 per cent of base salary.

Effectiveness

Carried out a review of the performance and effectiveness of the Committee, taking into account the duties and responsibilities set out in its terms of reference.

Governance and training

Approved the remuneration report for inclusion in the 2017 Annual Report.

Received a briefing by the Company Secretary on the requirements of the 2018 UK Corporate Governance Code, including those specifically relating to remuneration committees.

Discussed a briefing note prepared by the Company's remuneration consultants setting out new and proposed reporting requirements.

Annual review of terms of reference.

Performance and reward in the year to 30 September 2018

The Group's results for the year ended 30 September 2018 are discussed in the strategic report on pages 4 to 65. The Group has reported a total comprehensive income for the year of £18.7 million, IFRS net assets of £389.0 million and EPRA net assets of £481.2 million at 30 September 2018, 4.6 per cent and 9.5 per cent higher compared against the same respective net asset valuations at 30 September 2017. Reflecting performance against EPRA net asset growth targets, individual performance of the Executive Directors against their personal objectives and performance against cash generation targets, annual bonus awards for the Executive Directors for the year ended 30 September 2018 were between 83.6 and 86.6 per cent of salary (out of a possible 100 per cent).

The Committee has reviewed achievement against objectives and believes that the remuneration of the Executive Directors reflects the performance of the Group.

Details of the changes to the salaries of the Executive Directors are set out in the annual report on remuneration.

Performance Share Plan awards

PSP awards are due to vest in June 2019, based on performance from 1 October 2015 to 30 September 2018, as set out in the annual report on remuneration.

The Committee intends to grant awards under the PSP rules for the performance period from 1 October 2018 to 30 September 2021 within six weeks of the announcement of the results for the year ended 30 September 2018. While award levels and performance targets have yet to be determined, award levels will be within the normal maximum annual grant limits and performance metrics will be based on EPRA NAV and absolute TSR conditions. We believe that the TSR measure directly aligns our executive team with the value created for shareholders over the long term.

The year ahead

The main focus of the Committee in the coming year will be to develop its role in accordance with the requirements of the UK Corporate Governance Code published in July 2018 and to develop the staff reward framework following the review carried out by a third party consultant.

As a result, we will also be reviewing our terms of reference to ensure that the role and responsibilities of the Committee reflect the requirements of the 2018 Code and best practice guidelines.

The role of the Committee is expected to expand to cover the approval of senior management remuneration and the oversight of staff reward policies and remuneration. We intend to ensure that remuneration levels for employees are in line with market expectations for their level and contribution to the Company. The Committee will be guided by management recommendations when reviewing staff remuneration policies and practices and will assess the remuneration processes currently in operation at the Company to ensure they are as effective as possible. We intend to work with management in assessing the structure and groupings of job titles which will facilitate analysis and comparisons in future years. It is the intention of the Committee to ensure that the remuneration policy for staff is aligned with the policy for Executive Directors. The review of staff remuneration carried out this year commenced this process and I will report further in next year's report.

The EMC has the direct responsibility for seeking employee views and feedback on the performance appraisal and remuneration process and on employment policies of the Group. The EMC reports to the Board on these issues. In addition, through informal meetings with staff, I intend to ensure that the views of employees are fully reflected to, and discussed by, the Committee.

We are committed to the retention and development of staff and to ensuring that Urban&Civic continues to be a company that seeks to attract, retain and reward top talent.

2019 AGM

The Committee unanimously recommends that shareholders vote to approve the annual report on remuneration at the 2019 AGM.

June Barnes
Chair of the Remuneration Committee
28 November 2018

DIRECTORS' REMUNERATION POLICY REPORT

Introduction and overview

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

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

Consideration of shareholder views

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

Consideration of employment conditions elsewhere in the Group

The Group employs around 80 people and the Committee considers the general base salary increase for all employees when determining the annual salary increases for the Executive Directors and considers quantum and the structure of pay across the Group more generally when reviewing the Executive Directors' remuneration policy.

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

Summary of remuneration policy

The Directors' remuneration policy set out below was approved by shareholders at the 2018 AGM.

Element	How component supports corporate strategy	Operation	Maximum	Performance targets and recovery provisions
Executive Directors				
Base salary	To provide a competitive salary level to attract and retain high calibre executives.	Basic salaries are reviewed on an annual basis. The Committee seeks to establish a basic salary for each position determined by individual responsibilities and performance taking into account comparable salaries for similar positions in companies of a similar size in the same market.	There is no prescribed maximum base salary or annual salary increase. The Committee is guided by the general increase for the broader employee population but may decide to award a lower increase for Executive Directors or indeed exceed this to recognise, for example, an increase in the scale, scope or responsibility of the role and/or to take into account relevant market movements. Current salary levels are set out in the annual report on remuneration.	Not applicable.
Pension	To provide a competitive level of contribution to pension arrangements.	Company contribution normally paid monthly into the Company's pension scheme, into a personal pension arrangement and/or as a cash supplement.	Up to 15 per cent of salary for existing Executive Directors. Up to 10 per cent for any new Executive Directors (in line with the rest of the workforce).	Not applicable.
Benefits	To provide a competitive level of benefits.	Car allowance (or company car), private medical insurance, permanent health insurance and life assurance provided. Other benefits may be provided where relevant.	Provided at approved cost.	Not applicable.
Annual bonus	To drive and reward annual performance of individuals, teams and the Group.	Based on performance during the relevant financial year. Bonus will be paid in cash.	Up to 100 per cent of base salary.	Performance period: normally one year. The majority (if not all) of the performance targets will be based on financial targets with any remainder based on personal/strategic targets. Clawback provision operates.

Element	How component supports corporate strategy	Operation	Maximum	Performance targets and recovery provisions
Executive Directors continued				
Long-term incentives – Performance Share Plan (PSP)	To drive and reward the long-term performance of the Group and to align the interests of management.	Awards granted under the PSP have the following features: • conditional awards or nil/nominal cost options; • vesting is dependent on the satisfaction of performance targets and continued service; and • awards are subject to a two-year holding period.	300 per cent of salary for CEO and MD. 275 per cent of salary for other Executive Directors.	Performance period: normally three years. 25 per cent of an award vests at threshold performance (0 per cent vests below threshold), increasing to 100 per cent pro-rata for maximum performance. Performance will be measured against TSR and/or relevant financial measures. Clawback provision operates.
Share ownership guidelines	To further align executives with shareholders.	The Committee requires that Executive Directors satisfy a minimum shareholding requirement.	Minimum of 500 per cent of salary for the current CEO and MD and 250 per cent for any other Executive Director (including the current FD).	Not applicable.
Non-Executive Directors				
Fees	To provide fees reflecting time commitments and responsibilities of each role, in line with those provided by similarly sized companies.	Cash fee normally paid on a monthly basis. Non-Executive Directors' fees are determined by the Executive Directors having regard to the need to attract high calibre individuals with the right experience, the time and responsibilities entailed and comparative fees paid in the market in which the Group operates. Taxable benefits may be provided where appropriate including the reimbursement of expenses.	There is no prescribed maximum individual fee or fee increase. The Board (excluding Non-Executive Directors) is guided by the general increase for the broader employee population, time commitment, scope and responsibility of the role and/or relevant market movements. Current fee levels are set out in the annual report on remuneration.	Not applicable.

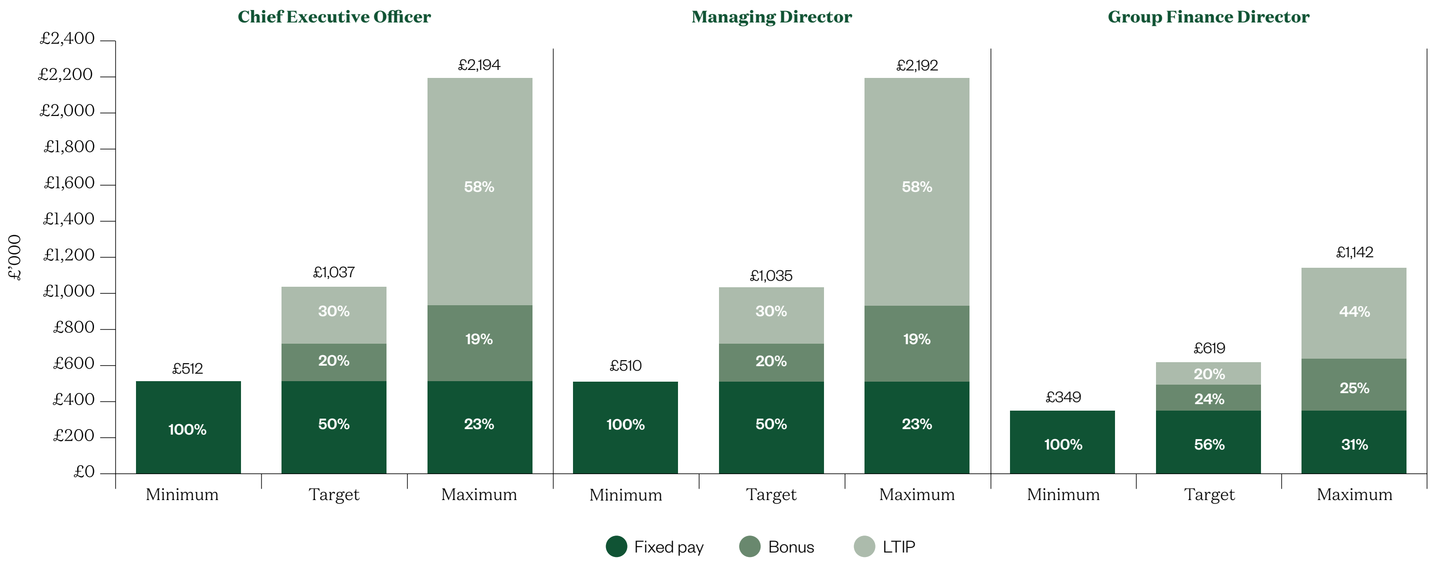
Notes:

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

DIRECTORS' REMUNERATION POLICY REPORT CONTINUED

Reward scenarios

The charts below show how the composition of each of the Executive Directors' remuneration packages varies at different levels of performance under the policy, as a percentage of total remuneration opportunity and as a total value.



Notes:

1. The minimum performance scenario comprises the fixed elements of remuneration only, including:
   - salary, as set out in the annual report on remuneration;
   - pension (15 per cent of salary); and
   - benefits are approximated.
2. The on-target level of bonus is taken to be 50 per cent of the maximum bonus opportunity, and the on-target level of PSP vesting is assumed to be 25 per cent of the face value of the PSP award. These values are included in addition to the components/values of minimum remuneration.
3. Maximum remuneration assumes full bonus pay-out (100 per cent of salary only) and the full face value of the PSP (i.e. 300 per cent of salary for the CEO and MD, and 175 per cent for the FD), in addition to fixed components of minimum remuneration.
4. No share price growth has been factored into the calculations.
5. PSP award sizes are shown as 300 per cent of base salary for the CEO and MD, and 175 per cent of base salary for the FD. These levels are in line with the intended award sizes for the 2018 PSP grants. They are within the policy maximums of 300 per cent for the CEO and MD, and 275 per cent of base salary for the FD.

Approach to recruitment and promotions

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

Salary would be provided at such a level as required to attract the most appropriate candidate and may be set initially at a below mid-market level on the basis that it may progress towards the mid-market level once expertise and performance have been proven and sustained. The annual bonus potential would be limited to 100 per cent of salary and, depending on the timing of the appointment, the Committee may deem it appropriate to set different annual bonus performance conditions to the current Executive Directors for the first performance year of appointment. Grants under the PSP would be limited normally to 300 per cent of salary and can be made shortly following an appointment (assuming the Company is not in a close period). The Committee may provide an allowance or reimbursement of any reasonable expenses (including tax thereon) in relation to the relocation of an Executive Director. Any ongoing costs will be met by the Company for a period of no more than 12 months.

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

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

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

Service contracts for Executive Directors

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

All Executive Directors are employed on rolling contracts subject to no more than 12 months' notice from either the Executive Director or the Company, given at any time. Service contracts do not provide explicitly for termination payments or damages but the Company may make payments in lieu of notice. For this purpose, pay in lieu of notice would consist of basic salary and other relevant emoluments for the relevant notice period excluding any bonus. In addition, the Company has discretion in certain circumstances to pay certain fees relating to the termination, for example, fees for legal advice received by the Executive Director. The Committee may pay any statutory entitlements or settle or compromise claims in connection with a termination of employment, where considered in the best interests of the Company.

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

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

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

Non-Executive Directors

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

In the event of termination of their appointment Non-Executive Directors are not entitled to any compensation.

ANNUAL REPORT ON REMUNERATION

How the remuneration policy was implemented in the year ended 30 September 2018

Directors' remuneration

The details set out on pages 106 to 113 of this report are subject to audit.

	Basic salary/fees[1]		Benefits[2]		Bonus[3]		Long-term incentives[4]		Pension[5]		Total	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Executive Directors												
Nigel Hugill	408	397	28	26	354	433	293	275	61	59	1,144	1,190
Robin Butler[6]	408	397	26	24	354	433	293	275	61	59	1,142	1,188
David Wood	280	240	17	17	234	295	262	64	42	36	835	652
Non-Executive Directors												
Ian Barlow	60	55	—	—	—	—	—	—	—	—	60	55
June Barnes[7]	55	42	—	—	—	—	—	—	—	—	55	42
Alan Dickinson	125	125	—	—	—	—	—	—	—	—	125	125
Jon Di-Stefano[8]	45	3	—	—	—	—	—	—	—	—	45	3
Robert Dyson[9]	16	45	—	—	—	—	—	—	—	—	16	45
Duncan Hunter	60	55	—	—	—	—	—	—	—	—	60	55
Mark Tagliaferri[10]	35	40	—	—	—	—	—	—	—	—	35	40

1. Basic salary/fees includes salary and fees received during the period that each Director was a Director of Urban&Civic plc.
2. Includes a fully expensed company car or cash alternative and private medical insurance.
3. Further information on the determination of annual bonus payments is set out in the information following this table.
4. The 2018 long-term incentive disclosure refers to the awards granted in 2016 which had a performance period which ran from 1 October 2015 to 30 September 2018. Following an assessment of performance, 59.7 per cent of the shares are expected to vest in June 2019. As the awards have not yet vested, the figures shown in the table are based on the average share price in the three months to 30 September 2018, which is 303.98p. The 2017 long-term incentive disclosure refers to the awards granted in 2014 which had a performance period which ran from 22 May 2014 to 30 September 2017. Following an assessment of performance, 28.7 per cent of the shares vested on 13 December 2017. These figures have been restated from last year's report using the actual share price on the vesting date (280p). The figures shown in the table in last year's report were based on the average share price in the three months to 30 September 2017 (255.87p). Further details relating to performance targets, weightings and outcomes can be found on page 108.
5. Pension payments are made as a cash supplement to the Directors or directly to a pension scheme.
6. As permitted by the UK Corporate Governance Code, Executive Directors may be permitted to act as a director of a non-Group company and to retain any earnings they receive for that role. During the year ended 30 September 2018, Robin Butler was a director of New Heritage Regeneration Limited and retained earnings of £20,000 for that role (2017: £20,000).
7. Appointed as Chair of the Remuneration Committee on 1 July 2017. Director's fee increased from £40,000 p.a. to £46,000 p.a. on that date.
8. Appointed as a Director on 1 September 2017.
9. Resigned on 8 February 2018.
10. Mark Tagliaferri's annual fee was paid to GI Group. He resigned on 11 July 2018.

Determination of the annual bonus for the year ended 30 September 2018

The annual bonus for the year ended 30 September 2018 was capped at 100 per cent of salary, with 50 per cent of the annual bonus opportunity based on growth in EPRA NAV, 30 per cent based on personal/strategic objectives and 20 per cent based on cash generation objectives.

EPRA NAV growth

EPRA NAV at 30 September 2018 was £481.2 million. This resulted in 45.6 per cent of base salary (out of a possible 50 per cent) being payable to the Executive Directors. The targets for the year ended 30 September 2018, and the associated potential bonus payments, were as follows:

Annual bonus target	EPRA NAV	Bonus payable
Threshold	£447.5m	nil per cent of base salary
Target	£465.5m	32.5 per cent of base salary
Maximum	£483.5m	50 per cent of base salary

Determination of the annual bonus for the year ended 30 September 2018 continued

Personal/strategic objectives

Personal objectives for the year ended 30 September 2018 were set to measure the individual performance of Executive Directors and included:

- development of broader investment base;
- development and implementation of successful planning strategies for strategic sites and areas of the business;
- establishment of operational risk management framework;
- sourcing additional strategic sites;
- delivery of projects in line with budget and agreed timescales;
- maintenance of high quality corporate governance;
- maintenance of satisfactory and beneficial banking and funding relationships;
- management and development of financial reporting to the Board and the investor community;
- development of a capital allocation and debt polices; and
- strong leadership across the Group and management and motivation of staff, development of management structures and future leaders.

During the year, acquisitions of strategic sites were made in line with our goals for the year. Planning strategies have been successfully implemented and there has been excellent progress in the delivery of projects across the Group in line with budget and agreed timescales. Strong progress has been made in building the risk management framework and policies and on the management and motivation of the staff. The quality and standard of financial reporting has been significantly enhanced.

The Committee scored the Executive Directors' individual performance based on an unweighted objective assessment of the level of attainment of each of the Executive Directors having regard to specific areas of responsibility. The Committee approved payments related to personal objectives in the range of 18 per cent to 21 per cent being paid to current Executive Directors as set out in the table below:

Executive Director	Maximum amount payable	Actual amount payable
Current Directors		
Nigel Hugill	30 per cent of base salary	21 per cent payable
Robin Butler	30 per cent of base salary	21 per cent payable
David Wood	30 per cent of base salary	18 per cent payable

Cash generation

Cash generated from completions on strategic sites during the year ended 30 September 2018 was £21.0 million. This resulted in 20 per cent of base salary (out of a possible 20 per cent) being payable to the Executive Directors. The targets for the year ended 30 September 2018, and the associated potential bonus payments, were as follows:

Annual bonus target	Revenue	Bonus payable
Threshold	£8.4m	nil per cent of base salary
Target	£19.1m	17 per cent of base salary
Maximum	£21.0m	20 per cent of base salary

Board changes/payments for loss of office

During the year, Robert Dyson and Mark Tagliaferri resigned as Non-Executive Directors on 8 February 2018 and 11 July 2018 respectively. There were no payments for loss of office.

There were no other changes to the Board during the year ended 30 September 2018.

Payments to past Directors

There were no payments to past Directors.

ANNUAL REPORT ON REMUNERATION CONTINUED

Performance Share Plan (PSP) awards in respect of the performance period ended 30 September 2018

The awards granted on 21 June 2016 are expected to vest in June 2019. Half of these awards were subject to an EPRA NAV performance condition and half were based on a relative TSR performance condition. Following an assessment of performance, as shown in the table below, it is expected that 59.7 per cent of these awards will vest.

Measure	Threshold vesting (% of award)	Maximum vesting (% of award)	Threshold target	Maximum target	Achievement	Outcome
EPRA NAV growth	12.5%	50%	RPI + 3% p.a.	RPI + 12.5% p.a.	Actual EPRA NAV 8.03% equivalent to RPI +4.98%	20.3%
Urban&Civic TSR rank vs. FTSE 350 Real Estate	12.5%	50%	Median rank	Upper quartile rank	78.79%	39.4%
Total						59.7%

As a result of this performance outcome, the following number of shares are expected to vest to the Executive Directors: Nigel Hugill 96,250 shares, Robin Butler 96,250 shares, and David Wood 86,250 shares.

Performance Share Plan (PSP) awards granted in the year ended 30 September 2018 which could vest in future years

On 8 February 2018, PSP awards were granted to Executive Directors as set out below. Executives not on the Board of the Company are typically eligible for PSP awards.

The number of shares granted to each current Executive Director on 8 February 2018 under the PSP is set out below:

	Number of awards	Face value	Amount of base salary	End of performance period	Threshold vesting[3]	Weighting (of award)[4]	Performance condition and performance range
Nigel Hugill	405,153	£1,225,185	300%	30 September 2020	25%	50%	EPRA NAV growth[1]
					25%	50%	TSR growth[2]
Robin Butler	405,153	£1,225,185	300%	30 September 2020	25%	50%	EPRA NAV growth[1]
					25%	50%	TSR growth[2]
David Wood	254,629	£770,000	275%	30 September 2020	25%	50%	EPRA NAV growth[1]
					25%	50%	TSR growth[2]

1. EPRA net asset value performance (50 per cent weighting) must increase by more than 5.0 per cent per annum for 25 per cent vesting and must increase by more than 12.0 per cent per annum for 100 per cent vesting.
2. Total shareholder return (50 per cent weighting) must increase by more than 5.0 per cent per annum for 25 per cent vesting and must increase by more than 12.0 per cent per annum for 100 per cent vesting.
3. Expressed as a percentage of shares subject to the performance condition.
4. Expressed as a percentage of the shares awarded under the PSP.

Implementation of the remuneration policy for the year ending 30 September 2019

The following section sets out how the Remuneration Committee intends to implement the remuneration policy for the year ending 30 September 2019.

Base salary

Base salary levels for the Chief Executive, Managing Director and Finance Director have been increased by 3.0 per cent. These increases are in line with the increase in base salaries of the general workforce. Base salary levels for the Executive Directors as at 1 October 2018 and 1 October 2017 are shown below:

Director	Title	2018	2017	% increase
Nigel Hugill	Chief Executive	**£420,600**	£408,395	3.0%
Robin Butler	Managing Director	**£420,600**	£408,395	3.0%
David Wood	Group Finance Director	**£288,400**	£280,000	3.0%

The next salary review date is expected to be 1 October 2019.

Pension

The Group will contribute 15 per cent of base salary for all Executive Directors (payable into a pension arrangement or as a salary supplement). New Executive Directors will have contribution to pension set at 10 per cent of base salary, in line with the rest of the workforce.

Benefits

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

Annual bonus

For the year ending 30 September 2019, the annual bonus structure will be unchanged from that operated in the prior year, as set out in the policy report on pages 102 to 105. The maximum bonus opportunity will be 100 per cent of base salary with 50 per cent of the annual bonus opportunity based on growth in EPRA NAV, 30 per cent based on personal/strategic objectives and 20 per cent based on cash generation. Annual bonus targets for the year ending 30 September 2019 are currently considered to be commercially sensitive although, as in previous years, retrospective disclosure will be provided in the 2019 annual report on remuneration. The Remuneration Committee retains discretion to reduce (but not increase) annual bonuses in the event that the share price diverges markedly from reported growth in EPRA NAV.

Long-term incentives

Award levels and performance targets are yet to be determined. Award levels will be within the normal maximum annual grant limits and performance metrics will be based on EPRA NAV and TSR conditions and measured over the performance period from 1 October 2018 to 30 September 2021. Full details of the award levels for Executive Directors and the performance targets will be provided in the relevant Stock Exchange announcement which will be published immediately following grant.

The Remuneration Committee intends to grant awards under the PSP within six weeks of the announcement of the results for the year ended 30 September 2018.

Clawback provisions

Consistent with best practice, the Company will operate clawback provisions in respect of annual bonus and PSP awards in the year ending 30 September 2019. The Committee may withhold ('malus') or recover ('clawback') awards/payments within a period of three years from award in the event that the Company materially misstates its financial results, there is an error in assessing the performance targets and/or participants cease employment as a result of misconduct on the part of the individual.

Non-Executive Directors

Non-Executive Directors' fees are reviewed annually and an increase was approved by the Board to take effect from 1 October 2018.

Non-Executive Directors' fees as at 1 October 2018 and 1 October 2017 are shown below:

	2018	2017
Alan Dickinson[1]	**£125,000**	£125,000
Ian Barlow	**£60,000**	£60,000
June Barnes[2]	**£55,000**	£55,000
Jon Di-Stefano	**£45,000**	£45,000
Duncan Hunter	**£60,000**	£60,000

1. Annual fee increased to £150,000 with effect from 1 November 2018.
2. Annual fee increased to £60,000 with effect from 1 November 2018.

It is expected that the Non-Executive Directors' fees will next be reviewed with effect from 1 October 2019.

ANNUAL REPORT ON REMUNERATION CONTINUED

Statement of Directors' shareholdings and share interests

Full details of unvested performance share awards in the Company held by Executive Directors in office at 30 September 2018, together with details of awards granted to all Directors who held office during the year, are shown below. Vested shares are included in the table on page 106.

	Number of awards	Date of grant	Share price at date of grant	Exercise price	Exercise period
Nigel Hugill	161,223	21 June 2016	238.8p	Nil	21 June 2019[1] to 20 June 2026
	387,302	7 December 2016	204.75p	Nil	7 December 2019 to 6 December 2026
	405,153	8 February 2018	302.4p	Nil	8 February 2021 to 7 February 2028
Robin Butler	161,223	21 June 2016	238.8p	Nil	21 June 2019[1] to 20 June 2026
	387,302	7 December 2016	204.75p	Nil	7 December 2019 to 6 December 2026
	405,153	8 February 2018	302.4p	Nil	8 February 2021 to 7 February 2028
David Wood	144,472	21 June 2016	238.8p	Nil	21 June 2019[1] to 20 June 2026
	224,664	7 December 2016	204.75p	Nil	7 December 2019 to 6 December 2026
	254,629	8 February 2018	302.4p	Nil	8 February 2021 to 7 February 2028

1. Expected to vest in 2019; see table on page 108.

Directors' shareholdings

The table below sets out Directors' shareholdings, which are beneficially owned or subject to a performance or service condition.

	Interests in ordinary shares		Deferred shares under the bonus scheme		Share awards subject to performance conditions[1]		
	30 September 2018	30 September 2017	**30 September 2018**	30 September 2017	**30 September 2018[1]**	30 September 2017	% of salary for shareholding guideline[2]
Current Directors							
Nigel Hugill	**1,270,091**	1,256,936	**164,001**	84,866	**1,051,895**	890,747	947%
Robin Butler	**1,273,843**	1,260,649	**164,001**	84,866	**1,051,895**	890,747	950%
David Wood	**93,627**	92,657	**75,566**	21,678	**646,725**	449,136	102%
Ian Barlow	**112,272**	74,472	—	—	—	—	n/a
June Barnes	**20,037**	20,037	—	—	—	—	n/a
Alan Dickinson	**88,889**	88,889	—	—	—	—	n/a
Jon Di-Stefano[3]	**4,000**	—	—	—	—	—	n/a
Duncan Hunter	**864,642**	756,722	—	—	—	—	n/a
Past Directors							
Robert Dyson	**175,699[4]**	175,699	—	—	—	—	n/a
Mark Tagliaferri	**—[5]**	—	—	—	—	—	n/a

1. Details of the PSP awards of Executive Directors as at 30 September 2018 are shown in the table at the top of this page.
2. Based on the number of shares beneficially held, the average share price for the month ended 30 September 2018 (304.5p) and the relevant base salary at 30 September 2018.
3. Appointed as a Director on 1 September 2017.
4. Holding as at 8 February 2018, the date on which Robert Dyson resigned as a Director.
5. Holding as at 11 July 2018, the date on which Mark Tagliaferri resigned as a Director.

Directors' service contracts

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

Executive Directors

Current Directors	Company notice period	Contract date	Unexpired term of contract[1]	Potential termination payment	Potential payment on change of control/liquidation
Nigel Hugill	12 months	28 April 2014	Rolling contract	12 months' salary and other relevant emoluments excluding bonus	Nil
Robin Butler	12 months	28 April 2014	Rolling contract	12 months' salary and other relevant emoluments excluding bonus	Nil
David Wood	12 months	1 July 2016	Rolling contract	12 months' salary and other relevant emoluments excluding bonus	Nil

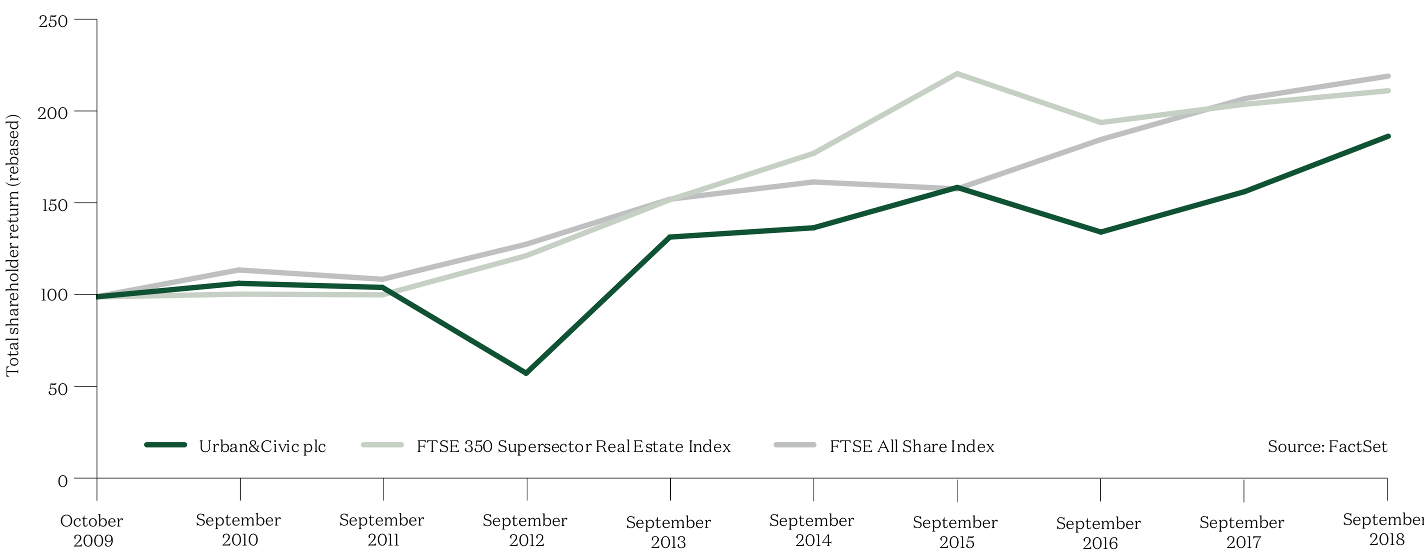
1. Contracts will continue until terminated by notice either by the Company or the Director.

Non-Executive Directors

	Notice period	Contract date
Ian Barlow	3 months	2 August 2016
June Barnes	3 months	23 September 2015
Alan Dickinson	3 months	23 September 2015
Jon Di-Stefano	3 months	29 August 2017
Duncan Hunter	3 months	23 September 2015

TSR performance graph and table

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



ANNUAL REPORT ON REMUNERATION CONTINUED

Chief Executive nine-year history

The table below sets out the single figure of total remuneration for the Chief Executive for the last nine years. Prior to the date of Listing (22 May 2014) we have shown the single figure for the Chief Executive of Terrace Hill.

Year	Incumbent	Single figure of total remuneration	Annual bonus pay-out against maximum[1]	PSP vesting against maximum opportunity
2017/18	Nigel Hugill[2]	£1,144,000	86.6%	59.7%
2016/17	Nigel Hugill	£1,190,000	62%	28.7%
2015/16	Nigel Hugill	£675,000	31%	0%
2014/15	Nigel Hugill	£661,000	29%	0%
2013/14	Nigel Hugill	£515,000	n/a	n/a[3]
2013/14	Philip Leech[4]	£536,000	n/a	0%
2012/13	Philip Leech	£652,000	n/a	0%
2011/12	Philip Leech	£345,000	n/a	0%
2010/11	Philip Leech	£400,000	n/a	n/a[5]
2009/10	Philip Leech	£295,000	n/a	0%

1. A discretionary annual bonus scheme without a maximum was operated historically. As a result it is not possible to show the annual bonus payment as a percentage of the maximum opportunity.
2. Appointed Executive Chairman of Urban&Civic on 22 May 2014. Resigned as Chairman and was appointed as Chief Executive on 24 March 2016.
3. No awards were granted with a performance period ended in 2013/14.
4. Chief Executive of Terrace Hill until 22 May 2014.
5. No awards were granted with a performance period ended in 2010/11.

Percentage change in remuneration of Chief Executive and employees

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000	% change
Chief Executive			
Salary	**408**	397	2.8
Benefits	**28**	26	7.7
Bonus	**354**	433	(18.2)
	790	856	(7.7)
Average employee[1]			
Salary	**100**	96	4.2
Benefits	**7**	6	16.7
Bonus	**36**	40	(10.0)
	143	142	0.7

1. Excludes costs relating to staff employed at the Hampton by Hilton Hotel at Stansted Airport, which was sold on 16 October 2017.

Relative importance of the spend on pay

	Year ended 30 September 2018	Year ended 30 September 2017	% change
Staff costs (£'000)[1]	11,442	9,572	19.5
Dividends paid during the year (£'000)	4,490	4,536	(1.0)
EPRA net asset value (£m)	481.2	439.3	9.5
Total shareholder return (per cent)	19.1	16.0	19.4

1. Excludes costs relating to staff employed at the Hampton by Hilton Hotel at Stansted Airport, which was sold on 16 October 2017.

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

The Committee determines the specific remuneration packages for each of the Executive Directors and no Director is involved in any decisions as to his own remuneration. The Committee has access to information and advice provided by the Chief Executive and the Group Finance Director and has access to independent advice (currently from Aon Hewitt) where it considers appropriate. Aon Hewitt does not provide any other services to the Company and was paid £49,000 in respect of the year ended 30 September 2018.

Statement of voting

At the 2018 AGM, shareholders voted in favour of the resolutions to approve the Directors' remuneration policy and the annual statement and annual report on remuneration as follows:

Resolution	For the resolution[1]	%	Against the resolution	%	Votes withheld[2]
To approve the Directors' remuneration report, other than the part containing the Directors' remuneration policy as set out in the report and accounts for the year to 30 September 2017	117,939,613	95.35	5,756,940	4.65	9,566
To approve the Directors' Remuneration Policy as set out in the report and accounts for the year to 30 September 2017	123,681,708	99.99	9,360	0.01	15,051

1. Includes discretionary votes.
2. A vote withheld is not a vote in law and is not counted in the calculation of votes for or against a resolution.

As at the date of the meeting there were 144,964,808 ordinary shares of 20p each in issue. Proxies amounting to 123,707,599 votes were received in respect of the above resolutions.

June Barnes
Chair of the Remuneration Committee
28 November 2018

DIRECTORS' REPORT

HEATHER WILLIAMS —
COMPANY SECRETARY

Additional disclosure

Additional information which is incorporated into this Directors' Report by cross reference, including information required in accordance with the Companies Act 2006 and Listing Rule 9.8.4 of the Financial Conduct Authority's Listing Rules, can be located in the following sections of the Annual Report:

	Pages
Strategic report	
Business model and strategy	4 to 13
Future business developments	44 to 47
Staff engagement	59
Long-term viability statement	35
Principal risks	36 to 43
Environmental matters	62 to 64
Greenhouse gas emissions	62
Governance review	
Corporate governance	69 to 117
Financial statements	
Capitalised interest	(Note 5) 140
Financial instruments	(Note 19) 150 to 153
Related party transactions	(Note 26) 157
Details of long-term incentive schemes	(Note 24) 155 to 156
Contracts of significance	(Note 23) 154

INTRODUCTION

The Directors present their report together with the audited accounts for the year ended 30 September 2018. The principal activities of the Group during the year continue to be property development and investment, both directly and through joint venture arrangements.

Company status and branches

Urban&Civic plc is incorporated in the UK and registered in Scotland. Its registered office is in Scotland and its head office is in London. It has no branches. Urban&Civic plc is listed on the London Stock Exchange Main Market.

Results and dividends

The Group reported a profit for the year of £18.7 million (2017: £6.8 million) as shown in the consolidated statement of comprehensive income on page 126. An interim dividend of 1.3p per share was paid on 13 July 2018 to shareholders on the register on 8 June 2018. A final dividend of 2.2p per share is recommended for approval at the 2019 AGM and, subject to shareholder approval, will be paid on 27 February 2019 to shareholders on the register on 11 January 2019. The total dividend paid during the year amounts to £4.5 million (2017: £4.5 million), of which 2.0p per share represents the 2017 final dividend and 1.3p per share represents the 2018 interim dividend.

Directors

The Directors who held office during the year and up to the date of this report are listed below:

	Title	Appointments/ resignations during the year
Chairman		
Alan Dickinson[1]	Chairman	—
Executive Directors		
Nigel Hugill	Chief Executive	—
Robin Butler	Managing Director	—
David Wood	Group Finance Director	—
Non-Executive Directors		
Ian Barlow[2]		—
June Barnes[2]		—
Jon Di-Stefano[2]		—
Duncan Hunter[2]	Senior Independent Non-Executive Director	—
Former Directors		Resigned
Robert Dyson[2]	Non Executive Director	8 February 2018
Mark Tagliaferri	Non-Executive Director	11 July 2018

1. Independent on appointment as Chairman.
2. Independent.

Biographical details of the Directors are contained on pages 70 and 71.

The Directors' remuneration report, which includes details of Directors' service agreements and their interests in the shares of the Company, is set out on pages 98 to 113.

Copies of the service agreements of the Executive Directors and letters of appointment for the Non-Executive Directors are available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Company's AGM.

In accordance with the UK Corporate Governance Code, all of the Directors will offer themselves for re-election at the 2019 AGM with the exception of Duncan Hunter, who has announced that he will not be seeking re-election at the 2019 AGM.

Directors' conflicts of interest

Under the Companies Act 2006 (the 'Act'), Directors are subject to a statutory duty to avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or may possibly conflict, with the interests of the Company. As is permissible under the Act, the Company's Articles of Association allow the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company. Directors are required to notify the Company under an established procedure as soon as they become aware of any situation that could result in a conflict or potential conflict of interest. Any conflicts or potential conflicts are noted at each Board meeting and a register of conflicts is maintained by the Company Secretary. No significant conflicts of interest arose during the year under review.

Directors' liability insurance and indemnity

The Company maintains Directors' and Officers' liability insurance. To the extent permitted by UK law, the Company indemnifies its Directors against claims brought against them as a consequence of the execution of their duties as Directors of the Company.

Charitable and political donations

Charitable donations during the year were £35,000 (2017: £65,000). The Group supported a number of charities including national and local charitable organisations. These covered a range of causes, including local youth, sports and social clubs, charities that help train the unemployed back into work and community environment charities. Further details are contained in the corporate social responsibility report on page 60.

Authority was granted at the 2018 Annual General Meeting (2018 AGM) to enable the Group to make political donations up to an aggregate amount not exceeding £150,000. That authority will expire at the 2019 AGM and a resolution will be proposed for its renewal. The Group made no political donations during the year (2017: £Nil).

Change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid. Given the commercial sensitivity of these agreements, the Directors do not intend to disclose specific details.

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

There are no agreements between the Company and its Directors or employees providing for compensation for a loss of office or employment that occurs specifically because of a takeover bid.

Group structure

Details of the Group's subsidiary undertakings and joint ventures and associates are set out in note 11 to the Company financial statements on pages 164 and 165.

Share capital

Details of the Company's issued share capital are shown in note 20 to the consolidated financial statements on page 153. As at 30 September 2018, there were 145,044,582 ordinary shares of 20p each in issue, each carrying one vote and all fully paid. There is only one class of share in issue and there are no restrictions on the transfer of shares in the Company other than those specified by law or regulation (for example, insider trading laws) and pursuant to the Listing Rules of the Financial Conduct Authority whereby certain employees of the Group require the approval of the Company to deal in the ordinary shares.

On a show of hands at a general meeting of the Company, every holder of ordinary shares present in person and entitled to vote shall have one vote and on a poll every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The notice of the 2019 AGM specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the meeting. There are no restrictions on voting rights other than as specified by the Company's Articles of Association.

The Directors were granted authority at the 2018 AGM to allot shares up to a nominal amount of one-third of the Company's issued nominal share capital, as well as additional authority to allot a further one-third on a rights issue. This authority expires at the conclusion of the 2019 AGM and a resolution will be proposed for its renewal.

The issued share capital was increased during the year by fully paid issues as follows:

Date	Description	Number of ordinary shares of 20p each
23 February 2018	Scrip allotment	61,558
13 July 2018	Scrip allotment	18,216

Purchase of the Company's shares

Under the Company's Articles of Association, the Company may purchase any of its own shares. The Company was granted authority at the 2018 AGM to make market purchases of its own ordinary shares, subject to market-standard maximum and minimum price constraints. That authority will expire at the 2019 AGM and a resolution will be proposed to renew this authority. During the year the Company, via the Employee Benefit Trust, purchased 452,828 ordinary shares of 20p each at a cost of £1.4 million. The Company does not currently hold any shares in treasury.

Employee Benefit Trust

The trustees of the Urban&Civic Employee Benefit Trust (EBT) hold shares in Urban&Civic in trust in order to satisfy any awards made under the Company's employee share plans. As at 30 September 2018, the EBT held 1,769,935 shares (2017: 1,569,437 shares) representing 1.22 per cent (2017: 1.08 per cent) of the Company's issued share capital. The trustees have waived their right to receive dividends on shares held in the Company.

Substantial shareholdings

As at 28 November 2018, the Company had been notified under the Disclosure and Transparency Rules (DTR 5) of the following interests in the ordinary share capital of the Company:

	Number of ordinary shares at 28 November	%
Aberforth Partners LLP	17,437,408	12.02
Investec Wealth and Investment Limited	15,146,516	10.44
JO Hambro Capital Management Limited	8,387,301	5.78
APG Asset Management NV	7,500,000	5.17

Amendment of Articles of Association

The Company's Articles of Association can only be amended by a special resolution of the members, requiring a majority of not less than 75 per cent of such members voting in person or by proxy.

Annual General Meeting

The 2019 AGM of the Company will be held at The Savile Club, 69 Brook Street, London W1K 4ER at 10.00 a.m. on 13 February 2019. The special business at the 2019 AGM will include resolutions dealing with the authority to issue shares, the disapplication of pre-emption rights, the authority for the Company to purchase its own shares, the authority to make political donations and the authority to call general meetings on not less than 14 clear days' notice. A separate circular containing the notice of meeting and explanatory notes of all the resolutions to be proposed at that meeting is circulated with this Annual Report and Accounts. All votes will be taken on a poll at the meeting rather than on a show of hands.

Auditor

BDO LLP is willing to be reappointed as the external auditor to the Company and Group and their reappointment has been considered by the Audit Committee and recommended to the Board. A resolution will be proposed at the 2019 AGM for their reappointment and to authorise the Directors to determine their remuneration.

Going concern

In accordance with provision C.1.3 of the 2016 UK Corporate Governance Code, the Board is required to report on the going concern of the Group and the Company.

In assessing going concern, the Directors have reviewed the Group's rolling five-year cash flow forecasts, loan maturities and undrawn facilities and have run sensitivities reflecting the Group's risk profile to ensure covenant compliance over the next 12 months. The Directors have considered any facilities that are due to expire in the next 12 months against progress made on their extension or renewal to date and/or the Group's ability to repay the maturing facilities from Group resources. The Group's key risks are set out in the risk review on pages 36 to 43 and the Board's assessment of long-term viability is set out on page 35.

Having undertaken the assessment detailed above, the Directors have a reasonable expectation that the Company and the Group have sufficient resources to continue to operate for the next 12 months and the Board considers it appropriate to prepare the financial statements on a going concern basis.

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' report confirm that:

- as far as they are aware, there is no relevant audit information of which the auditor is unaware; and
- each Director has taken all steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant information and to establish that the auditor is aware of that information.

Post balance sheet events

There were no post balance sheet events.

The Directors' report was approved by the Board on 28 November 2018 and signed on its behalf by:

Heather Williams
Company Secretary
Urban&Civic plc

Company number: SC149799

Statement of Directors' responsibilities in respect of the accounts

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

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

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

In preparing these financial statements, the Directors are required:

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

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

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

Responsibility statement

Each of the Directors confirms that, to the best of their knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the adoption of a going concern basis for the preparation of the financial statements continues to be appropriate based on a review of the current and projected financial position of the Group, making reasonable assumptions about future trading performance;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face; and
- the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

The Directors' responsibility statement was approved by the Board.

On behalf of the Board

David Wood
Group Finance Director
28 November 2018

Financial statements

Evening at Alconbury Weald.

Opinion

We have audited the financial statements of Urban&Civic plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 30 September 2018 which comprise the consolidated statement of comprehensive income, the consolidated and Company balance sheets, the consolidated and Company statement of changes in equity, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparing the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 30 September 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report and Accounts, in relation to which ISAs (UK) require us to report to you whether we have anything material to add or to draw attention to:

- the disclosures in the Annual Report and Accounts set out on pages 36 to 43 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 36 in the Annual Report and Accounts that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 116 in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors identification of any material uncertainties to the Group and the parent company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; or
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 35 in the Annual Report and Accounts as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

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

Key audit matters continued

Key audit matter	How we addressed the key audit matter in the audit
Valuation of investment properties and carrying value of trading properties As detailed in notes 11, 13 and 15, the Group, directly or through its joint ventures, owns a portfolio of property interests which are held as either investment properties or trading properties. Investment properties owned directly by the Group, including those in the course of development, are held at fair value in the Group financial statements. Trading properties are carried in the consolidated balance sheet at the lower of cost and net realisable value and remeasured to fair value in the Group's EPRA NAV reporting. In respect of the properties held by joint ventures, the Group has an indirect exposure to fair value changes, as the Group adjusts the EPRA carrying amount of these investments for changes in the fair value of the underlying trading property. As described in the Report of the Audit Committee on page 95 and in the Group's critical accounting estimates and judgements on page 135, determination of the fair value of investment properties and the carrying amount and fair value of trading properties is a key area of estimation. We therefore considered this to be an area of significant audit risk and focus. Each valuation requires consideration of the individual nature of the property, its location, its cash flows and comparable market transactions. The majority (by value) of the property interests held by the Group and its joint ventures are in the course of development. The valuation of these properties requires the discounting of estimated future cash flows with deductions for costs to complete, which given the long-term nature of the developments requires significant judgements. Judgements in relation to future sales values and build costs in particular are impacted by the political and economic uncertainty arising from the result of the EU referendum. The valuation of the Group's income generating properties requires significant judgements to be made in relation to the appropriate market capitalisation yields and estimated rental values.	Our audit work included, but was not restricted to, the following: • We reviewed the design, implementation and appropriateness of the Group's controls relating to the valuation of investment and trading properties. The key controls were identified as being the appointment of an independent expert to undertake the valuation of the majority (90%) of the Group's property portfolio by value and the processes by which the Group ensures that accurate data is provided to that expert. • We assessed the competency, qualifications, independence and objectivity of the external valuer engaged by the Group and reviewed the terms of their engagement for any unusual arrangements. • We obtained and read the valuation reports for all properties of the Group and its joint ventures that were subject to external valuation and confirmed that they had been prepared on a basis that was appropriate for determining the carrying value in the Group's financial statements. • The senior members of our team met with the Group's external valuer independently of management to discuss and challenge the valuation methodology and key assumptions. • We tested the accuracy of the key observable valuation inputs supplied to and used by the external valuer and Directors as appropriate. In respect of the properties in the course of development, this primarily involved agreeing the costs incurred to date to supporting documentation and reviewing the costs to complete against the latest development appraisals and, where applicable, supplier contracts or other agreements. In respect of the income generating properties, this primarily involved agreeing the passing rental income and lease terms to underlying supporting documentation. • We compared the key valuation assumptions against our independently formed market expectations and challenged the valuer where significant variances from these expectations were identified. We then verified their responses to supporting documentation where appropriate. For the properties in the course of development, the key valuation assumptions were deemed to be the forecast gross development values, house price inflation, cost price inflation, developer profit margin and the risk-adjusted discount rates. Our review of these assumptions included reference to comparable market transactions, the sales data being generated from the Group's own sites and external market forecasts for house price and cost inflation. For the income generating properties, the key valuation assumptions were the market capitalisation yields and estimated rental values, which we reviewed by reference to market data based on the location and specifics of each property. We also tested the arithmetic and mechanical integrity of formulae in the cash flow models used by the external valuer in the valuation of the key strategic land sites by value (being Alconbury, Rugby, Newark, Wintringham and Corby). • We visited the Group's development sites at Alconbury, Rugby, Waterbeach, Wintringham and Priors Hall, and the Deansgate Manchester hotel. • We reviewed the appropriateness of the Group's disclosures within the financial statements in relation to valuation methodology, key valuation inputs and valuation uncertainty.

Key observations

Based on our work, we are satisfied that the valuation of the Group's investment properties and the carrying value of the Group's trading properties (both held directly and indirectly through joint ventures) is appropriate and in line with the Group's accounting policies.

Key audit matters continued

Key audit matter	How we addressed the key audit matter in the audit
Revenue and profit recognition As detailed in note 2, the Group's results for the year include revenue and profit from the sale of residential land parcels and individual units on two of its strategic land sites. The Group's share of profit from joint ventures detailed in note 13 also includes the profits from the sale of residential land parcels on another strategic land site. The proceeds from the sale of land parcels to housebuilders under license agreements are receivable in stages over the anticipated period of development. There is also a variable price element due to the Group at some point in the future which is dependent upon the sales price that the housebuilders' achieve on each unit. The directly attributable costs of servicing each land parcel prior to sale include site-wide infrastructure costs. The Group has therefore had to develop a method for allocating costs so that the appropriate amount of profit can be recognised on each parcel sale. Where the Group makes direct sales of individual residential units, it has also had to develop a method to allocate the site-wide construction costs to each unit so that the appropriate amount of profit can be recognised on each unit sale. As described in the Report of the Audit Committee on page 96 and in the Group's critical accounting estimates and judgements on page 135, a number of estimates have been made in determining the amount of revenue and profit to recognise from these transactions. We therefore identified the accounting for these sales to be an area of significant audit risk and focus. The Group's revenue also includes income from the sale of commercial trading properties, including beneficial interests in land held through promotion agreements with the landowner. Proceeds from such sales should only be recognised once the risks and rewards of ownership have passed to the buyer, which is typically when contracts have been unconditionally exchanged. Sale transactions can also be structured such that the Group receives the proceeds as a series of staged payments over a period of more than one year. Given these complexities, we identified the recognition and measurement of this type of revenue as a significant audit risk and focus.	Our audit work in relation to the recognition and measurement of revenue recognised from the sale of land parcels to housebuilders included, but was not restricted to the following: • We reviewed the terms of each licence agreement to agree how the sales proceeds due to the Group will be determined and when they will fall due for payment. • We evaluated the revenue recognition policy applied to the fixed minimum amounts that are receivable over time under the license agreements with housebuilders. • We reviewed and challenged the discount factor applied to these minimum receipts and reperformed the present value calculations. • We reviewed management's assessment of whether a reliable estimate could be made of the future variable amounts receivable under the license agreements with housebuilders at the balance sheet date and evaluated their conclusion that no such revenue should be recognised in these financial statements. • We evaluated the recoverability assessment made by management in respect of the deferred sales receipts. Our audit work in relation to the recognition and measurement of profit from the sale of the residential land parcels included, but was not restricted to the following: • We evaluated the method by which site-wide infrastructure costs have been allocated to each residential phase and then, where relevant, to each residential unit. • We tested a sample of actual infrastructure costs incurred to date and reviewed the expected costs to complete against the latest project appraisals and contracted costs. In respect of the recognition and measurement of profit from the sale of the individual residential units, we also revisited the method of allocating infrastructure and construction costs to each individual unit that was established in the previous year to evaluate whether this remained appropriate in light of current sales, costs and forecast data. Our audit work in relation to the recognition and measurement of income from the sale of commercial property interests included, but was not restricted to the following: • We evaluated the revenue recognition policy applied to each of the significant disposal transactions. • We reviewed the terms of the relevant sales agreements to ensure that the Group had fulfilled its contractual obligations to entitle it to the revenue. • We reviewed and challenged the discount factor applied to any deferred sales receipts and tested the present value calculations. • We evaluated the recoverability assessment made by management in respect of the deferred sales receipts.

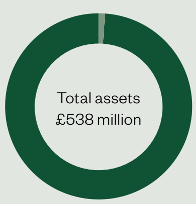
Key observations

Based on our work, we consider that the revenue and profit from sale of residential land parcels and individual units on the Group's strategic land sites and the revenue from the sale of commercial trading properties has been recognised appropriately and is in accordance with the Group's revenue recognition policy.

Our application of materiality

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

The materiality for the Group financial statements as a whole was set at £6.5 million (2017: £6.5 million). This was determined with reference to a benchmark of Group total assets (of which it represents 1.2 per cent (2017: 1.2 per cent)) which we consider to be one of the principal considerations for members of the parent company in assessing the financial performance of this asset based Group. The materiality for the parent company financial statements as a whole was also set at £6.5 million (2017: £6.5 million).



International Standards on Auditing (UK) also allow the auditor to set a lower materiality for particular classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. In this context, we set a lower level of materiality of £500,000 (2017: £500,000) to apply to those classes of transactions and balances which impact on the Group's earnings before tax, excluding revaluation movements.

Performance materiality was set at 75 per cent (2017: 75 per cent) of the above materiality levels.

We agreed with the Audit Committee that we would report to the Committee all individual audit differences in excess of £100,000 (2017: £100,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit of the Group was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, applicable legal and regulatory framework and the industry in which it operates, and assessing the risks of material misstatement at the Group level. This included consideration of the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud.

The Group audit engagement team performed all the work necessary to issue the Group and parent company audit opinion, including undertaking all of the audit work on the risks of material misstatement identified above. Our audit work on each of the Group's two components was executed at levels of materiality which were lower than Group materiality, with component materiality set at £4.9 million (2017: £4.9 million) and component specific materiality (for those transactions and balances which impact on the Group's earnings before tax, excluding revaluation movements) set at £375,000 (2017: £375,000).

We undertook audit procedures to respond to the risk of non-compliance with laws and regulations, focussing on those that could give rise to a material misstatement in the Group and parent company financial statements, including, but not limited to, UK company law and UK tax legislation. Our tests included reviewing the financial statements disclosures and agreeing to underlying supporting documentation where necessary. We made enquiries of management to obtain further understanding of risks of non-compliance. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We addressed the risk of management override of internal controls, by undertaking procedures to review journal entries processed during and subsequent to the year and evaluate whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

We did not identify any significant audit matters relating to irregularities, including fraud.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 117 – the statement given by the Directors that they consider the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting set out on pages 92 to 97 – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on pages 69 to 85 – the parts of the Directors' statement required under the Listing Rules relating to the parent company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the statement of directors' responsibilities set out on page 117, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Other matters which we are required to address

We were initially appointed by the Directors in April 2001 to audit the financial statements of the parent company for the year ending 30 April 2001. In respect of subsequent periods we have been reappointed annually by the members at the Annual General Meeting. The period of total uninterrupted engagement is 18 years, covering the periods ending 30 April 2001 to 30 September 2018. However, for the purposes of the mandatory firm rotation, the period of total uninterrupted engagement is five years, covering the years ending 30 September 2014 to 30 September 2018.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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

Thomas Edward Goodworth (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
28 November 2018

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Revenue	2	**150,398**	60,333
Direct costs	2	**(123,127)**	(44,402)
Gross profit	2	**27,271**	15,931
Administrative expenses		**(18,812)**	(14,691)
Other operating income		—	83
Surplus on revaluation of investment properties	11	**10,582**	4,949
Surplus on revaluation of receivables	16	**1,090**	—
Share of post-tax profit from joint ventures	13	**2,059**	1,271
Write back of loans to joint ventures and associates	13	—	1,500
Profit on disposal of investments	13	**94**	—
Profit/(loss) on disposal of investment properties	11	**1,244**	(143)
Operating profit	3	**23,528**	8,900
Finance income	5	**866**	245
Finance costs	5	**(2,127)**	(1,221)
Profit before taxation		**22,267**	7,924
Taxation expense	8	**(3,572)**	(1,113)
Total comprehensive income		**18,695**	6,811
Basic earnings per share	9	**13.0p**	4.8p
Diluted earnings per share	9	**12.9p**	4.7p

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 notes on pages 130 to 157 form part of these financial statements.

AS AT 30 SEPTEMBER 2018

	Notes	30 September 2018 £'000	30 September 2017 £'000
Non-current assets			
Investment properties	11	86,918	79,111
Property, plant and equipment	12	4,508	5,100
Investments in joint ventures and associates	13	103,418	76,757
Deferred tax assets	14	2,788	4,240
Trade and other receivables	16	20,445	16,922
		218,077	182,130
Current assets			
Trading properties	15	273,770	289,707
Trade and other receivables	16	29,039	15,360
Cash and cash equivalents	19	16,638	12,190
		319,447	317,257
Investment property held for sale	11	—	20,735
		319,447	337,992
Total assets		537,524	520,122
Non-current liabilities			
Borrowings	18	(73,973)	(69,824)
Deferred tax liabilities	14	(6,851)	(5,652)
		(80,824)	(75,476)
Current liabilities			
Borrowings	18	(20,891)	(24,026)
Trade and other payables	17	(46,786)	(48,740)
		(67,677)	(72,766)
Total liabilities		(148,501)	(148,242)
Net assets		389,023	371,880
Equity			
Share capital	20	29,009	28,993
Share premium account		168,881	168,648
Capital redemption reserve		849	849
Own shares		(4,748)	(4,003)
Other reserve		113,785	113,785
Retained earnings		81,247	63,608
Total equity		389,023	371,880
NAV per share	22	268.3p	257.6p
EPRA NAV per share	22	331.8p	304.4p

The financial statements were approved by the Board and authorised for issue on 28 November 2018 and were signed on its behalf by:

Nigel Hugill
Director

David Wood
Director

The notes on pages 130 to 157 form part of these financial statements.

Registered in Scotland No. SC149799

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Own shares £'000	Other reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 October 2016	28,961	168,320	849	(3,817)	113,785	58,214	366,312
Shares issued under scrip dividend scheme	32	328	—	—	—	—	360
Deferred bonus award satisfied out of own shares	—	—	—	63	—	—	63
Purchase of own shares	—	—	—	(249)	—	—	(249)
Share-based payment expense	—	—	—	—	—	3,119	3,119
Total comprehensive income for the year	—	—	—	—	—	6,811	6,811
Dividends paid	—	—	—	—	—	(4,536)	(4,536)
Balance at 30 September 2017	28,993	168,648	849	(4,003)	113,785	63,608	371,880
Shares issued under scrip dividend scheme	16	233	—	—	—	—	249
Share option exercise satisfied out of own shares	—	—	—	647	—	—	647
Purchase of own shares	—	—	—	(1,392)	—	—	(1,392)
Share-based payment expense	—	—	—	—	—	3,434	3,434
Total comprehensive income for the year	—	—	—	—	—	18,695	18,695
Dividends paid	—	—	—	—	—	(4,490)	(4,490)
Balance at 30 September 2018	**29,009**	**168,881**	**849**	**(4,748)**	**113,785**	**81,247**	**389,023**

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Cash flows from operating activities		
Profit before taxation	22,267	7,924
Adjustments for:		
Surplus on revaluation of investment properties	(10,582)	(4,949)
Surplus on revaluation of receivables	(1,090)	—
Share of post-tax profit from joint ventures	(2,059)	(1,271)
Finance income	(866)	(245)
Finance costs	2,127	1,221
Depreciation charge	1,148	814
Write back of loans to joint ventures and associates	—	(1,500)
Write down/(back) of trading properties	2,570	(1,402)
(Profit)/loss on sale of investment properties	(1,244)	143
Profit on disposal of investments	(94)	—
Loss on disposal of property, plant and equipment	2	15
Share-based payment expense	3,434	3,119
Cash flows from operating activities before change in working capital	15,613	3,869
Decrease/(increase) in trading properties	631	(54,714)
(Increase)/decrease in trade and other receivables	(15,284)	26,895
(Decrease)/increase in trade and other payables	(2,330)	1,705
Cash generated/(absorbed) by operations	(1,370)	(22,245)
Finance costs paid	(3,476)	(1,608)
Finance income received	39	238
Tax paid	(111)	—
Net cash flows from operating activities	(4,918)	(23,615)
Investing activities		
Additions to investment properties	(14,174)	(14,792)
Additions to property, plant and equipment	(558)	(285)
Acquisition of loans in joint ventures	—	(3,300)
Loans advanced to joint ventures	(9,685)	(12,516)
Loans repaid by joint ventures and associates	2	2,432
Profit on disposal of investments	94	—
Proceeds from disposal of investment properties	38,925	8,811
Net cash flows from investing activities	14,604	(19,650)
Financing activities		
New loans	42,818	62,114
Issue costs of new loans	(408)	(402)
Repayment of loans	(42,015)	(16,915)
Purchase of own shares	(1,392)	(249)
Dividends paid	(4,241)	(4,176)
Net cash flows from financing activities	(5,238)	40,372
Net increase/(decrease) in cash and cash equivalents	4,448	(2,893)
Cash and cash equivalents at 1 October	12,190	15,083
Cash and cash equivalents at 30 September	16,638	12,190

1. Accounting policies

Basis of preparation

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

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and certain other receivables. The Company has elected to prepare its individual financial statements, on pages 126 to 129, in accordance with FRS 102.

The principal accounting policies adopted in the preparation of the financial statements 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 statements have been prepared on a going concern basis, which assumes that the Group will continue to meet its liabilities as they fall due. At 30 September 2018 the Group has prepared cash flow projections that show that it is expected to have adequate resources to continue in operational existence for the foreseeable future.

In arriving at this assessment the Directors have considered any facilities that are due to expire in the next 12 months against progress made on their extension or renewal to date, and/or the Group's ability to repay the maturing facilities from Group resources.

Adoption of new and revised standards

There have been no new or revised accounting standards that have become effective during the year ended 30 September 2018 which have a material impact on the Group.

New standards and interpretations not yet applied

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

IFRS 9 'Financial Instruments' (effective date: 1 January 2018)

IFRS 15 'Revenue from Contracts with Customers' (effective date: 1 January 2018)

IFRS 16 'Leases' (effective date: 1 January 2019)

The Group has undertaken an assessment of the impact should these standards have been adopted for the current period of account.

IFRS 9 'Financial Instruments' will be effective for the Group from the period beginning 1 October 2018 and applies to the recognition, derecognition, classification and measurement of financial assets and financial liabilities as well as hedge accounting. Based on the current financial instruments held by the Group, there would be no impact to the Group's current year results, other than possible disclosure items. The main future impact based on current financial instruments held by the Group is likely to be in respect of long-term receivables, which will be revalued where it is identified that there has been an indication of an underlying change in the credit risk of the counterparty.

IFRS 15 'Revenue from Contracts with Customers' will be effective for the Group from the period beginning 1 October 2018 and replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts'. IFRS 15 establishes a five-step principle-based approach to revenue recognition including identifying the contract, the performance obligations within the contract and the point at which these are satisfied, determining the transaction price and allocating it to the performance obligations. The principal impact on the Group that has been identified to date has been assessed as being in respect of determining the transaction price for land sale contracts where the Group will be required to estimate any variable consideration to which it is entitled at the point that the performance conditions of the contract are satisfied. Under certain land sales contracts, the Group is entitled to a minimum payment, with an additional overage receivable dependent on the onward house prices achieved following the construction of houses on the land by the purchaser. Currently, under IAS 18, the Group recognises the contractual minimums at the point of sale with the overage recognised when revenue can be measured reliably. Under IFRS 15, these overage amounts would instead be recognised to the extent that it is highly probable that there will not be a significant reversal of the cumulative amounts recognised. Were IFRS 15 to be applied to the current year results and the overage amounts estimated accordingly, an additional receivable of £3.2 million would be reflected on the balance sheet with corresponding cumulative additional revenue recognised within the income statement and retained earnings, as well as an increase in the share of profits from and the investments in joint ventures of £0.8 million. This acceleration of profits would result in an additional deferred tax liability of £0.8 million based on the tax rates currently in effect. The 2018 figures will be restated in the 2019 accounts to reflect the new accounting treatment.

1. Accounting policies continued

New standards and interpretations not yet applied continued

IFRS 16 'Leases' will be effective for the Group from the period beginning 1 October 2019, and will result in the Group recognising a financial asset and liability on the balance sheet initially at the present value of all future lease payments it is obliged to make for any material leases for which it is the lessee. These are disclosed in note 25. For the year ended 30 September 2018, it has been assessed that this would lead to the recognition on the balance sheet of assets and liabilities of £1.3 million. There is no net impact on profit and loss over the lease term, but under IFRS 16 part of the payment currently recognised within administrative expenses (£0.1 million) in the year ended 30 September 2018 would be recognised as a finance cost. The treatment of leases where the Group is acting as a lessor is substantially unchanged from that currently applied under IAS 17.

The above assessments are based on the assumption that the Group does not take advantage of any of the transitional provisions available within the new standards.

Basis of consolidation

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

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

Business combinations

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

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.

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

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

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

Associates

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

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

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.

1. Accounting policies continued

Investment properties continued

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 cost 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

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

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

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, of each asset 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

Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration receivable, including the fair value of any residential properties received in part exchange, excluding VAT. The following recognition policies are applied:

Sale of property

Revenue from the sale of trading and investment properties, including beneficial interests held indirectly through land promotion and other contractual agreements, is recognised when the significant risks and rewards of ownership of the Group's interest have passed to the buyer, usually when legally binding contracts that are irrevocable and effectively unconditional are exchanged and the amount of revenue can be measured reliably. Revenue and profits on construction contracts from trading properties in the course of development where construction risks remain is recognised on a percentage completion basis determined with reference to costs incurred to date as a proportion of total forecast costs at completion.

Revenue from the sale of constructed residential property is recognised on completion of sale.

1. Accounting policies continued

Revenue recognition continued

Rental and hotel income

Rental income arising from property is accounted for 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 includes revenues derived from hotel operations, including the rental of rooms and food and beverage sales. Revenue is recognised when rooms are occupied and services have been rendered.

Fees and other income

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

Taxation

Current tax

The charge for current taxation is based on the results for the 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.

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.

1. Accounting policies continued

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 loans. 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 approved by the Directors and paid. In the case of final dividends, this is when 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 ventures and associates 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. Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable. The amount of such a provision is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

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 income statement.

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.

1. Accounting policies continued

Critical accounting estimates and judgements

The preparation of financial statements 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, an estimate of typical profit margins, anticipated maintenance costs, future development costs and appropriate discount rates. Assumptions used in the valuations of the Group's significant investment property interests carried at valuation at 30 September 2018 are disclosed in note 11. Details of the Group's trading properties that are measured at net realisable value are disclosed in note 15. 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.

Cost of trading property sales

The sale of parcels or units of strategic land requires an allocation of costs, 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, 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.

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 that are disclosed in note 24.

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.

Trading income

Revenue in respect of certain strategic land parcels is determined with reference to the onward house prices achieved following the construction of houses on the land by the purchaser following their acquisition, subject to agreed minimums. Following completion of the parcel sale, once all substantive conditions have been satisfied, revenue is recognised at the minimum amounts receivable discounted to adjust for the counterparty risk and timescale over which these are to be received. The additional variable element of the revenue is recognised at the point where the Directors consider that a reliable estimate can be made of the actual amount receivable taking into consideration reasonable possible outcomes based on historical house price data, timescales to completion and variability of consideration. This is currently considered to be the point of exchange of the house sale given the relatively early stage of each relevant development.

2. Revenue and gross profit

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Trading property sales	91,213	8,002
Residential property sales	34,457	33,767
Revenue on construction contracts	6,688	—
Rental and other property income	5,618	6,504
Recoverable property expenses	1,458	1,383
Hotel income	7,973	9,228
Project management fees and other income	2,991	1,449
Revenue	**150,398**	60,333
Cost of trading property sales	(73,918)	(3,237)
Cost of residential property sales	(29,391)	(28,912)
Costs of construction contracts	(4,724)	—
Direct property expenses	(4,942)	(4,549)
Recoverable property expenses	(1,458)	(1,383)
Cost of hotel trading	(6,124)	(7,723)
Write (down)/back of trading properties	(2,570)	1,402
Direct costs	**(123,127)**	(44,402)
Gross profit	**27,271**	15,931

	Year ended 30 September 2018	Year ended 30 September 2017
Number of construction contracts	1	—

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Revenue on construction contracts	6,688	—
Costs of construction contracts	(4,724)	—
Profit on construction contracts	**1,964**	—

Construction contract revenue is recognised in the consolidated statement of comprehensive income in line with the contract stage of completion on the relevant contract, determined using the proportion of total estimated development costs incurred at the reporting date.

3. Operating profit

Is arrived at after charging/(crediting):	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Depreciation of property, plant and equipment – included in administrative expenses	**934**	545
Depreciation of property, plant and equipment – included in direct costs	**214**	269
Loss on disposal of property, plant and equipment	**2**	15
Impairment of trade receivables	**29**	61
Operating lease charges – rent of properties	**808**	779
Share-based payment expense	**3,434**	3,119
Capitalisation of administrative expenses to investment properties	**(486)**	(725)
Capitalisation of administrative expenses to trading properties held at year end	**(4,238)**	(4,494)
Fees paid to BDO LLP[1] in respect of:		
– audit of the Company	**167**	151
Other services:		
– audit of subsidiaries and associates	**95**	101
– audit related assurance services	**37**	36
– other fees payable	**42**	—

1. Total fees for 2018 payable to the Company's auditor are £340,500 (2017: £287,500). Of this, £261,500 (2017: £251,500) relates to audit services and £37,000 (2017: £36,000) to assurance services. £42,000 (2017: £Nil) relates to fees incurred to date for Reporting Accountant services in relation to the Company's proposed 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 two principal segments are strategic land and commercial property development. The strategic land segment includes serviced and unserviced land, consented and unconsented land and mixed-use development 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.

Segmental information is reported in the table that follows in respect of the current 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.

4. Segmental information continued

Consolidated statement of comprehensive income
for the year ended 30 September 2018

	Strategic land £'000	Commercial £'000	Unallocated £'000	Total £'000
Revenue	**55,487**	**94,911**	**—**	**150,398**
Other direct costs	(40,519)	(80,038)	—	(120,557)
Write (down)/back of trading properties	(2,608)	38	—	(2,570)
Total direct costs	(43,127)	(80,000)	—	(123,127)
Gross profit	**12,360**	**14,911**	**—**	**27,271**
Share-based payment expense	—	—	(3,434)	(3,434)
Other administrative expenses	—	—	(15,378)	(15,378)
Total administrative expenses	—	—	(18,812)	(18,812)
Surplus on revaluation of investment properties	10,582	—	—	10,582
Surplus on revaluation of receivables	1,090	—	—	1,090
Share of post-tax profit from joint ventures	1,993	66	—	2,059
Profit on disposal of investments	—	94	—	94
Profit on disposal of investment properties	—	1,244	—	1,244
Operating profit/(loss)	**26,025**	**16,315**	**(18,812)**	**23,528**
Net finance cost	(449)	(812)	—	(1,261)
Profit/(loss) before tax	**25,576**	**15,503**	**(18,812)**	**22,267**

In the year ended 30 September 2018, there were two major customers that generated £49,350,000 and £22,961,000 of revenue. Each of these represented 10 per cent or more of the total revenue.

Consolidated balance sheet
as at 30 September 2018

	Strategic land £'000	Commercial £'000	Unallocated £'000	Total £'000
Investment properties	86,918	—	—	86,918
Property, plant and equipment	3,423	632	453	4,508
Investments in joint ventures	85,815	17,603	—	103,418
Deferred tax assets	—	—	2,788	2,788
Trade and other receivables	20,445	—	—	20,445
Non-current assets	**196,601**	**18,235**	**3,241**	**218,077**
Trading properties	246,617	27,153	—	273,770
Trade and other receivables	21,979	7,060	—	29,039
Cash and cash equivalents	—	—	16,638	16,638
Current assets	**268,596**	**34,213**	**16,638**	**319,447**
Borrowings	(74,973)	—	(19,891)	(94,864)
Trade and other payables	(33,816)	(12,970)	—	(46,786)
Deferred tax liabilities	(6,269)	—	(582)	(6,851)
Total liabilities	**(115,058)**	**(12,970)**	**(20,473)**	**(148,501)**
Net assets	**350,139**	**39,478**	**(594)**	**389,023**

4. Segmental information continued

Consolidated statement of comprehensive income
for the year ended 30 September 2017

	Strategic land £'000	Commercial £'000	Unallocated £'000	Total £'000
Revenue	44,419	15,914	—	60,333
Other direct costs	(33,893)	(11,911)	—	(45,804)
Write back of trading properties	—	1,402	—	1,402
Total direct costs	(33,893)	(10,509)	—	(44,402)
Gross profit	10,526	5,405	—	15,931
Share-based payment expense	—	—	(3,119)	(3,119)
Other administrative expenses	—	—	(11,572)	(11,572)
Total administrative expenses	—	—	(14,691)	(14,691)
Other operating income	—	83	—	83
Surplus/(deficit) on revaluation of investment properties	5,899	(950)	—	4,949
Share of post-tax profit from joint ventures	1,065	206	—	1,271
Write back of loans to joint ventures	—	1,500	—	1,500
Loss on sale of investment properties	(143)	—	—	(143)
Operating profit/(loss)	17,347	6,244	(14,691)	8,900
Net finance income/(cost)	110	(1,086)	—	(976)
Profit/(loss) before tax	17,457	5,158	(14,691)	7,924

In the year ended 30 September 2017, there were three major customers that generated £15,509,000, £10,761,000 and £6,781,000 of revenue. Each of these represented 10 per cent or more of the total revenue.

Consolidated balance sheet
as at 30 September 2017

	Strategic land £'000	Commercial £'000	Unallocated £'000	Total £'000
Investment properties	63,357	15,754	—	79,111
Property, plant and equipment	3,367	773	960	5,100
Investments in joint ventures and associates	74,154	2,603	—	76,757
Deferred tax assets	—	—	4,240	4,240
Trade and other receivables	16,922	—	—	16,922
Non-current assets	157,800	19,130	5,200	182,130
Investment property held for sale	—	20,735	—	20,735
Trading properties	202,262	87,445	—	289,707
Trade and other receivables	8,359	7,001	—	15,360
Cash and cash equivalents	—	—	12,190	12,190
Current assets	210,621	115,181	12,190	337,992
Borrowings	(33,812)	(36,816)	(23,222)	(93,850)
Trade and other payables	(23,687)	(25,053)	—	(48,740)
Deferred tax liabilities	(5,585)	—	(67)	(5,652)
Total liabilities	(63,084)	(61,869)	(23,289)	(148,242)
Net assets	305,337	72,442	(5,899)	371,880

5. Finance income and finance costs

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Interest receivable from cash deposits	37	33
Unwinding of discount applied to long-term debtors	826	149
Other interest receivable	3	63
Finance income	**866**	245
Interest payable on borrowings	(3,089)	(1,854)
Amortisation of loan arrangement costs	(1,220)	(266)
Finance costs pre-capitalisation	(4,309)	(2,120)
Finance costs capitalised to trading properties	2,182	899
Finance costs	**(2,127)**	(1,221)
Net finance costs	**(1,261)**	(976)

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

6. Directors' remuneration

Details of the Directors' remuneration are given in the Directors' remuneration report on pages 98 to 113.

7. Employee benefit expenses

Employee benefit expenses (including Directors) are as follows:	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Wages and salaries (including discretionary bonus)	11,601	10,155
Employer's National Insurance contributions and similar taxes	1,582	1,363
Defined contribution pension cost	584	575
Share-based payment expense	3,434	3,119
Total staff costs (including Directors)	**17,201**	15,212
Amount capitalised to investment and trading properties	(2,910)	(3,002)
Amount included within operating profit	**14,291**	12,210

	Year ended 30 September 2018 Number	Year ended 30 September 2017 Number
Average number of employees during the year (including Directors)	**80**	79

8. Tax on profit on ordinary activities

(a) Analysis of charge in the year

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Current tax:		
Adjustments in respect of previous periods	5	15
UK corporation tax on profits for the year	916	—
Total current tax	**921**	15
Deferred tax:		
Origination and reversal of timing differences	2,746	857
Adjustments in respect of previous periods	(95)	241
Total deferred tax	**2,651**	1,098
Total tax charge	**3,572**	1,113

(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 2018 £'000	Year ended 30 September 2017 £'000
Profit attributable to the Group before tax	22,267	7,924
Profit multiplied by the average rate of UK corporation tax of 19 per cent (30 September 2017: 19.5 per cent)	4,231	1,545
Expenses not deductible for tax purposes	694	543
Differences arising from taxation of chargeable gains and property revaluations	(1,384)	(2,497)
Tax losses and other items	121	1,266
	3,662	857
Adjustments to tax charge in respect of previous periods	(90)	256
Total tax charge	**3,572**	1,113

(c) Associates and joint ventures

The Group's share of tax on the joint ventures and associates is £Nil (2017: £Nil).

9. Earnings per share

Basic earnings per share

The calculation of basic earnings per share is based on a profit of £18,695,000 (2017: £6,811,000) and on 143,413,414 (2017: 143,300,624) shares, being the weighted average number of shares in issue during the year less own shares held.

Diluted earnings per share

The calculation of diluted earnings per share is based on a profit of £18,695,000 (2017: £6,811,000) and on 145,156,832 (2017: 144,244,702) shares, being the weighted average number of shares in issue less own shares held and the dilutive impact of share options granted. 2,139,020 (2017: 3,785,968) share options have not been included in the calculation of diluted earnings per share because their exercise is contingent on the satisfaction of certain criteria that had not been met at 30 September. The total number of share options in issue is disclosed in note 24.

Weighted average number of shares	2018 Number	2017 Number
In issue at 1 October	144,964,808	144,804,728
Effect of shares issued under scrip dividend scheme	40,878	75,933
Effect of own shares held	(1,592,272)	(1,580,037)
Weighted average number of shares at 30 September – basic	143,413,414	143,300,624
Dilutive effect of share options	1,743,418	944,078
Weighted average number of shares at 30 September – diluted	145,156,832	144,244,702

10. Dividends

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Final dividend of 2.0p per share proposed and paid February 2018	2,442	—
Final dividend of 2.0p per share granted via scrip dividend	188	—
Interim dividend of 1.3p per share paid July 2018	1,799	—
Interim dividend of 1.3p per share granted via scrip dividend scheme	61	—
Final dividend of 1.8p per share proposed and paid February 2017	—	2,577
Final dividend of 1.8p per share granted via scrip dividend	—	239
Interim dividend of 1.2p per share paid July 2017	—	1,599
Interim dividend of 1.2p per share granted via scrip dividend scheme	—	121
	4,490	4,536

The Directors are proposing a final dividend of 2.2p (2017: 2.0p) per share totalling £3,152,000. Dividends are not paid on the shares held by the Employee Benefit Trust. The dividend has not been accrued in the consolidated balance sheet at 30 September 2018.

11. Investment properties

(i) Carrying amount reconciliation

	£'000
Valuation	
At 1 October 2016	128,858
Additions at cost	15,292
Disposals	(8,954)
Surplus on revaluation	4,949
Transfer from trading properties	2,988
Transfer to trading properties	(43,287)
At 1 October 2017	99,846
Additions at cost	14,172
Disposals	(37,682)
Surplus on revaluation	10,582
Carrying value and portfolio valuation at 30 September 2018	**86,918**

11. Investment properties continued

(i) Carrying amount reconciliation continued

	30 September 2018 £'000	30 September 2017 £'000
Classification		
Investment properties held for continuing use	**86,918**	79,111
Investment properties held for sale	**—**	20,735
Carrying value at 30 September	**86,918**	99,846

(ii) Operating lease arrangements

Refer to note 25 for details of the operating leases related to investment properties.

(iii) Items of income and expense

During the year ended 30 September 2018, £3,595,000 (2017: £5,106,000) 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 £2,760,000 (2017: £3,011,000). The Group did not incur any direct operating expenses arising from investment properties that did not generate rental income (2017: £Nil).

(iv) Restrictions and obligations

At 30 September 2018 and 2017 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 2018 was £52,284,000 (2017: £76,773,000), which included capitalised interest of £10,705,000 (2017: £10,705,000). There was no interest capitalised during the current or prior year. During the year staff and administrative costs of £486,000 (2017: £725,000) have been capitalised and are included within additions.

(vi) Transfer of properties

On 30 September 2017, based on the terms of the licensing arrangements being agreed or negotiated with housebuilders, the Group agreed that the strategy for the residential part of Alconbury Weald held within investment properties was to develop it for sale. Accordingly, on 30 September 2017 this element of the property was reclassified as a trading property.

On 30 September 2017, based on the site intention set out in the submitted development plan, the Group agreed that the strategy for part of its interest in Waterbeach, previously held wholly within trading stock, was to hold for long-term capital gain and rental income. Accordingly, 32 per cent of the asset value was transferred to investment properties.

(vii) Fair value measurement

The Group's principal investment property, Alconbury Weald, which represents 97 per cent of the year-end carrying value (2017: 60 per cent), is valued on a semi-annual basis by CBRE Limited (CBRE), an independent firm of chartered surveyors, on the basis of fair value. The valuation at each period end is carried out in accordance with guidance issued by the Royal Institution of Chartered Surveyors. 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 Alconbury Weald, the Group's principal investment property, as well as the significant unobservable inputs and their inter-relationship with the fair value measurement. The remaining investment property interests have been valued by the Directors, either with reference to subsequent sales prices achieved or costs incurred to date.

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.

11. Investment properties continued

Significant unobservable inputs

The key inputs to the investment property valuation at Alconbury Weald included:

	30 September 2018	30 September 2017
Expected land price inflation (per cent)	**3.0**	3.0
Expected annual cost price inflation (per cent)	**2.25**	2.0
Commercial land value (£'000 per acre)	**400**	345
Risk-adjusted discount rate (per cent)	**7.5**	7.5

Inter-relationship between significant unobservable inputs and fair value measurement

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

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

12. Property, plant and equipment

	Freehold property £'000	Leasehold improvements £'000	Furniture and equipment £'000	Total £'000
Cost				
At 1 October 2016	5,425	700	1,170	7,295
Additions	—	30	255	285
Disposals	—	—	(53)	(53)
At 1 October 2017	5,425	730	1,372	7,527
Additions	—	86	472	558
Disposals	—	(76)	(248)	(324)
At 30 September 2018	**5,425**	**740**	**1,596**	**7,761**
Depreciation				
At 1 October 2016	922	208	521	1,651
Charge for the year	391	122	301	814
Released on disposal	—	—	(38)	(38)
At 1 October 2017	1,313	330	784	2,427
Charge for the year	459	183	506	1,148
Released on disposal	—	(76)	(246)	(322)
At 30 September 2018	**1,772**	**437**	**1,044**	**3,253**
Net book value				
At 30 September 2018	**3,653**	**303**	**552**	**4,508**
At 30 September 2017	4,112	400	588	5,100

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

13. Investments

Investments in joint ventures and associates

	Joint ventures £'000	Associates £'000	Total £'000
Cost or valuation			
At 1 October 2016	50,547	500	51,047
Share of post-tax profit from joint ventures	1,271	—	1,271
Additions	14,303	—	14,303
Loans advanced	11,068	—	11,068
Loans repaid	(434)	(1,998)	(2,432)
Write back of loans to associates	—	1,500	1,500
At 1 October 2017	76,755	2	76,757
Share of post-tax profit from joint ventures	2,059	—	2,059
Additions	14,918	—	14,918
Loans advanced	9,686	—	9,686
Loans repaid	—	(2)	(2)
At 30 September 2018	**103,418**	**—**	**103,418**

At 30 September 2018 the Group's interests in its joint ventures were as follows:

Manchester New Square LP	50%	Property development
SUE Developments LP	50%	Property development
Achadonn Limited	50%	Property development
Altira Park JV LLP	50%	Property development
Wintringham Partners LLP	33%	Property development

Summarised information on joint ventures 2018

100%	SUE Developments LP £'000	Wintringham Partners LLP £'000	Achadonn Limited £'000	Altira Park JV LLP £'000	Manchester New Square LP £'000	Total 2018 £'000
Revenue	17,400	—	—	54	—	17,454
Profit/(loss) after tax	3,990	(6)	—	53	—	4,037
Total assets	193,453	44,267	6,564	1,239	45,619	291,142
Other liabilities	(142,877)	(44,273)	(6,609)	(52)	(45,619)	(239,430)
Total liabilities	(142,877)	(44,273)	(6,609)	(52)	(45,619)	(239,430)
Net assets/(liabilities)	**50,576**	**(6)**	**(45)**	**1,187**	**—**	**51,712**
The Group's carrying value consists of:						
Group's share of net assets	25,288	(2)	—	594	—	25,880
Loans	45,146	15,383	2,091	—	14,918	77,538
Total investment in joint ventures	**70,434**	**15,381**	**2,091**	**594**	**14,918**	**103,418**

13. Investments continued

Investments in joint ventures and associates continued

Summarised information on joint ventures 2017

100%	SUE Developments LP £'000	Achadonn Limited £'000	Altira Park JV LLP £'000	Wintringham Partners LLP £'000	Total 2017 £'000
Revenue	21,965	—	660	—	22,625
Profit/(loss) after tax	2,130	(2)	(10)	—	2,118
Total assets	149,702	6,554	1,146	49,898	207,300
Other liabilities	(103,116)	(6,600)	(90)	(49,898)	(159,704)
Total liabilities	(103,116)	(6,600)	(90)	(49,898)	(159,704)
Net assets/(liabilities)	46,586	(46)	1,056	—	47,596
The Group's carrying value consists of:					
Group's share of net assets	23,293	—	528	—	23,821
Loans	36,558	2,073	—	14,303	52,934
Total investment in joint ventures	59,851	2,073	528	14,303	76,755

SUE Developments LP holds the RadioStation Rugby site.

Summarised information on associate

	2018 Terrace Hill Development Partnership £'000	2017 Terrace Hill Development Partnership £'000
Revenue	**—**	3,099
Profit after tax	**—**	399
Total assets	**—**	695
Total liabilities	**—**	(216)
Net assets	**—**	479
Non-recourse net assets	**—**	479
Adjust for:		
Group's share of net assets	**—**	—
The carrying value consists of:		
Group's share of net assets	**—**	—
Loans	**—**	2
Total investment in associates	**—**	2
Share of unrecognised profit		
At 1 October	**80**	483
Share of unrecognised profit for the year	**—**	80
Profits distributed and recognised in the year	**(94)**	—
Adjustments in respect of previous periods	**14**	(483)
At 30 September	**—**	80

A complete list of the Group's subsidiaries is included in note 11 of the notes to the Company financial statements on pages 164 and 165.

14. Deferred tax

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

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
At 1 October	(1,412)	(314)
Movement in the year (see note 8)	(2,651)	(1,098)
At 30 September	(4,063)	(1,412)

The deferred tax balances are made up as follows:

	At 30 September 2018 £'000	At 30 September 2017 £'000
Deferred tax assets		
Tax losses	2,788	4,240
	2,788	4,240
Deferred tax liabilities		
Revaluation surpluses	6,851	5,652
	6,851	5,652

At 30 September 2018, the Group had unused tax losses of £23,118,000 (2017: £32,132,000), of which £16,302,000 (2017: £23,120,000) has been recognised as a deferred tax asset. A further £6,227,000 (2017: £5,373,000) 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.

Tax losses of £589,000 (2017: £3,639,000) 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 and will reduce to 17 per cent from 1 April 2020, which will reduce the amount of UK corporation tax that the Group will have to pay in the future. The Group's deferred tax balances have been measured at rates between 17 and 19 per cent (2017: between 17 and 19 per cent), being the enacted rates 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.

15. Trading properties

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
At 1 October	289,707	185,204
Additions at cost	90,057	93,086
Costs written (down)/back	(2,570)	1,402
Disposals	(103,424)	(30,284)
Transfer to investment properties	—	(2,988)
Transfer from investment properties	—	43,287
Carrying value at 30 September	273,770	289,707

During the year staff and administrative costs of £4,238,000 (2017: £4,494,000) have been capitalised and are included within additions.

Capitalised interest of £3,449,000 is included within the carrying value of trading properties as at 30 September 2018 (2017: £1,768,000), of which £2,182,000 (2017: £899,000) was capitalised during the year. Included within disposals is £501,000 (2017: £Nil) of interest previously capitalised and written off on disposal.

15. Trading properties continued

The carrying value of trading properties at 30 September 2018 includes £2,656,000 (2017: £2,825,000) 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 costs written back in 2017 were as a result of an increase in the value of the properties in question.

16. Trade and other receivables

Non-current	At 30 September 2018 £'000	At 30 September 2017 £'000
Trade receivables	17,338	16,922
Other receivables	3,107	—
	20,445	16,922

Current	At 30 September 2018 £'000	At 30 September 2017 £'000
Trade receivables	19,034	6,698
Less: provision for impairment of trade receivables	(29)	(61)
Trade receivables (net)	19,005	6,637
Other receivables	5,348	3,040
Amounts recoverable under contracts	1,350	—
Prepayments and accrued income	3,336	5,683
	29,039	15,360

Trade receivables include minimum amounts due from housebuilders on strategic land parcel sales. Other receivables include an amount of £6,582,000 relating to overage entitlements that were acquired with the Priors Hall asset in the 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 at 30 September 2018 are current expectations over future house price values, the timing of housebuilder delivery and a discount rate of 9.6 per cent. The fair value movement since acquisition is £1,090,000 which has been credited to the income statement for the year. Amounts totalling £3,874,000 have been collected by 30 September 2018.

The ageing of trade receivables was as follows:	At 30 September 2018 £'000	At 30 September 2017 £'000
Up to 30 days	5,180	1,003
31 to 60 days	661	134
61 to 90 days	63	2
Over 90 days	555	173
Total	6,459	1,312
Amounts not yet due	29,884	22,247
Trade receivables (net)	36,343	23,559

There were no amounts past due but not impaired at 30 September 2018 or 2017.

17. Trade and other payables

	At 30 September 2018 £'000	At 30 September 2017 £'000
Trade payables	7,978	11,348
Taxes and social security costs	3,124	284
Other payables	8,628	12,127
Accruals	24,985	23,617
Deferred income	2,071	1,364
	46,786	48,740

18. Borrowings

	At 30 September 2018 £'000	At 30 September 2017 £'000
Bank loans and overdrafts	19,891	61,038
Other loans	74,973	32,812
	94,864	93,850

Maturity profile	At 30 September 2018 £'000	At 30 September 2017 £'000
Less than one year	20,891	24,026
Between one and five years	11,424	49,150
More than five years	62,549	20,674
	94,864	93,850

Other loans comprise borrowings from Homes England and Huntington District Council and a conditional grant. Interest on borrowing from Homes England is charged at between 2.2 and 2.5 per cent above the EC Reference Rate and the facilities are secured against specific land holdings. The £1,000,000 grant is conditional on certain milestones of construction being achieved before 2020. The grant is only repayable if these are not reached.

There are no bank loans other than the revolving credit facility. In the prior year, bank loans, other than the revolving credit facility, were secured against specific property holdings.

19. Financial instruments

(a) Capital risk management

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

The Group's capital comprises equity attributable to shareholders, cash and cash equivalents and borrowings.

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

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

The Group has a progressive dividend policy that is aligned with the performance of the Group's net asset value.

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

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

(b) Financial risk management

The Group's principal financial instruments at 30 September 2018 comprise cash, short-term deposits and bank and other loans. The main purpose of these financial instruments is to provide finance for the Group's operations at appropriate cost and risk levels.

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

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

(i) Interest rate risk

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

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

When necessary and considered appropriate, the Group borrows cash in the form of loans, which are usually subject to interest at floating rates. It is recognised that rates will fluctuate according to changes in LIBOR and the bank base or EC Reference Rate. The Group is cognisant at all times of movements in interest rates and will, as appropriate, enter into interest rate swaps to maintain a balance between borrowings that are subject to floating and fixed rates. However, at 30 September 2018 (and 2017), the Group had no interest rate swaps in place and therefore exposure to interest rate risk in respect of its financial liabilities relates to the cost of servicing its floating rate borrowings.

Market rate sensitivity analysis

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

0.5 per cent increase in interest rates	At 30 September 2018 £'000	At 30 September 2017 £'000
Interest on borrowings	(482)	(478)
Interest on cash deposits	83	61
Total impact on pre-tax profit and equity – loss	**(399)**	(417)

0.5 per cent decrease in interest rates	At 30 September 2018 £'000	At 30 September 2017 £'000
Interest on borrowings	482	478
Interest on cash deposits	(83)	(61)
Total impact on pre-tax profit and equity – gain	**399**	417

19. Financial instruments continued
(b) Financial risk management continued
(i) Interest rate risk continued
Market rate sensitivity analysis continued

The interest rate risk profile of financial assets and liabilities of the Group at 30 September 2018 was as follows:

	Total £'000	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets on which no interest is earned £'000
Total financial assets	**140,245**	**8,587**	**8,079**	**123,579**

	Total £'000	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities on which no interest is earned £'000
Total financial liabilities	**137,678**	**96,321**	**—**	**41,357**

The interest rate risk profile of financial assets and liabilities of the Group at 30 September 2017 was as follows:

	Total £'000	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets on which no interest is earned £'000
Total financial assets	93,940	7,040	5,150	81,750

	Total £'000	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities on which no interest is earned £'000
Total financial liabilities	140,942	92,850	—	48,092

(ii) Credit risk
The Group's principal financial assets are cash, trade and other receivables, amounts recoverable under contracts and loans advanced to joint ventures.

Cash deposits are placed with a range of banks to minimise the risk to the Group. Details are provided in the table set out below of the relevant financial institutions pooled by their respective Standard & Poor long-term credit ratings or Fitch long-term credit ratings where Standard & Poor ratings are unavailable. All ratings are of investment grade. The principal credit risk is therefore deemed to arise from trade and other receivables and loans advanced to joint ventures. Trade receivables from the sale of properties are secured against those properties until the proceeds are received. Rental receivables are unsecured but there is no significant concentration of credit risk as no tenant accounts for more than 5 per cent of total revenue. Credit checks, rental deposits and third party guarantees are used in isolation or in combination to mitigate against potential financial loss arising from defaults where considered necessary. Other receivables are predominantly due from housebuilders on the newly acquired Priors Hall site, for which a track record of payments has been established. The Group's joint ventures are structured, with the assistance of professional advisers, in a way that provides the Group with maximum flexibility and security. Furthermore, robust controls and procedures are applied to these interests in a manner that is consistent with other Group operations.

19. Financial instruments continued

(b) Financial risk management continued

(ii) Credit risk continued

Credit ratings of the financial institutions holding the Group's cash deposits as at 30 September 2018 are shown below. Included in cash is £4,546,000 that is restricted (2017: £4,924,000).

Financial institution	Long-term credit rating	Cash at bank £'000	Short-term deposits £'000	Total £'000
Bank of Scotland, ING Luxembourg, Nationwide	A+	6,523	3,229	9,752
Barclays	A	618	147	765
HSBC	AA-	—	6	6
RBS	BBB+	1,417	4,698	6,115
		8,558	**8,080**	**16,638**

Credit ratings of the financial institutions holding the Group's cash deposits as at 30 September 2017 are shown below:

Financial institution	Long-term credit rating	Cash at bank £'000	Short-term deposits £'000	Total £'000
Bank of Scotland, ING Luxembourg	A+	1,588	255	1,843
Barclays, Nationwide	A	1,283	352	1,635
HSBC, Wells Fargo	AA-	151	689	840
RBS	BBB+	4,018	3,854	7,872
		7,040	5,150	12,190

(iii) Liquidity risk

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

The maturity analysis of the undiscounted contractual cash flows relating to financial liabilities as at 30 September 2018 (excluding £47,815,000 of liabilities repayable on demand) is presented below:

At 30 September 2018	Currency	Current interest rate	Year of maturity	Carrying amount £'000	Contractual cash flow £'000	In less than one year £'000	Between one and two years £'000	Between two and five years £'000	In more than five years £'000
Other loan arranged in 2018	**Sterling**	**3.11%**	**2027**	**28,400**	**37,648**	**—**	**—**	**—**	**37,648**
Other loan arranged in 2018	**Sterling**	**3.36%**	**2028**	**1,984**	**2,620**	**67**	**134**	**201**	**2,218**
Other loan arranged in 2017	**Sterling**	**3.36%**	**2028**	**32,164**	**45,225**	**—**	**—**	**—**	**45,225**
Overdraft arranged in 2016	**Sterling**	**3.30%**	**2019**	**19,891**	**20,454**	**20,454**	**—**	**—**	**—**
Other loans arranged in 2015	**Sterling**	**3.06%**	**2021**	**11,425**	**12,336**	**—**	**—**	**12,336**	**—**
Total				**93,864**	**118,283**	**20,521**	**134**	**12,537**	**85,091**

At 30 September 2017	Currency	Current interest rate	Year of maturity	Carrying amount £'000	Contractual cash flow £'000	In less than one year £'000	Between one and two years £'000	Between two and five years £'000	In more than five years £'000
Other loan arranged in 2017	Sterling	3.15%	2028	20,674	30,317	—	—	—	30,317
Overdraft arranged in 2016	Sterling	2.75%	2019	23,222	25,495	24,353	500	642	—
Bank loan arranged in 2016	Sterling	2.85%	2021	16,859	18,182	309	607	17,266	—
Bank loan arranged in 2016	Sterling	2.39%	2021	13,767	15,159	771	761	13,627	—
Bank loan arranged in 2016	Sterling	2.48%	2020	6,190	6,704	510	501	5,693	—
Other loans arranged in 2015	Sterling	2.85%	2021	12,138	13,407	—	—	13,407	—
Total				92,850	109,264	25,943	2,369	50,635	30,317

19. Financial instruments continued
(b) Financial risk management continued
(iii) Liquidity risk continued

The Group has the following undrawn committed borrowing facilities at the year end:

	At 30 September 2018 £'000	At 30 September 2017 £'000
Expiring in less than one year	**20,000**	—
Expiring between one and five years	—	17,315
Expiring in greater than five years	**31,310**	23,641
	51,310	40,956

(c) Categories of financial assets and financial liabilities

The Group's financial assets categorised as loan and receivables, amount to £133,663,000 (2017: £93,940,000) and comprise cash and cash equivalents, trade and other receivables and loans advanced to joint ventures. The Group's financial assets categorised at fair value through profit and loss amount to £6,582,000 (2017: £Nil) and comprise other receivables. The Group's financial liabilities, all of which are financial liabilities at amortised cost, amount to £137,678,000 (2017: £140,942,000) and comprise bank loans, other loans, trade payables, other payables and accruals. At 30 September 2018 and 30 September 2017 the fair values of the Group's financial assets and liabilities were not materially different from their book values.

The maximum exposure to credit risk from the financial assets, excluding cash, is £97,919,000 (2017: £81,750,000).

20. Share capital

Urban&Civic plc	At 30 September 2018 £'000	At 30 September 2017 £'000
Issued and fully paid		
145,044,582 (2017: 144,964,808) shares of 20p each (2017: 20p each)	**29,009**	28,993

Movements in share capital in issue

Ordinary shares	Issued and fully paid £'000	Number
At 1 October 2016	28,961	144,804,728
Shares issued under scrip dividend scheme	32	160,080
At 1 October 2017	28,993	144,964,808
Shares issued under scrip dividend scheme	16	79,774
At 30 September 2018	**29,009**	**145,044,582**

21. Reserves

The movement on reserves in the year is set out in the consolidated statement of changes in equity on page 128.

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

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

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

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

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

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

22. Net asset value and EPRA net asset value per share

Net asset value and EPRA 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 issues.

	At 30 September 2018	At 30 September 2017
Number of ordinary shares in issue	**145,044,582**	144,964,808
Own shares held	**(1,769,935)**	(1,569,437)
Dilutive effect of share options	**1,743,418**	944,078
	145,018,065	144,339,449
NAV per share	**268.3p**	257.6p
Net asset value (£'000)	**389,023**	371,880
Revaluation of trading property held as current assets (£'000)		
– Alconbury Weald	**38,809**	37,304
– Radio Station Rugby	**10,561**	6,784
– Priors Hall	**9,384**	—
– Wintringham St Neots	**8,461**	—
– Land promotion sites	**11,667**	6,234
– Newark	**138**	(2,055)
– Manchester sites	**5,023**	2,431
– Stansted	**—**	8,660
– Other	**1,292**	2,453
	85,335	61,811
Deferred tax liability (£'000)	**6,851**	5,652
EPRA NAV (£'000)	**481,209**	439,343
EPRA NAV per share	**331.8p**	304.4p
Deferred tax (£'000)	**(23,065)**	(17,396)
EPRA NNNAV (£'000)	**458,144**	421,947
EPRA NNNAV per share	**315.9p**	292.3p

23. Contingent liabilities, capital commitments and guarantees

The parent company has given guarantees totalling £71,393,000 (2017: £58,040,000) 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 2018 £'000	At 30 September 2017 £'000
Contracted but not provided for	**54,744**	39,956

24. Share-based payments

The Group operates an equity-settled share-based payment scheme for all Executive Directors and certain employees.

Options are granted over the Company's shares that are capable of vesting on the third anniversary of issue dependent on certain performance conditions having been met. In the year ended 30 September 2018, options over 2,090,636 shares (30 September 2017: 1,831,953 shares) were awarded to Directors and other participating staff. The performance conditions attached to these awards are as follows:

- EPRA net asset value must increase by greater than 5.0 per cent per annum for 25 per cent vesting and must increase by greater than 12.0 per cent per annum for 100 per cent vesting. Shares will vest on a pro-rated, straight line basis for outperformance between 5.0 per cent per annum and 12.0 per cent per annum; and
- total shareholder return must increase by more than 5.0 per cent per annum for 25 per cent vesting and must increase by more than 12.0 per cent per annum for 100 per cent vesting. Shares will vest on a pro-rated, straight line basis for outperformance between 5.0 per cent per annum and 12.0 per cent per annum.

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

The performance conditions for the awards granted in the period run from 1 October 2017 to 30 September 2020.

Options granted prior to 30 September 2017 had the following performance conditions attached:

- EPRA net asset value must increase by greater than 3.0 per cent per annum more than RPI for 25 per cent vesting and must increase by greater than 12.5 per cent per annum more than RPI for 100 per cent vesting. Shares will vest on a pro-rated, straight line basis for outperformance between 3.0 per cent per annum and 12.5 per cent per annum; and
- total shareholder return must be equal to the movement in the FTSE 350 Real Estate Index for 25 per cent vesting and must fall within the upper quartile of relative performance of the FTSE 350 Real Estate Index for 100 per cent vesting. Shares will vest on a pro-rated, straight line basis for outperformance between the medium and upper quartile.

At 30 September 2017 there were 10,345 vested share awards outstanding that were acquired as part of the business combination in May 2014 and had a weighted average exercise price of 20.0p. At 30 September 2018, all of these options remain vested but not exercised.

	Year ended 30 September 2018			
	Number of share awards granted	Weighted average exercise price	Fair value of award at date of grant	Share price at date of grant
Awards outstanding at 1 October 2017	**5,059,044**	**8.00p**		
Awards lapsed	**(1,633,666)**	**19.00p**		
Awards exercised	**(339,976)**	**20.00p**		
Awards granted (date of grant: 8 February 2018)	**2,090,636**	**—**	**154.00p – 291.00p**	**300.00p**
Awards outstanding at 30 September 2018	**5,176,038**	**1.00p**		

	Year ended 30 September 2017			
	Number of share awards granted	Weighted average exercise price	Fair value of award at date of grant	Share price at date of grant
Awards outstanding at 1 October 2016	3,327,656	13.00p		
Awards lapsed	(91,439)	4.00p		
Awards exercised	(9,126)	20.00p		
Awards granted (date of grant: 7 December 2016)	1,831,953	—	109.42p – 206.48p	215.00p
Awards outstanding at 30 September 2017	5,059,044	8.00p		

The fair value of the awards in the year ended 30 September 2018 was calculated by using an option pricing model involving six variables: share price, exercise price, expected term, expected dividend yield, expected volatility and risk free interest rate. The values assigned to those variables were: 300.00p grant date share price, 0.00p exercise price, expected term of three or four years, 1.07 per cent expected dividend yield, 23.47 or nil per cent expected volatility and 0.81 or nil per cent expected risk free interest rate.

24. Share-based payments continued

The fair value of the awards in the year ended 30 September 2017 was calculated by using an option pricing model involving six variables: share price, exercise price, expected term, expected dividend yield, expected volatility and risk free interest rate. The values assigned to those variables were: 215.00p grant date share price, 0.00p exercise price, expected term of three years, 1.35 per cent expected dividend yield, 24.03 per cent expected volatility and 0.23 per cent expected risk free interest rate.

For each valuation, the expected volatility was determined by reference to historical volatility over a period of time commensurate with the remainder of the performance period immediately prior to the date of grant.

This value is charged to the consolidated statement of comprehensive income over the vesting period. The charge to the consolidated statement of comprehensive income for the year was £3,434,000 (2017: £3,119,000).

The weighted average share price on the date of the awards exercised in the year was 305p (2017: 193.0p).

Employee Benefit Trust

	Number	Cost £'000
At 1 October 2016	1,483,503	3,817
Share purchase	110,846	249
Transferred to employees on deferred bonus share arrangements	(24,912)	(63)
At 1 October 2017	1,569,437	4,003
Share purchase	452,828	1,392
Transferred to employees on share option exercises	(252,330)	(647)
At 30 September 2018	**1,769,935**	**4,748**

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

On 30 September 2018 the Trust held 1,769,935 (2017: 1,569,437) ordinary shares of 20p each in Urban&Civic plc. The market value of these shares at 30 September 2018 was £5,381,000 (2017: £4,049,000).

25. Leases

Operating lease commitments where the Group is the lessee

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

Land and buildings	At 30 September 2018 £'000	At 30 September 2017 £'000
In one year or less	**1,013**	2,016
Between one and five years	**841**	1,748
In five years or more	**33**	86
	1,887	3,850

Operating lease commitments where the Group is the lessor

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

Land and buildings (including investment property)	At 30 September 2018 £'000	At 30 September 2017 £'000
In one year or less	**2,996**	5,430
Between one and five years	**5,580**	12,684
In five years or more	**4,984**	20,882
	13,560	38,996

26. Related party transactions

Key management personnel

The Directors of the Company who served during the year are considered to be key management personnel. The combined emoluments for the key management personnel (relating to the period they were a Director), based upon amounts included in the Group financial statements, are set out in the Directors' remuneration report on page 106.

The total compensation of key management personnel was £4,726,000 (2017: £4,497,000), which comprised short-term benefits of £2,836,000 (2017: £2,980,000), post-employment benefits of £164,000 (2017: £154,000) and share-based payments of £1,726,000 (2017: £1,363,000).

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 2018 £'000	At 30 September 2017 £'000
SUE Developments LP	45,146	36,558
Manchester New Square LP	15,383	—
Wintringham Partners LLP	14,918	14,303
Terrace Hill Residential PLC	—	4,220
Achadonn Limited	3,334	3,316
	78,781	58,397

Amounts due from Terrace Hill Residential PLC were provided against at 30 September 2017. On 13 October 2015 Terrace Hill Residential PLC went into liquidation and on 29 June 2018 it was dissolved. The total provision at 30 September 2018 against amounts due from Achadonn Limited was £1,243,000 (2017: £1,243,000).

Fees charged by the Group to SUE Developments LP during the year were £925,000 (2017: £1,017,000). Included in prepayments and accrued income at 30 September 2018 was £273,000 (2017: £362,000) in respect of these fees. Fees charged to Wintringham Partners LLP during the year were £1,048,000 (2017: £Nil) and included in prepayments and accrued income at 30 September 2018 was £801,452.

COMPANY BALANCE SHEET

AS AT 30 SEPTEMBER 2018

	Notes	30 September 2018 £'000	30 September 2017 £'000
Fixed assets			
Investments	3	**459,591**	456,157
		459,591	456,157
Current assets			
Debtors due within one year	4	**27,975**	26,191
Cash at bank and in hand		**295**	302
		28,270	26,493
Creditors: amounts falling due within one year	5	**(169,443)**	(165,581)
Net current liabilities		**(141,173)**	(139,088)
Total assets less current liabilities		**318,418**	317,069
Capital and reserves			
Share capital	7	**29,009**	28,993
Share premium account		**168,881**	168,648
Share scheme reserve		**12,527**	9,093
Capital redemption reserve		**849**	849
Own shares		**(4,748)**	(4,003)
Merger reserve		**97,025**	97,025
Retained earnings		**14,875**	16,464
Shareholders' funds		**318,418**	317,069

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The Group consolidated financial statements include a profit after tax for the year of £2,901,000 (2017: £8,713,000) attributable to the Company. At 30 September 2018, the entire balance of £14,875,000 (2017: £16,464,000) in retained earnings represents distributable reserves.

The financial statements were approved by the Board and authorised for issue on 28 November 2018 and were signed on its behalf by:

Nigel Hugill
Director

David Wood
Director

The notes on pages 160 to 165 form part of these parent company financial statements.

Registered in Scotland No. SC149799

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Share capital £'000	Share premium account £'000	Share scheme reserve £'000	Capital redemption reserve £'000	Own shares £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 October 2016	28,961	168,320	5,974	849	(3,817)	97,025	12,287	309,599
Shares issued under scrip dividend scheme	32	328	—	—	—	—	—	360
Deferred bonus award satisfied out of own shares	—	—	—	—	63	—	—	63
Purchase of own shares	—	—	—	—	(249)	—	—	(249)
Share-based payment expense	—	—	3,119	—	—	—	—	3,119
Total comprehensive income for the year	—	—	—	—	—	—	8,713	8,713
Dividends paid	—	—	—	—	—	—	(4,536)	(4,536)
Balance at 30 September 2017	28,993	168,648	9,093	849	(4,003)	97,025	16,464	317,069
Shares issued under scrip dividend scheme	16	233	—	—	—	—	—	249
Share option exercise satisfied out of own shares	—	—	—	—	647	—	—	647
Purchase of own shares	—	—	—	—	(1,392)	—	—	(1,392)
Share-based payment expense	—	—	3,434	—	—	—	—	3,434
Total comprehensive income for the year	—	—	—	—	—	—	2,901	2,901
Dividends paid	—	—	—	—	—	—	(4,490)	(4,490)
Balance at 30 September 2018	**29,009**	**168,881**	**12,527**	**849**	**(4,748)**	**97,025**	**14,875**	**318,418**

1. Accounting policies

Accounting convention

The financial statements of the Company have been prepared under FRS 102 and the historical cost convention and in accordance with the Companies Act 2006.

The Company has taken the following exemptions as permitted by FRS 102:

- no cash flow statement is presented. A consolidated cash flow statement is presented on page 129 of the Group financial statements;
- certain financial instruments disclosure as equivalent disclosure has been provided in respect of the Group as a whole; and
- related party transactions with wholly owned members of the Group.

Rental income

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

Share-based payments

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

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

Employee Benefit Trust

The Company is deemed to have control of its Employee Benefit Trust (EBT) and it is therefore treated as a subsidiary and is consolidated in the Company's accounts. The EBT's investment in the parent company's shares is deducted from equity in the Company balance sheet as if they were treasury shares. Other assets and liabilities of the EBT are recognised as assets and liabilities of the Company.

Investments

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

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

Dividends

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

Financial instruments

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

Trade and other debtors

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

Financial liabilities

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

2. Directors' and auditor's remuneration

Directors' remuneration is disclosed in the Directors' remuneration report on pages 98 to 113. Details of the remuneration paid to the Company's auditor, BDO LLP, for audit and non-audit services provided are given in note 3 to the Group financial statements on page 137.

There are no employees other than the Directors who are remunerated by a fellow Group company. The Directors are considered to be the Company's key management personnel.

3. Investments

	£'000
Cost	
At 1 October 2017	482,295
Additions	—
Capital contribution on the granting of share scheme options to employees of subsidiaries	3,434
At 30 September 2018	**485,729**
Amounts written off	
At 1 October 2017	26,138
Impairment charge	—
At 30 September 2018	**26,138**
Net book value	
At 30 September 2018	**459,591**
At 30 September 2017	456,157

A complete list of the Company's subsidiaries is included in note 11 of these Company financial statements.

4. Debtors

	At 30 September 2018 £'000	At 30 September 2017 £'000
Amounts due within one year:		
Trade debtors	**337**	—
Other debtors	**643**	604
Prepayments and accrued income	**308**	1,193
Amounts due from subsidiaries	**26,687**	24,394
	27,975	26,191

5. Creditors

	At 30 September 2018 £'000	At 30 September 2017 £'000
Amounts due within one year:		
Trade creditors	189	54
Accruals and deferred income	2,013	2,760
Amounts due to subsidiaries	147,009	139,266
Bank overdraft	19,891	23,222
Other creditors	341	279
	169,443	165,581

6. Related party transactions

The Company has previously made a loan of £4,220,000 to Terrace Hill Residential PLC, an associated undertaking, which was fully provided against at 30 September 2017. This loan was released on the dissolution of Terrace Hill Residential PLC on 29 June 2018.

7. Share capital

	At 30 September 2018 £'000	At 30 September 2017 £'000
Issued and fully paid		
145,044,582 (2017: 144,964,808) ordinary shares of 20p each (2017: 20p each)	29,009	28,993

Movements in ordinary share capital in issue

Ordinary shares	Issued and fully paid £'000	Number
At 1 October 2017	28,993	144,964,808
Shares issued under scrip dividend scheme	16	79,774
At 30 September 2018	**29,009**	**145,044,582**

The Company's merger reserve represents the excess over the nominal value of shares issued to acquire shares in a subsidiary undertaking when the conditions to qualify for merger relief have not been met.

The Company's share scheme reserve represents the cumulative amount of share-based payment awards made to employees of subsidiary undertakings.

A description of the nature and purpose of the Company's other reserves is provided in note 21 to the Group financial statements. The Company's retained earnings reserve is distributable.

8. Share-based payments

The Company operates an equity-settled share-based payment scheme for all Executive Directors and certain employees of the Group. Details of the options granted under the scheme and the options outstanding at the balance sheet date are given in note 24 to the Group financial statements. On the basis that all awards made relate to employees of subsidiaries, this value is recognised as a capital contribution to those subsidiaries over the vesting period and is added to the cost of the relevant investment. The total capital contribution for the year was £3,434,000 (2017: £3,119,000).

Employee Benefit Trust

The Company established the Urban&Civic plc Employee Benefit Trust (the 'Trust') to be used as part of the remuneration arrangements for employees. The purpose of the Trust is to facilitate the ownership of shares by or for the benefit of employees by the acquisition and distribution of shares in the Company. The Trust purchases shares in the Company to satisfy the Company's obligations under its share-based payment plans. Transactions in the Company's own shares in the year are given in note 24 to the Group financial statements.

9. Financial commitments

Operating lease commitments where the Company is the lessee

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

Land and buildings	At 30 September 2018 £'000	At 30 September 2017 £'000
In one year or less	265	1,278
Between one and five years	—	265
	265	1,543

10. Contingent liabilities and guarantees

The Company has given guarantees totalling £71,393,000 (2017: £58,040,000) as part of the Group's obligations.

11. Subsidiary undertakings

At 30 September 2018 the subsidiaries, joint ventures and associates held directly or indirectly by the Company were as follows:

Incorporated in the United Kingdom, unless otherwise indicated	Proportion of voting rights and ordinary shares held	Nature of business
Achadonn Properties Limited[6]	50%	Property development
Altira Park JV LLP[1]	50%	Property development
Alconbury Weald Estate Management Company Limited[1]	100%	Property management
AW Management Company (KP1C) Limited[1]	100%	Property management
AW Management Company (KP1R) Limited[1]	100%	Property management
Catesby Development Land Limited[2]	100%	Property development
Catesby Estates (Developments) Limited[2]	100%	Property development
Catesby Estates (Developments II) Limited[2]	100%	Property development
Catesby Estates (Grange Road) Limited[3]	100%	Property development
Catesby Estates (Hawton) Limited[3]	100%	Property development
Catesby Estates (Newark) Limited[3]	100%	Property development
Catesby Estates (Residential) Limited[3]	100%	Property development
Catesby Estates plc[3]	100%	Property development
Catesby Estates Promotions Limited[2]	100%	Property development
Catesby Land and Planning Limited[2]	100%	Property development
Catesby Land Limited[3]	100%	Property development
Catesby Land Promotions Limited[2]	100%	Property development
Catesby Promotions Limited[2]	100%	Property development
Catesby Strategic Land Limited[3]	100%	Management and administration
Catesby Serviced Offices (Doncaster) Limited[3]	100%	Property management
Greyhound Inn Developments Limited[3]	100%	Property development
Manchester New Square Nominee Limited	50%	Holding Co.
Newark Commercial Limited[3]	100%	Property development
Priors Hall Park Management Company[1]	100%	Property management
SUE Developments LP[5]	50%	Property development
SUE GP LLP[5]	50%	Property development
SUE GP Nominee Limited	50%	Holding Co.
T.H (Development Partnership) Limited[1]	100%	Investment holding company
T.H (Development Partnership) General Partner Limited[1]	100%	Investment holding company
Terrace Hill (Awdry) Holdings Limited[1]	100%	Investment holding company
Terrace Hill (Herne Bay) Limited[1]	100%	Property development
Terrace Hill Deansgate Operations Company Limited[1]	100%	Property management
Terrace Hill Development Partnership LP[1]	50%	Property development
Terrace Hill Development Partnership Nominee Limited[1]	100%	Investment holding company
Terrace Hill Foodstore Development Company Parent Limited[1]	100%	Investment holding company
Terrace Hill Foodstore Developments Limited[1]	100%	Property development
Urban&Civic (Bradford) Limited[1]	100%	Property development
Urban&Civic (Management) Limited[2]	100%	Management and administration
Urban&Civic (Property Investment No 1) Limited[1]	100%	Property investment
Urban&Civic (Property Investment No 2) Limited[1]	100%	Property investment
Urban&Civic (Property Investment No 3) Limited[2]	100%	Property investment
Urban&Civic (Secretaries) Limited[2]	100%	Administration
Urban&Civic Alconbury Limited[1]	100%	Property investment and development
Urban&Civic Alconbury S.à.r.l. (incorporated in Luxembourg)[4]	100%	Investment holding company
Urban&Civic Armadale No. 1 Limited[2]	100%	Property development
Urban&Civic Bishop Auckland Limited[1]	100%	Property development
Urban & Civic Buckingham Limited	100%	Property development
Urban&Civic Central Funding Limited[1]	100%	Investment holding company and property development
Urban&Civic Central Scotland Limited[2]	100%	Property development
Urban&Civic Christchurch Limited[1]	100%	Property investment and development

11. Subsidiary undertakings continued

Incorporated in the United Kingdom, unless otherwise indicated	Proportion of voting rights and ordinary shares held	Nature of business
Urban&Civic Corby Limited[1]	100%	Property development
Urban&Civic Deansgate Limited[1]	100%	Property development
Urban&Civic Developments Limited[1]	100%	Property development
Urban&Civic Feethams Limited[1]	100%	Property investment and development
Urban&Civic Foodstores Company Limited[1]	100%	Investment holding company
Urban&Civic Galashiels No.2 Limited[1]	100%	Property development
Urban&Civic Group Limited[1]	100%	Investment holding company and property development
Urban&Civic Holdings S.à.r.l. (incorporated in Luxembourg)[4]	100%	Investment holding company
Urban&Civic Homes Limited[2]	100%	Property investment
Urban&Civic Houghton Le Spring Limited[1]	100%	Property development
Urban&Civic Howick Place Investments Limited[1]	100%	Investment holding company
Urban&Civic Investments Limited[1]	100%	Investment holding company and property development
Urban&Civic Manchester New Square Limited[1]	100%	Property development
Manchester New Square (General Partner) Limited[1]	50%	Property development
Manchester New Square Limited Partnership[1]	50%	Property development
Urban&Civic Middlehaven Limited[1]	100%	Investment holding company and property development
Urban&Civic Middlehaven Properties Limited[1]	100%	Property development
Urban&Civic Miscellaneous Properties Limited[1]	100%	Property development
Urban&Civic Molesworth Limited[1]	100%	Property development
Urban&Civic North East Limited[1]	100%	Investment holding company and property development
Urban&Civic Northam Limited[1]	100%	Property development
Urban&Civic Penzance Limited[1]	100%	Property development
Urban&Civic Princess Street Limited[1]	100%	Property development
Urban&Civic Projects Limited[1]	100%	Project co-ordination and management services
Urban&Civic Property Developments Limited[1]	100%	Investment holding company
Urban&Civic Property Developments No 1 Limited[1]	100%	Property development
Urban&Civic Property Developments No 2 Limited[1]	100%	Property development
Urban&Civic Property Investments No. 4 Limited[1]	100%	Investment holding company
Urban&Civic Redcliff Street Limited[1]	100%	Property development
Urban&Civic Residential Lettings No.3 Limited[1]	100%	Property development
Urban&Civic Resolution Limited[1]	100%	Property development
Urban&Civic Rugby Limited[1]	100%	Property development
Urban&Civic Rugby (Member) Limited[1]	100%	Property development
Urban&Civic Sandy Limited[1]	100%	Property development
Urban&Civic Stokesley Limited[1]	100%	Property development
Urban&Civic St Neots Limited[1]	100%	Property development
Urban&Civic Tunbridge Wells Limited[1]	100%	Property development
Urban&Civic UK Limited[1]	100%	Management and administration
Urban&Civic Victoria Street Limited[1]	100%	Property development
Urban&Civic Waterbeach Limited[1]	100%	Property investment and development
Urban&Civic Westview Investments Limited[1]	100%	Investment holding company and property development
Urban&Civic Wolverhampton Limited[1]	100%	Property development
Wintringham Partners LLP[1]	33%	Property development

1. Registered address: 50 New Bond Street, London W1S 1BJ.
2. Registered address: 115 George Street, Edinburgh EH2 4JN.
3. Registered address: Catesby House, 5b Tournament Court, Edgehill Drive, Warwick, Warwickshire CV34 6LG.
4. Registered address: 40 Avenue Monterey, L-2163, Luxembourg.
5. Registered address: St Helen's, 1 Undershaft, London EC3P 3DQ.
6. Registered address: Netherton, Langbank, Port Glasgow, Renfrewshire PA14 6YG.

AGM	Annual General Meeting
Catesby/Catesby Estates plc	Catesby Estates plc and subsidiaries, joint ventures and associates
CIL	Communities infrastructure levy
Company	Urban&Civic plc
Earnings per share (EPS)	Profit after tax divided by the weighted average number of shares in issue
EBT/the Trust	Urban&Civic Employee 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 property, plant and equipment 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
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
EZ	Enterprise Zone
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 (either IFRS or EPRA depending on stated denominator)
Group and Urban&Civic 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
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 share of joint ventures' and associates' borrowing
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, although are recognised through the income statement on unconditional exchange
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
S106	Section 106 planning obligations
SDLT	Stamp Duty Land Tax
Terrace Hill Group	Terrace Hill Group plc and subsidiaries at 21 May 2014
Total return	Movement in the value of net assets, adjusted for dividends paid, as a proportion of opening net asset value
Total shareholder return (TSR)	Growth in the value of a shareholding, assuming reinvestment of any dividends into shares, over a period
Urban&Civic plc	Parent company of the Group
Voids	Period of non-occupancy of a lease
Wholesale discount/large site discount	The difference between the unserviced land values imputed by CBRE 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

Key contacts and advisers

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Registered number: SC149799

Principal place of business
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Company Secretary
Heather Williams FCIS

Independent auditor
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55 Baker Street
London W1U 7EU

Registrars
Share Registrars Limited
The Courtyard
17 West Street
Farnham
Surrey GU9 7DR
Phone: 01252 821 390
Email: enquiries@shareregistrars.uk.com

Financial calendar

2018 final dividend[1]	2.2p
Ex-dividend date	10 January 2019
Record date	11 January 2019
Last date for receipt of scrip elections/scrip applications	25 January 2019
Dividend payment/scrip issue date	27 February 2019
Annual General Meeting[2]	13 February 2019
2018 interim dividend	1.3p
Record date	8 June 2018
Dividend payment/scrip issue date	13 July 2018
2018 half-year results announcement	31 May 2018

1. The Board has recommended a final dividend of 2.2p per share which is payable subject to shareholder approval at the 2019 Annual General Meeting.
2. The Annual General Meeting will be held at 10.00 am on 13 February 2019 at The Savile Club, 69 Brook Street, London W1K 4ER.

Dividend Re-Investment Scheme (DRIS)

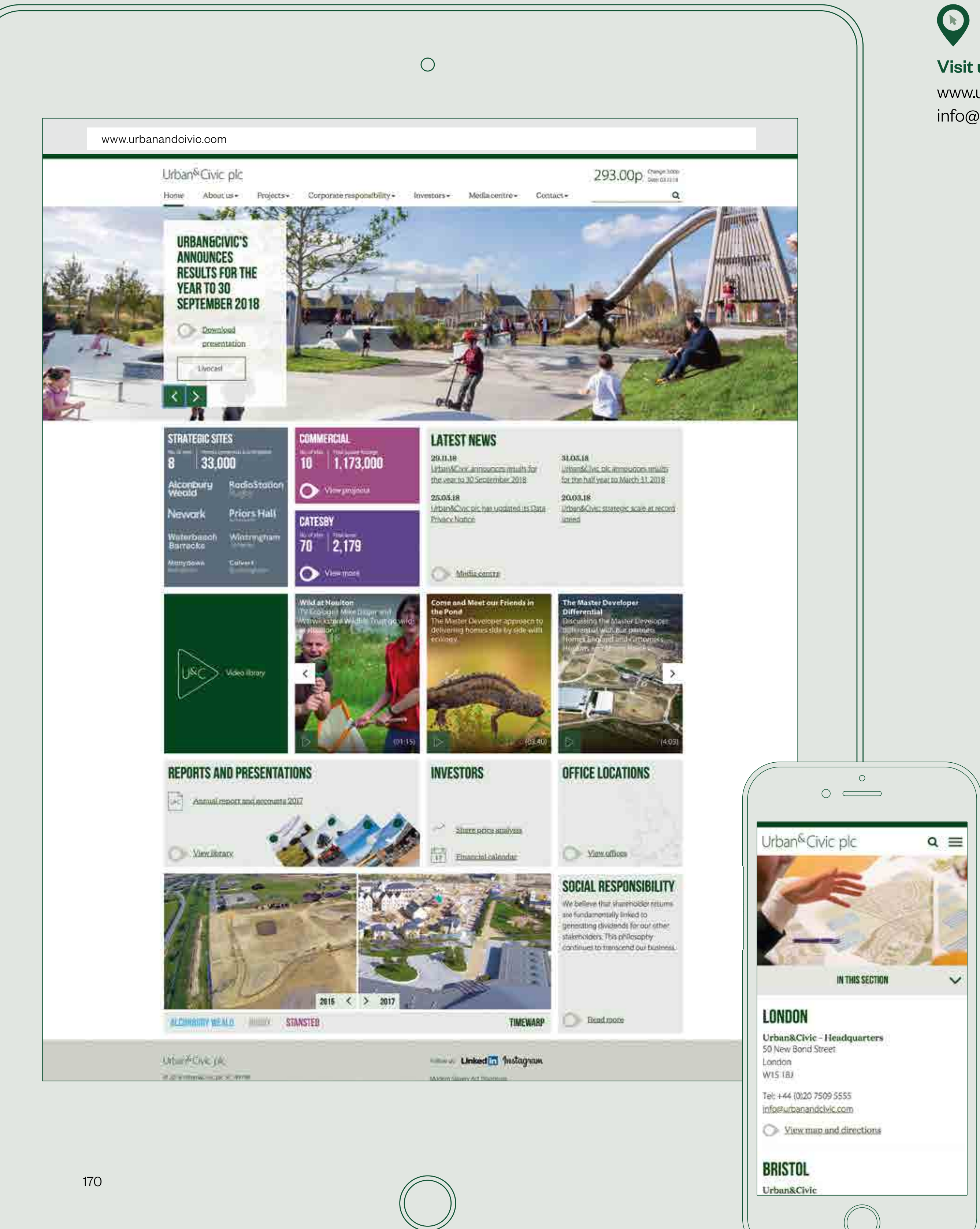
A Scrip Dividend Scheme (SCRIP) is available through which eligible shareholders may invest the whole of their cash dividends in additional shares in Urban&Civic plc at the time the dividends are paid. Copies of the SCRIP terms and conditions are available from the Company's registrars, Share Registrars Limited (email: enquiries@shareregistrars.uk.com or phone: 01252 821 390), or may be downloaded from the Company's website at www.urbanandcivic.com.

Shareholder fraud

Over the last year, a number of shareholders have received unsolicited approaches for their shares from parties suggesting they are linked with potential offerors. The Company believes that these are not bona fide offers for shares and shareholders should be aware that these unsolicited share purchase requests are viewed as suspicious by the Company.

Shareholders are advised to be wary of such calls. If you receive any unsolicited investment advice:

- Always ensure the firm is on the Financial Conduct Authority (FCA) Register and is allowed to give financial advice before handing over your money. You can check at www.fca.org.uk.
- Double-check the caller is from the firm they say they are – ask for their name and telephone number and say you will call them back. Do not get into a conversation, note down the name of the person and firm contacting you and then end the call.
- Check their identity by calling the firm using the contact number listed on the FCA Register. If there are no contact details on the FCA Register or you are told that they are out of date, or if you have any other doubts, call the FCA Consumer Helpline on 0800 111 6768.
- Check the FCA's list of known unauthorised overseas firms at www.fca.org.uk. However, these firms change names regularly, so even if a firm is not listed, it does not mean they are legitimate. Always check that they are listed on the FCA Register.
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.



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Urban&Civic plc's commitment to environmental issues is reflected in this Annual Report which has been printed on Acroprint, an FSC® certified material. This document was printed by Pureprint Group using their environmental print technology, which minimises the impact of printing on the environment. Vegetable based inks have been used and 99 per cent of dry waste is diverted from landfill. The printer is a CarbonNeutral® company.

Both the printer and the paper mill are registered to ISO 14001.

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& CASE STUDY

THE SKATE STORY – ALCONBURY

The Skate Park sits at the heart of the first Community Park at Alconbury Weald. The facility was carefully designed to encourage and support a mid range of skate skills, so that it could be enjoyed by all ages at any one time. From its launch, the Community team have sought to build a positive skate culture around the park and so worked with local skater Jason Emery to set up Saturday morning skate lessons for the wider community, and specific taster sessions for the neighbouring school. The team also helped Jason through a local business development scheme to set up his own business – Let's Go Skate – offering lessons and events across the local area. The park now brings in skaters of all ages from across the local area, who like the safe environment and setting and has even hosted Skate Birthday Parties.

"It has been amazing how busy the Park has become and also the really positive culture of the skating community, where the experienced skaters help out the beginners and keep an eye out for each other. What's great about the park is parents can sit nearby, get a coffee or refreshments from the shop and keep an eye on things, but give their children the space to express themselves too."

Steph Burton
Community Development

W: **www.letsgoskate.co.uk**

QR: **The skate story**

SCAN ME