2 December 2016

Urban&Civic plc

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

Annual results for the year to 30 September 2016
Strong relative growth

Urban&Civic plc (LSE: UANC) announces its results for the 12 months to 30 September 2016.

	30 September 2016	30 September 2015
Profit before tax (£m)	**25.9**	7.0
EPRA NAV (£m)	**409.8**	389.9
EPRA NAV per share (p)	**284.2**	270.4
Dividend per share (p)	**2.9**	2.65

Financial highlights

- Profit before tax for the 12 months to September 2016 £25.9 million (30 September 2015: £7.0 million)
- EPRA net assets £409.8 million at September 2016 from £389.9 million at September 2015
- EPRA net assets per share up 5.1 per cent to 284.2p from 270.4p at September 2015
- Majority of asset and earnings growth attributed to H2 spanning the EU Referendum vote
- 73 per cent of Group balance sheet now in consented residential plots
- £5.5 million of Scottish land write downs out of a total £7.5 million property impairments
- Net gearing of 9.2 per cent at 30 September 2016; nil following post year end receipt of sales proceeds
- Final dividend for the year of 1.8p per share, providing a full year dividend of 2.9p up approximately 10 per cent

Project highlights

- 981 serviced plots across five separate parcels contracted at Alconbury and Rugby over the past 12 months, including two majors: Redrow and Crest Nicholson
- Strong start to Hopkins Homes JV at Alconbury: 19 exchanged or completed and 19 further reservations from launch in April 2016; unaffected by Brexit
- Book valuation of unserviced plots at 30 September 2016 was £24,500 at Alconbury, £15,000 at Rugby and £7,900 at Newark
- Good trading performance delivering gross profits of £7.1m and £5.6m from Herne Bay and Bridge Quay sales respectively
- Catesby record pipeline of 9,500 new homes; 760 consents secured in year and 890 subsequent

Commenting on these results, Nigel Hugill, the Chief Executive of Urban&Civic, said:
"Urban&Civic was established as a counter cyclical stock with the specific aim of creating great environments and outstanding schools in affordable, well connected areas. Demand is underpinned by local economies and relative housing costs. More than 3 per cent of London's population are currently leaving each year. Most stay within 100 miles. We are old enough to know that circumstances shoot down the cavalier but with assets up, profits up and a conservative balance sheet we can look to maintained outperformance."

For further information, please contact:

Urban&Civic plc **+44 (0)20 7509 5555**
Nigel Hugill/David Wood

JP Morgan Cazenove **+44 (0)20 7742 4000**
Bronson Albery

Stifel **+44 (0)20 7710 7600**
Mark Young/David Arch

FTI Consulting **+44 (0)20 3727 1000**
Giles Barrie/Dido Laurimore/Ellie Sweeney

Chief Executive's statement

Introduction

I can report results that are evidently strong in current market conditions. EPRA net assets per share were up 5.1 per cent to 284.2p as at 30 September 2016. Pre-tax profits of almost £26 million were approaching 4x those reported 12 months ago. Notably, almost all increases arose in the second half of the year, thereby spanning the European Union referendum in June. In particular, EPRA growth reflected first residential completions and commercial land sales at Alconbury, as well as the start of hard infrastructure spend at Rugby. The overall valuations in those locations were up by an average of approximately 15 per cent, having accounted for spend during the year and any impact of the June vote.

September 2016 EPRA net asset value of £409.8 million compares with £389.9 million at September 2015 and, just as pertinently, with the £390.8 million reported at March 2016. No property development company is immune from the economic conditions within which we operate but the reasonable assumption is that we stand better protected than most. Urban&Civic was established as a counter cyclical stock with core assets that would benefit once London house prices peaked and show resilience in most practical circumstances. The business model is founded upon a predominantly residential base of major holdings in more affordable locations with good connections to the capital and the strongest provincial cities. Population growth in those areas is sustained by high levels of local employment and inward migration is lifted by property savings for those moving out of London.

The 5 per cent EPRA NAV increase in our financial second half exceeds recent sideward movement in the IPD index. Shareholders can anticipate more to come without recourse to high financial leverage. Net Group gearing is below 10 per cent and the majority of borrowings going forward are likely to be ten year facilities from the Homes and Communities Agency that are designed to encourage accelerated investment. Interest is not payable until proceeds from sales are received. Including Rugby, the total amount of committed official funding will exceed £90 million by the end of the calendar year. Even when those facilities are fully drawn, Group gearing is unlikely to materially exceed 20 per cent of existing assets with much our largest lender being the UK Government.

Alongside the configuration of our balance sheet, we can look to history for further confidence. The current provincial outperformance is in accordance with previous economic cycles. Escalating stamp duty and Brexit fears may have exacerbated London weakness but some relative correction was to be expected on the basis of previous cycles. Our consented land holdings account for 73 per cent of September 2016 EPRA NAV. Prices and demand are more than holding up in our core locations and the Urban&Civic licence model can be seen to be providing housebuilders with exactly what they want in moving increasingly to the retail end of residential construction and sales. The unserviced EPRA values per plot of £24,500 at Alconbury (up 32 per cent at September 2016 over 12 months previous) and £15,000 at Rugby (up 16 per cent over the comparable figure last year) still remain low when compared with actual and projected realisations. Newark is a more marginal land market and, at the time of writing, there are not yet contracted sales against which to appraise. As a consequence, the September 2016 entry is slightly down on six months previous (£7,900 per unserviced plot at September 2016 compared with £8,000 at March 2016). Land values at Newark remain highly reactive to comparatively modest increases in house prices.

Earnings

The nature of strategic sites is that there will be necessarily a lag whilst future earnings potential becomes capitalised into the balance sheet. Such lag does mean that shareholders should also look to the pre-tax profit line to obtain a more complete sense of overall performance. I am happy to be able to describe that other parts of the business also played their part in delivering the 2016 results. Catesby is thriving with a highest ever number of projects being promoted. Our disposal of the Herne Bay foodstore realised £38.2 million, representing 12 per cent above interim book value. The 59 waterside apartments in Bristol are all sold out with the penthouse setting the highest price per sq.ft. in Bristol.

There was a single exceptional negative arising from decisions taken in relation to the Scottish land portfolio that led to cost write downs of £5.5 million. The resulting September 2016 written down value of the remaining interests was £6.5 million or 1.5 per cent of Group EPRA NAV. The small, disparate holdings are residual legacy of Terrace Hill. The opportunity cost in terms of capital and manpower for full remediation cannot be justified where we have no competitive advantage. Cash realisations are in train, including at auction. Even after accounting for the Scottish land all above the line, Group profit before tax to September 2016 reached £25.9 million, compared with £7.0 million reported 12 months ago. Again the disproportionate share of that increase came in the second half of the year.

Highlights

The biggest highlight of 2016 has been the extent to which our housebuilder partners have embraced the Urban&Civic licence model. A total of 981 serviced plots in five separate parcels have been contracted at Alconbury and Rugby over the past 12 months: with licence arrangements over 386 of those plots to listed majors Redrow and Crest Nicholson either signed in the immediate run up, or soon after the European Union referendum in June 2016. These figures exclude the arrangements with Hopkins Homes over the first 128 plots at Alconbury, which were structured effectively as a joint venture. The early Hopkins units have completed and occupations taken place, with realised prices materially above valuation assumptions. To contract on almost 1,000 serviced residential plots on our two most advanced sites in 12 months, and from a standing start, appears a fairly remarkable achievement. In addition, commercial land sales of 28 acres to develop 720,000 sq.ft. of manufacturing and processing facilities have completed since the year end at the Enterprise Zone at Alconbury. Total proceeds from this commercial land to date are £7.9 million, with additional land sales at detailed Heads of Terms stage.

Catesby continues to benefit from being seen to have the overt backing of a planning expert parent. Largely propitious conditions for promoting and securing planning consents led to an impressive total of 760 new homes consented during the year. Pipeline more than doubled from 3,500 to 9,500 new unit promotions, including those in solicitors' hands. Several approvals were obtained before the 30 September 2016 year end but not contracted for sale at that point. In those instances, an estimate of net realised proceeds has been included in the September EPRA net asset value figure. Total EPRA uplift in relation to consented but unsold promotions in Catesby amounted to £7.2 million at the September 2016 date. Realisations will be recognised in trading profits in the current year. Additional significant applications, not simply limited to Catesby, have been determined positively subsequent to the year end, most notably at Willingdon in East Sussex for 390 new dwellings and 500 homes approved at Daddon Hill, near Bideford in North Devon.

Each is expected to make an additional material contribution to Group earnings in the current financial year. The sale of the Sainsbury's supermarket at Herne Bay generated £7.1 million of trading profit and £4.0 million of balance sheet uplift, a 12 per cent improvement on the 31 March 2016 appraised valuation. Proceeds of £38.2 million were received soon after the year end, which had the result of taking net Group gearing down back below zero.

A new £45 million ten year facility from the Homes and Communities Agency is in the process of being documented with respect to Alconbury. The favourable terms are consistent with the existing large sites loans at Newark (£11.2 million fully drawn) and Rugby (£8.8 million drawn on a £35 million facility). Urban&Civic will continue to operate with low levels of bank gearing, with the UK Government lending the bulk of the debt for the foreseeable future.

Leaving us space

The biggest immediate market headwinds appear to be in London, where we have considerable experience but no current investment. Grey hair has taught us that in order to realise value through economic cycles, one must possess an extremely large balance sheet or concentrate on projects with a low peak capital requirement, as compared with eventual build out realisations. Peak capital requirements on projects are the equivalent of fixed operating costs for a business. Cost thresholds on most of the large London projects are very much higher than on Urban&Civic projects. Both cause and effect is that our peak capital requirements are demonstrably lower. Revenues from house sales are typically also less variable than for apartments. Bluntly put, the assets held by Urban&Civic are appreciably more defensive, even without the now contracted minimum annual payments from housebuilders described below.

In the meantime, the UK housebuilders have adjusted their model astonishingly quickly to concentrate on high margin, almost build-to-order, rapid capital circulation and high dividend pay out. Help to Buy equity support has meant that a new small house has become the default purchase for first time buyers outside London. Political discipline, born partly out of economic anxieties, has meant that Central Government has effectively imposed a level of new consents upon (predominantly Conservative) local authorities to an extent that we had not seen previously. In the regions, the serial securing of consents via land promotion by Catesby and others is meaning that the larger, now cash rich, housebuilders have become super confident of their ability to replenish land supplies.

In concentrating upon their absolute strengths in construction and marketing, the major housebuilders give up a proportion of the value chain. This leaves a clear space for Urban&Civic. The level of now contracted minimums at Alconbury and Rugby and the continuing success of Catesby in securing new consents (for which the foundations of a strong FY 2017 are already in place) mean that our Group can concentrate further on strategic holdings and serviced land. This focus is reflected in our strategic priorities and while fellow shareholders will appreciate that the number of viable opportunities is limited, the realistic target is for a pipeline of at least 40,000 units. This represents double our current strategic site holdings.

Strategic land: the beginning of a new asset class?

The benchmark for any property asset is derived from the strength and certainty of the cash flow that it can reasonably be expected to generate. The cash flow capacity of our large scale assets and the security of that cash flow are becoming increasingly de-risked. It is perfectly evident that the provision of fully serviced plots within high quality environments is attractive to a broad range of housebuilders, including the quoted majors. Incremental funding infrastructure spend, assisted by long term debt from the HCA, to accelerate the availability of additional non-competing plot parcels has already commenced at Rugby and soon will at Alconbury. The size of the sites means that the opening up of new points of sale is entirely feasible.

To appraise how those likely cash flows translate into an open market value of our strategic sites is not without its challenges. It may be that the scale of what is now beginning to be delivered could result in the ultimate creation of a new property asset class, much as has taken place over the past 20 years with student housing. Urban&Civic are almost uniquely making our own comparable evidence. Redrow signed for 200 plots immediately before 23 June but would just as readily have contracted immediately afterwards; more recently, Crest Nicholson committed to 186 plots at Rugby. The minimum annual drawdown arrangements, effectively on account, are in both cases above 30 September 2016 EPRA valuations, plus the allocated cost of servicing. Both builders are expected to be on site in the first quarter of 2017.

The scale of potential cash generation at Alconbury is such that the appraised value at 30 September 2016 of land and servicing was £197.1 million, including the commercial Enterprise Zone and the land at the Grange Farm within the red line area approved by the Secretary of State. The equivalent whole site valuation at Rugby is £105.6 million. These are large figures for regional assets but the scope is for continued increases. Our valuers had regard for the capacity of the asset to be sold to different purchasers in smaller parcels; now a clear line of sight can be demonstrated on that process. Our policy is that the valuation of new strategic assets will be broken down into parcels only when sufficient forward sales or licence contracts warrant such treatment. Newark, where discussions are taking place with housebuilders but we are not yet contracted, remains valued as a single asset.

The Urban&Civic serviced plots model
Urban&Civic prepare parcels of 150–200 plots that are levelled and serviced ready for construction with roads, pavements, trees already in place with utilities supplied, mapped accurately and described in standardised documentation. We retain s106 obligations, build schools and are zealous over quality. The housebuilders are both our customers and our partners. The contracts vary a little but our customers commit to pay us around one third of the sale price of a house, once completion proceeds are received. There is no construction risk to us in building those homes, other than in the civils work for parcel preparation. Whilst we describe the contracts as licences, as that most accurately connotes a partnership approach, the actual structure is one of a forward sale with subsequent unconditional minimums and additional overage back to Urban&Civic. Hopkins Homes aside, each agreement contains a minimum payment by the housbuilder, on account, irrespective of the number of houses sold or the prices achieved.

The appetite for serviced plots in Urban&Civic locations is objective testament to the attractions of capital lite land purchases to housebuilders. We will build houses to complement the offer on our own sites and secure additional margin in the process. Notwithstanding, for the most part, if the housebuilders are seen as concentrating on the retail end of turning land into cash through the production of new homes, we are content to occupy the wholesale space of consented provision.

Our approach may seem counter intuitive when the most recent commentaries are describing that caution prevails in the land market due to uncertainty after the June 2016 Brexit vote. As example, the Savills November 2016 Residential Development Land Index describes values as stagnating or falling marginally in the third quarter, with a reduced number of bids for sites. The key differentials for Urban&Civic are location and the appraised scale discount on our strategic holdings. We are sufficiently versed in the minutiae of planning to begin very early in the process. By general consensus, as well as our own direct evidence, we are concentrated in those areas of the country where demand for land has been maintained. The same commentaries describe the strongest current areas as including the East of England, connected markets into London and Manchester. Precisely where we have our holdings.

Seeing first hand
Urban&Civic exists to grow the net asset value of our portfolio, thereby generating above average shareholder returns. We remain squarely a business that is defined by the quality of our projects and the care that we invest. The consequential placemaking achieved by your Company is becoming recognised as a point of distinction. We ensure that the delivery of our sites creates new jobs, enhances skills and provides opportunities for communities and stakeholders. By doing things right, being innovative and working with passionate likeminds we can continue to attract the best people, projects and partners. We can continue to make a difference.

The last reporting year has seen the completion and opening of Feethams in Darlington as well as the first primary school and homes forming the gateway to the wider Alconbury site. Rugby, Newark and Stansted are hot on their heels. Land parcels are being packaged on a consistent and capital efficient basis allowing our customers, whether large or small, to commence and progress their development quickly.

With construction at Alconbury gathering pace, the impact of the employment based EDGE programme is clearly deepening. Meanwhile, the number of people each week that now use the previously redundant military buildings at Waterbeach has reignited a sense of shared community.

Immediate priorities
Our immediate priorities are to secure additional large scale land holdings, alongside submitting an outline planning application within the next two months for 6,500 new homes at Waterbeach. The opportunity to create a new lakeside community represents, in my estimation, the best provincial brownfield site in the country and will be an important contributor towards our target of 40,000 strategic plots. The return on capital that the housebuilders are able to generate on Urban&Civic licences is terrific. Our end of the serviced plots bargain is about maintaining quality and seeing that reflected in maintained absorption rates. Own account housebuilding by Urban&Civic, under the working title of “Living Civic” branding, will commence in the first quarter of 2017 at Alconbury and at Rugby soon thereafter. Initial designs focus on smaller units and promise improved margin capture and additional absorption.

Commercial trading opportunities will continue to be targeted across a wider geography for which there is identified market demand. A track record of delivery should enable us to pre fund with institutional third party capital. The independent Catesby promotion pipeline has never been larger. The retail focus of the housebuilders leaves good space for Catesby as an important supply chain participant. A maintaining priority will be to build further pipeline with landowners through the consistent demonstration of planning expertise.

Outlook
Your Company should continue to do relatively well as affordability and output considerations remain to the fore. Continuing the illustration that was used at the March interims, we estimate the difference between the larger site valuation of Alconbury and Rugby (pro rata to our 50 per cent holding), as included in the EPRA valuation of Urban&Civic at September 2016, and current land parcel sales to housebuilders to be £91 million or around 60p per share. The March 2016 discount was £80.0 million or 50p per share. Our licence model ought to produce higher figures again than parcel sales to housebuilders. Moreover, realised proceeds back to Urban&Civic are not sensitive to cost increases in residential construction during the life of existing contracts, which will most likely be three to four years. Our exposure is only to civil infrastructuring. Building cost inflation only recently dropped below house price inflation outside London and may come back as currency depreciation is reflected in the price of transport and imported materials. However, civil construction inflation is lower and much less currency sensitive. Maintained housing demand will be sufficient to see likely proceeds at better than 2x current Urban&Civic EPRA September 2016 plot values, even on completely flat house price assumptions.

These are our expectations but it is important to emphasise that the security of Group cash flow is supported by the base contracted minimum payments to be made to Urban&Civic by housebuilder customers, other than Hopkins. These receipts are not contingent upon completed sales. The annualised aggregate value of minimum payments in five contracts signed in the last 12 months exceeds £10 million and will be receivable for an average of five years from the first quarter of 2017 onwards. The arrangements with Hopkins are more akin to a joint venture; 38 houses around the new school at Alconbury have completed or been reserved since first launch in April 2016. Hopkins tell us that this is their best ever start.

The combination of judicious use of our own capital, supplemented by funding provided by the HCA not envisaged when we listed in May 2014, will accelerate the delivery of infrastructure across our existing sites, opening up additional points of sale and therefore increasing the pace with which serviced land is released. Hopkins apart, the quantum of your Company's receipts under the licence model is a function of house prices and unit numbers, underwritten by annual minimum payments.

Dividend

The final dividend of 1.8p per share contributes towards an approximately 10 per cent annual increase, as was the case last year. There will be a scrip alternative for which I shall be electing. The Board recommendation is consistent with the Group policy of progressive dividend increases when warranted by performance delivery and forward looking prospects.

Continuing thanks

Continuing thanks to Board and staff colleagues. It is a privilege to be working as part of such a committed team.

Nigel Hugill
Chief Executive

Financial review

Our solid EPRA NAV growth of 5.1 per cent not only reflects our profitable trading in the financial year, but also our focus on placemaking at Alconbury, Rugby and Newark and the tangible progress made in respect of contractual arrangements with housebuilders at these sites.

KPIs
In accordance with our strategic priorities, the Group continues to regard EPRA NAV and total shareholder return as its key performance indicators.

International Financial Reporting Standards do not permit the upward revaluation of trading properties, requiring them to be carried at the lower of cost and net realisable value. Given that the Group holds a significant proportion of its property portfolio as trading stock, and to aid comparability for our stakeholders, we continue to recognise EPRA NAV's importance as a performance measure.

EPRA NAV at 30 September 2016 was £409.8 million (284.2p per share) up 5.1 per cent (13.8p per share) from 30 September 2015 (EPRA NAV: £389.9 million or 270.4p per share (restated)).

Total shareholder return for the year was down 15.0 per cent, reflecting a 43.0p fall in share price (to 225.0p per share at the year end) and two dividends paid during the year totalling 2.75p. This compares to a 12.0 per cent fall in the FTSE 350 Real Estate Index and a 16.8 per cent reduction in the FTSE All Share Index.

NAV growth – EPRA and IFRS
The movements in EPRA and IFRS NAV are summarised below:

	Year ended 30 September 2016		Year ended 30 September 2015	
	£m	**Pence per share**	£m	Pence per share
Revaluation of investment properties (including share of JVs)[1]	**20.5**	**14.2**	5.7	4.0
Profit on trading property sales	**18.9**	**13.1**	3.2	2.2
Rental and other income	**6.3**	**4.4**	4.8	3.3
Shares issued on acquisition of Catesby	**—**	**—**	11.2	7.8
Trading property write downs[1]	**(7.1)**	**(4.9)**	(4.4)	(3.1)
Administrative expenses	**(12.3)**	**(8.5)**	(10.4)	(7.2)
Dividends paid (net of scrip)	**(3.9)**	**(2.7)**	(3.5)	(2.4)
Other	**(3.9)**	**(2.7)**	6.2	4.3
IFRS movement	**18.5**	**12.9**	12.8	8.9
Revaluation of retained trading properties[1]	**15.1**	**10.5**	23.6	16.4
Release of trading property revaluations on disposals[1]	**(15.2)**	**(10.6)**	—	—
Deferred taxation	**1.5**	**1.0**	2.7	1.9
EPRA movement	**19.9**	**13.8**	39.1	27.2
Effect of share issues and dilutive options	**—**	**—**	—	(6.5)
Movement in the year	**19.9**	**13.8**	39.1	20.7
EPRA NAV at 1 October[2]	**389.9**	**270.4**	350.8	249.7
EPRA NAV at 30 September[2]	**409.8**	**284.2**	389.9	270.4

1. Classified as property revaluations for the purposes of the commentary below
2. EPRA NAV per share restated at 30 September 2015 and 2014 to take into account the dilutive effect of share options

The contribution of property revaluations to the Group's NAV growth remains significant, accounting for 9.2p (2015: 17.3p) of the total 13.8p EPRA uplift (2015: 27.2p). Of particular note for this year is the release of £15.2 million of previously recognised EPRA adjustments which, if netted off against trading property sales to which they relate, would result in revaluations of underlying retained properties contributing 19.8p (2015: unchanged at 17.3p) to the EPRA NAV growth. At the year end 91 per cent of our property portfolio has been externally valued, with the Directors valuing the balance.

A more detailed reconciliation between IFRS and EPRA NAV is provided in note 18 to this preliminary financial information.

Consolidated statement of comprehensive income
Although the Group has not undertaken any corporate acquisitions in the year, it is worth reminding you that the comparative period includes the results of the Urban&Civic Group for the 12 months from 1 October 2014 and of Catesby for the period from the date of acquisition on 27 February 2015 to 30 September 2015.

The Group's profit before tax has increased £18.9 million from the prior year, predominantly the result of profits made on trading properties and revaluation surpluses relating to our interests in strategic land.

	Year ended 30 September 2016 £m	Year ended 30 September 2015 £m
Revenue	**95.2**	55.5
Profit on trading property sales	**18.9**	3.2
Rental and other property income	**4.5**	4.0
Hotel operating profit	**1.8**	0.8
Write down on trading properties	**(7.1)**	(4.4)
Gross profit	**18.1**	3.6
Administrative expenses (net of capitalised costs)	**(12.3)**	(10.4)
Surplus on revaluation of investment properties (including joint ventures)	**20.5**	5.7
Other	**(0.4)**	8.1
Profit before tax	**25.9**	7.0

Revenue
Revenues of £95.2 million have been generated in the year representing a 71.5 per cent uplift over the previous 12 months. Out of this total, £78.1 million relates to trading and residential property sales with rental income and other property income contributing £17.1 million.

The Group's sales income primarily comprise £38.2 million from the sale of the Sainsbury's foodstore at Herne Bay; £17.3 million on the disposal of residential flats at Bridge Quay, Bristol; £16.0 million in respect of two land promotion sites in Sherborne, Dorset and Shefford, Bedfordshire; £0.4 million in relation to the first house sale at Alconbury Weald; £2.6 million on the disposal of a managed workspace office in Doncaster; and other income of £0.4 million. The Group also benefited from the £3.2 million contractual reimbursement of infrastructure works expenditure carried out as part of the development of Baltic Business Quarter in Gateshead and other.

Rental income and other property income, excluding recoverable property expenses, increased by £4.7 million in the year predominantly as a result of improved trading at our Manchester Deansgate hotel, holding our Bradford property for the full year and completing the development of our Feethams leisure scheme in Darlington and the foodstore at Herne Bay.

Gross profit
Gross profits have seen a better than fivefold growth in the year, increasing from £3.6 million for the year ended 30 September 2015 to £18.1 million for the year ended 30 September 2016. The total increase of £14.5 million is largely the result of improved property trading.

Trading profits include £7.1 million in respect of the sale of Herne Bay, £5.6 million profit on Bridge Quay disposals and £5.0 million of land promotion profits at Catesby.

Trading property write downs of £7.1 million substantially relate to our Scottish land sites (£5.1 million) and reflect both market movements and increased estimates for land remediation.

Although not significant in monetary terms, the first house sale at Alconbury generated a £64,000 profit, which after adding back our allocated land cost of £14,000 and taking into account previously recognised EPRA adjustment of £7,000, would produce an unserviced plot value of circa £71,000 per private plot, well above CBRE's appraised blended plot value of £24,500.

Administrative expenses
Administrative costs of £12.3 million were expensed in the year, having capitalised £7.1 million into the Group's development projects (further details are set out in the relevant property notes). The £1.9 million increase reflects Catesby being part of the Group for the whole year, increased headcount at our strategic land sites and lower proportionate capitalisation as Feethams and Herne Bay developments completed.

Administrative costs also include a £2.4 million charge in relation to the non-cash share-based payment expense. A corresponding credit has been included with retained earnings, resulting in the expense having no NAV impact.

Surplus on revaluation of investment properties
The Group has recognised a £20.5 million revaluation surplus on its investment properties, £13.2 million of which relates to the part of Alconbury that management holds as an investment and £6.7 million is in respect of our joint venture interest at Rugby.

CBRE has valued both the Alconbury and Rugby sites at £197.1 million and £105.6 million, respectively, on the assumption we deliver serviced land parcels.

After allowing for housebuilding expenditure incurred at Alconbury, under the contractual arrangements with Hopkins Homes, the valuation increased to £201.2 million.

The recognition of valuation movements within this preliminary financial information is dependent on whether an asset, or part of an asset, is held for investment or trading purposes. Under accounting standards we reflect only upward movements in the investment element of a site through the income statement with any upward movements in the trading element going through our EPRA adjustments. A reconciliation of the movement in Alconbury and Rugby valuations is set out below:

	Alconbury £m	Rugby (100%) £m	Rugby (50%)[1] £m
Valuation at 1 October 2015	147.5	75.3	37.6
Less: EPRA adjustment (trading properties)	(19.0)	—	—
Carrying value at 1 October 2015	128.5	75.3	37.6
Capital expenditure (including capitalised overheads)	28.1	16.9	8.5
Disposal	(0.3)	—	—
Revaluation movements (investment properties)	13.2	13.4	6.7
Carrying value at 30 September 2016	169.5	105.6	52.8
Add: EPRA adjustment (trading properties)	31.7	—	—
Valuation at 30 September 2016	201.2	105.6	52.8
Classification of revaluation movement in Group accounts:			
Investment properties through income statement	13.2	n/a	6.7
Trading properties through EPRA adjustment[2]	12.7	n/a	—
Total property revaluation	**25.9**	**n/a**	**6.7**

1. The Group's joint venture interest in Rugby, disclosed in note 11, is shown net of £5.0 million of debt and working capital (2015: £0.5 million working capital assets)

2. £12.7 million movement in year reflects £31.7 million closing EPRA adjustment less £19.0 million opening EPRA adjustment

The market movements above reflect increases in sales value assumptions, which have been supported by evidence generated through the reservations and sales at the Hopkins Homes land parcel and reduced discount rates for land subject to other contractual arrangements. These upward trends have been offset in part by reduced expected annual house price inflation and increased housebuilder margins. The key unobservable inputs underpinning CBRE's valuations can be found in notes 9 and 11.

Taxation expense

The tax charge for the year of £5.0 million reflects an effective rate of tax of 19 per cent, slightly lower than the average rate of UK corporation tax for the period. The charge principally relates to deferred taxation on revaluation surpluses in respect of Alconbury and Rugby (£1.5 million) and utilisation of losses brought forward (£3.5 million).

Dividend

The Group paid its final dividend for the year ended 30 September 2015 in February 2016 and an interim dividend in July 2016 at rates of 1.65p and 1.1p per share respectively, amounting to £3.9 million in total. The Group proposes to pay a final dividend in respect of the year ended 30 September 2016 of 1.8p per share. Subject to shareholder approval at the AGM, this dividend will be paid on 24 February 2017 to shareholders on the register on 13 January 2017. Investors choosing to participate in the dividend reinvestment scheme will need to make their elections by 27 January 2017.

Consolidated balance sheet

	At 30 September 2016 £m	At 30 September 2015 £m
Investment properties	**128.9**	98.6
Trading properties	**185.2**	163.5
Joint venture property interests	**51.0**	41.7
Properties within PPE	**4.5**	1.5
Property interests	**369.6**	305.3
Cash	**15.1**	43.6
Borrowings	**(49.6)**	(11.4)
Deferred tax (liability)/asset	**(0.3)**	4.7
Trade and other receivables	**60.5**	33.3
Other working capital	**(29.0)**	(27.7)
Net assets	**366.3**	347.8
EPRA adjustments	**43.5**	42.1
EPRA net assets	**409.8**	389.9

Non-current assets

Investment properties

The Group's investment properties at 30 September 2016 comprise the proportion of the Alconbury site that we intend to hold as an investment and the leisure assets at Bradford and Feethams.

As previously highlighted, CBRE valued the entire Alconbury site at £197.1 million, which excluded the incurred cost of building houses under the Hopkins Homes arrangements. Having given credit for the work in progress relating to house construction, the valuation increased to £201.2 million. Of this total, the Group intends to retain £93.9 million as a long term investment, which comprises commercial land and 25 per cent of the residential land (representing the affordable and potential Private Rented Sector land).

The leisure assets at Bradford and Feethams have been valued by CBRE at £12.8 million and JLL at £22.7 million, respectively.

Investment in equity accounted joint ventures and associates

The Group's 50 per cent interest in the Rugby site has been included in the balance sheet at £47.8 million, which is largely represented by its share of the CBRE valuation of £52.8 million net £5.0 million of HCA debt and working capital. At the year end a decision was made to reclassify the site as a trading property, given that the joint venture now intends to develop the land for sale. Future revaluation movements will be recognised through EPRA. Other interests in joint ventures and associates total £3.2 million and further details are provided in the balance sheet notes of this preliminary financial information.

Deferred tax assets

The Group has recognised an asset of £5.2 million in respect of the Group's tax losses which are expected to be utilised against future profits of the Group. The £3.5 million reduction from last year reflects utilisation of the losses brought forward against the Group profitable activities during the year and changes in future UK tax rates.

Current assets

Trading properties

The carrying value of trading properties increased by £21.7 million in the year to £185.2 million, as a result of the completion of the acquisition and development of Stansted (£7.4 million and £11.0 million respectively); development expenditure at the strategic land sites totalling £34.0 million; £13.6 million of construction expenditure at Bridge Quay and Herne Bay; £8.2 million of Catesby land promotion expenditure and £4.3 million of other property expenditure. Against this £78.5 million of acquisitions and additions, the Group has disposed of £49.7 million of trading assets (including Herne Bay, and Bridge Quay) and written down retained properties by £7.1 million.

Included within the figures mentioned above is £5.6 million of capitalised overheads. All trading properties are carried in the balance sheet at the lower of cost (or acquisition date fair value) and net realisable value.

Trading and other receivables

Trading and other receivables include £45.4 million in respect of property sales (of which £38.2 million has been received since the year end, with a further £7.2 million due in stages up to 2019).

Cash

Cash balances were £15.1 million at the year end, down from £43.6 million at 30 September 2015. The £28.5 million reduction reflects the £7.4 million acquisition of the Stansted site, and an intensive period of development particularly in relation to Alconbury and Newark strategic land sites (£38.5 million) and commercial developments either in construction or completed in the year at Stansted, Herne Bay and Feethams (£26.6 million). Borrowings part funded the expenditure.

Non-current liabilities

Borrowings

In addition to the £11.2 million HCA loan drawn last year, which was used to fund infrastructure at our strategic land site at Newark, the Group has rolled up interest of £0.6 million on this facility and drawn three new loans in the year totalling £37.5 million, secured against our Sainsbury's foodstore development at Herne Bay and the Bradford and Feethams leisure investments.

In addition, the Group received a £1.0 million conditional grant in respect of the Newark development, which we have recognised within other loans until the conditions for retention have been satisfied.

Deferred tax liabilities

The deferred tax liability at 30 September 2016 reflects deferred tax on the balance of valuation uplifts not covered by available losses on the Group's interests in the sites at Alconbury and Rugby.

Financial resources and capital management

The Group's net debt position at 30 September 2016 totalled £34.5 million, comprising external borrowings of £49.6 million and cash reserves of £15.1 million, producing a net gearing ratio of 9.4 per cent on an IFRS NAV basis and 8.4 per cent on an EPRA NAV basis. The Group always anticipated moving into a net debt position as development programmes progressed and the gearing levels remain well within our self-imposed limit of 30 per cent. The Group will continue to fund new developments or acquisitions through debt as required, whilst maintaining a conservative approach to gearing.

During the year £119.2 million of loan facilities were put in place, including a £25.0 million unsecured three-year revolving credit facility, £35.5 million of infrastructure loans in respect of our Rugby joint venture and £37.3 million of development facilities, £19.3 million of which has been settled subsequent to the year end following the completion of the sale of Herne Bay.

Excluding Herne Bay, the Group's weighted average loan maturity at 30 September 2016 was 5.6 years, with no drawn loans repayable, other than ongoing loan amortisations, in the next three years.

The Group is currently in documentation for a £45.1 million loan from the HCA to fund infrastructure costs at Alconbury. This loan has an interest rate of 2.5 per cent above the EC Reference Rate and repayment is dependent on land sales with a final repayment date of 2028.

The Group will continue to secure bank facilities on its commercial development projects at market rates and levels but reaffirms it does not intend to borrow from commercial banks in respect of its infrastructure spend at its strategic land sites. However, the Group has sought, and will seek when appropriate, to borrow from Government sources (such as the HCA) to fund infrastructure spend at its strategic sites where such borrowing will enhance the speed with which such sites can be brought forward and where the terms will enhance our expected returns.

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 of its cash needs, allowing us to plan ahead. It is this model that allows the Group to be confident as to its long-term viability.

Personal thanks
I would like to take this opportunity to thank Jon Austen, the Group's former Finance Director, for his assistance and support during my handover period and of course his invaluable work and good humour during the 2014 capital raise and listing.

David Wood
Group Finance Director

Consolidated statement of comprehensive income

for the year ended 30 September 2016

	Notes	**Year ended 30 September 2016 £'000**	Year ended 30 September 2015 £'000
Revenue	2	**95,168**	55,478
Direct costs	2	**(77,109)**	(51,924)
Gross profit	2	**18,059**	3,554
Acquisition costs		**—**	(857)
Other administrative expenses		**(12,319)**	(9,493)
Administrative expenses		**(12,319)**	(10,350)
Other operating income		**24**	347
Discount on acquisition		**—**	4,731
Surplus on revaluation of investment properties	9	**13,983**	1,930
Share of post-tax profit from joint ventures	11	**6,551**	3,760
Impairment of loans to joint ventures	11	**(417)**	(826)
Profit on disposal of other investment		**—**	1,326
Release of other liabilities		—	1,922
Operating profit	3	**25,881**	6,394
Finance income	5	**1,158**	665
Finance costs	5	**(1,180)**	(20)
Profit before taxation		**25,859**	7,039
Taxation expense	6	**(5,018)**	(14)
Total comprehensive income		**20,841**	7,025
Basic earnings per share	7	**14.6p**	5.0p
Diluted earnings per share	7	**14.4p**	4.9p

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

The accompanying notes form part of this preliminary financial information.

Consolidated balance sheet
as at 30 September 2016

	Notes	**30 September 2016 £'000**	30 September 2015 £'000
Non-current assets			
Investment properties	9	**128,858**	98,615
Property, plant and equipment	10	**5,644**	2,708
Investments in joint ventures and associates	11	**51,047**	41,718
Deferred tax assets	12	**5,159**	8,657
		190,708	151,698
Current assets			
Trading properties	13	**185,204**	163,459
Trade and other receivables	14	**60,474**	33,268
Cash and cash equivalents		**15,083**	43,574
		260,761	240,301
Total assets		**451,469**	391,999
Non-current liabilities			
Borrowings	16	**(33,456)**	(11,408)
Deferred tax liabilities	12	**(5,473)**	(3,967)
		(38,929)	(15,375)
Current liabilities			
Borrowings	16	**(16,100)**	—
Trade and other payables	15	**(30,128)**	(28,796)
		(46,228)	(28,796)
Total liabilities		**(85,157)**	(44,171)
Net assets		**366,312**	347,828
Equity			
Share capital	17	**28,961**	28,801
Share premium account		**168,320**	168,186
Shares to be issued		**—**	1,948
Capital redemption reserve		**849**	849
Own shares		**(3,817)**	(3,951)
Other reserve		**113,785**	111,985
Retained earnings		**58,214**	40,010
Total equity		**366,312**	347,828
NAV per share (restated)	18	**254.0p**	241.2p
EPRA NAV per share	18	**284.2p**	270.4p

The accompanying notes form part of this preliminary financial information.

Consolidated statement of changes in equity

for the year ended 30 September 2016

	Share capital £'000	Share premium account £'000	Shares to be issued £'000	Capital redemption reserve £'000	Own shares £'000	Other reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 October 2014	28,099	168,186	—	849	(254)	103,442	34,740	335,062
Shares issued in part consideration for the acquisition of Catesby Property Group plc	702	—	1,948	—	—	8,543	—	11,193
Purchase of own shares	—	—	—	—	(3,697)	—	—	(3,697)
Share-based payment expense	—	—	—	—	—	—	1,777	1,777
Total comprehensive income for the year	—	—	—	—	—	—	7,025	7,025
Dividends paid	—	—	—	—	—	—	(3,532)	(3,532)
Balance at 30 September 2015	28,801	168,186	1,948	849	(3,951)	111,985	40,010	347,828
Shares issued in part consideration for the acquisition of Catesby Property Group plc	148	—	(1,948)	—	—	1,800	—	—
Shares issued under scrip dividend scheme	12	134	—	—	—	—	—	146
Share option exercise satisfied out of own shares	—	—	—	—	1,163	—	(1,075)	88
Purchase of own shares	—	—	—	—	(1,029)	—	—	(1,029)
Share-based payment expense	—	—	—	—	—	—	2,368	2,368
Total comprehensive income for the year	—	—	—	—	—	—	20,841	20,841
Dividends paid	—	—	—	—	—	—	(3,930)	(3,930)
Balance at 30 September 2016	**28,961**	**168,320**	**—**	**849**	**(3,817)**	**113,785**	**58,214**	**366,312**

Consolidated cash flow statement

for the year ended 30 September 2016

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Cash flows from operating activities		
Profit before taxation	**25,859**	7,039
Adjustments for:		
Surplus on revaluation of investment properties	**(13,983)**	(1,930)
Share of post-tax profit from joint ventures	**(6,551)**	(3,760)
Finance income	**(1,158)**	(665)
Finance costs	**1,180**	20
Depreciation charge	**813**	694
Impairment of loans to joint ventures	**417**	826
Write down of trading properties	**7,108**	4,402
Release of other liabilities	**—**	(1,922)
Discount on acquisition	**—**	(4,731)
Share-based payment expense	**2,368**	1,777
Cash flows from operating activities before change in working capital	**16,053**	1,750
Increase in trading properties	**(27,103)**	(54,496)
Increase in trade and other receivables	**(25,609)**	(12,495)
Increase in trade and other payables	**1,716**	5,071
Cash absorbed by operations	**(34,943)**	(60,170)
Finance costs paid	**(505)**	(20)
Finance income received	**765**	663
Tax paid	**(127)**	(1,836)
Net cash flows from operating activities	**(34,810)**	(61,363)
Investing activities		
Acquisition of subsidiaries net of cash acquired	**—**	(12,134)
Deferred consideration on acquisition of subsidiaries	**(3,281)**	—
Additions to investment properties	**(15,803)**	(31,959)
Additions to property, plant and equipment	**(3,749)**	(3,211)
Loans advanced to joint ventures	**(4,090)**	(21,922)
Loans repaid by joint ventures	**895**	—
Proceeds from disposal of investment	**—**	5,394
Net cash flows from investing activities	**(26,028)**	(63,832)
Financing activities		
New loans	**37,541**	11,221
Issue costs of new loans	**(1,109)**	—
Repayment of loans	**(360)**	—
Grant income received	**1,000**	2,015
Consideration received for transfer of own shares	**88**	—
Purchase of own shares	**(1,029)**	(3,697)
Dividends paid	**(3,784)**	(3,532)
Net cash flows from financing activities	**32,347**	6,007
Net decrease in cash and cash equivalents	**(28,491)**	(119,188)
Cash and cash equivalents at 1 October	**43,574**	162,762
Cash and cash equivalents at 30 September	**15,083**	43,574

Notes to the consolidated preliminary financial information
for the year ended 30 September 2016

1. Accounting policies

Basis of preparation

The financial information contained in this announcement has been prepared on the basis of the accounting policies set out in the statutory accounts for the year ended 30 September 2016. Whilst the financial information included in this announcement has been computed in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRS. The financial information does not constitute the Company's statutory accounts for the periods ended 30 September 2016 or 2015, but is derived from those accounts. Those accounts give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole. Statutory accounts for 2015 have been delivered to the Registrar of Companies and those for 2016 will be delivered following the Company's Annual General Meeting. The auditor's reports on both the 2016 and 2015 accounts were unqualified; did not draw attention to any matters by way of emphasis; and did not contain statements under s498(2) or (3) of the Companies Act 2006.

Critical accounting estimates and judgements

In the process of applying the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions that may affect the financial information. The Directors believe that the judgements made in the preparation of the financial information are reasonable. However, actual outcomes may differ from those anticipated. Critical accounting judgements include the adoption of the external portfolio valuations without adjustment, the Directors' assessment of fair value of properties not externally valued and the distinction between investment and trading properties.

The preliminary financial information has been prepared under the historical cost convention as modified for the revaluation of investment properties and other non-current investments.

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

Functional and presentation currency

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

Going concern

The financial information has been prepared on a going concern basis, which assumes that the Group will continue to meet its liabilities as they fall due. At 30 September 2016 the Group has prepared cash flow projections that show that it is expected to have adequate resources to continue in operational existence for the foreseeable future.

Adoption of new and revised standards

There have been no new or revised accounting standards that have become effective during the year ended 30 September 2016 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 and that are relevant to the Group and have not been adopted early. These are:

IAS 7 'Statement of Cash Flows' (amendment) (effective date 1 January 2017 subject to EU endorsement)

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

IFRS 15 'Revenue from Contracts with Customers' (effective date: 1 January 2018)

IFRS 16 'Leases' (effective date: 1 January 2019 subject to EU endorsement)

The Group is currently considering the implication of these standards on the financial position and performance of the Group. The impact of certain standards (e.g. IFRS 15) will depend on projects undertaken at the time of initial application. However, the Directors' initial assessment is that the adoption of these standards would not have a material impact on the Group's current year activity, with the effects principally relating to amendment and extension of current disclosures.

Basis of consolidation

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

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

Business combinations

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

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

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 information, 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.

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

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

All external and internal costs, including borrowing costs, directly associated with the purchase, 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.

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. 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 readily measured. Revenue is measured at the fair value of the consideration receivable, excluding VAT. The following criteria must be met before revenue is recognised:

Sale of property
Revenue from the sale of trading and investment properties, including interests held through land promotion agreements, is recognised when the significant risks and rewards of ownership of the Group's interest has passed to the buyer, usually when legally binding contracts that are irrevocable and effectively unconditional are exchanged.

Revenue from the sale of residential property is typically recognised on completion of sale.

Trading property sales
Revenue on construction contracts and profits from the sale of trading properties in the course of development are recognised in accordance with IAS 11 'Construction Contracts' or IAS 18 'Revenue' depending on whether all development risks have passed to the purchaser under the terms of the development agreement. Where the construction risk remains, the revenue and profit from the sale contract is unbundled and the amount attributed to the development recognised under IAS 11, so as to match the proportion of the development work completed on a percentage completion basis. The percentage completion basis is determined by using the total costs incurred at the reporting date as a proportion of the total forecast costs at completion. Profits are only recognised where the outcome can be determined with reasonable certainty. Full provision is made for losses as soon as such losses are foreseen. The remaining revenue and profit is attributed to the sale of the asset and is recognised under IAS 18.

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.

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

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

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

Borrowings
Interest-bearing 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.

2. Revenue and gross profit

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Revenue on construction contracts	**—**	30,772
Trading property sales	**77,645**	12,732
Residential property sales	**410**	—
Rental and other property income	**6,872**	5,162
Recoverable property expenses	**1,278**	844
Hotel income	**8,222**	5,262
Project management fees and other income	**741**	706
Revenue	**95,168**	55,478
Cost of construction contracts	**—**	(30,059)
Cost of trading property sales	**(58,824)**	(9,552)
Cost of residential property sales	**(346)**	—
Direct property expenses	**(3,096)**	(2,647)
Recoverable property expenses	**(1,278)**	(844)
Cost of hotel trading	**(6,457)**	(4,420)
Write down of trading properties	**(7,108)**	(4,402)
Direct costs	**(77,109)**	(51,924)
Gross profit	**18,059**	3,554

	Year ended 30 September 2016	Year ended 30 September 2015
Number of construction contracts	**—**	1

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Revenue on construction contracts	**—**	30,772
Costs of construction contracts	**—**	(30,059)
Profit on construction contracts	**—**	713

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

3. Operating profit

Is arrived at after charging/(crediting):	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Depreciation of property, plant and equipment – included in administrative expenses	**456**	180
Depreciation of property, plant and equipment – included in direct costs	**357**	514
Impairment of trade receivables	**31**	5
Operating lease charges – rent of properties	**779**	482
Share-based payment expense	**2,368**	1,777
Acquisition costs	**—**	857
Discount on acquisition	**—**	(4,731)
Capitalisation of administrative expenses to investment properties	**(1,478)**	(1,658)
Capitalisation of administrative expenses to trading properties held at year end	**(4,374)**	(5,311)
Capitalisation of administrative expenses to trading properties sold in the year	**(1,265)**	(109)
Fees paid to BDO LLP[1] in respect of:		
– audit of the Company	**164**	260
Other services:		
– audit of subsidiaries and associates	**112**	100
– audit of transition to FRS 102 (non-recurring)	**15**	—
– audit related assurance services	**50**	35
– other fees payable[2]	**13**	93

1. Total fees for 2016 payable to the Company's auditor are £354,000 (30 September 2015: £488,000). Of this £291,000 (30 September 2015: £360,000) relates to audit services, £50,000 (30 September 2015: £35,000) to assurance services and £13,000 (30 September 2015: £93,000) to other services.
2. Other fees payable to the Company's auditor are principally for tax related work provided to certain subsidiary undertakings.

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 developments, commercial regional developments and Scottish land.

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.

Consolidated statement of comprehensive income

for the year ended 30 September 2016

	Strategic land £'000	Commercial £'000	Unallocated £'000	Total £'000
Revenue	**22,064**	**73,104**	**—**	**95,168**
Other direct costs	(15,685)	(54,316)	—	(70,001)
Write down of trading properties	—	(7,108)	—	(7,108)
Total direct costs	(15,685)	(61,424)	—	(77,109)
Gross profit	**6,379**	**11,680**	**—**	**18,059**
Share-based payment expense	—	—	(2,368)	(2,368)
Other administrative expenses	—	—	(9,951)	(9,951)
Total administrative expenses	—	—	(12,319)	(12,319)
Other operating income	—	24	—	24
Surplus on revaluation of investment properties	13,167	816	—	13,983
Share of post-tax profit from joint ventures	6,551	—	—	6,551
Impairment of loans to joint ventures	—	(417)	—	(417)
Operating profit/(loss)	**26,097**	**12,103**	**(12,319)**	**25,881**
Net finance income/(cost)	346	(368)	—	(22)
Profit/(loss) before tax	**26,443**	**11,735**	**(12,319)**	**25,859**

In the year ended 30 September 2016, there were two major customers that generated £38,173,000 and £12,550,000 of revenue. Each of these represented 10 per cent or more of the total revenue.

Consolidated balance sheet

as at 30 September 2016

	Strategic land £'000	Commercial £'000	Unallocated £'000	Total £'000
Investment properties	93,917	34,941	—	128,858
Property, plant and equipment	3,373	1,129	1,142	5,644
Investments in joint ventures and associates	47,834	3,213	—	51,047
Deferred tax assets	—	—	5,159	5,159
Non-current assets	**145,124**	**39,283**	**6,301**	**190,708**
Trading properties	128,354	56,850	—	185,204
Trade and other receivables	13,920	46,554	—	60,474
Cash and cash equivalents	—	—	15,083	15,083
Current assets	**142,274**	**103,404**	**15,083**	**260,761**
Borrowings	(12,782)	(36,774)	—	(49,556)
Trade and other payables	(15,966)	(14,162)	—	(30,128)
Deferred tax liabilities	(5,473)	—	—	(5,473)
Total liabilities	**(34,221)**	**(50,936)**	**—**	**(85,157)**
Net assets	**253,177**	**91,751**	**21,384**	**366,312**

Consolidated statement of comprehensive income
for the year ended 30 September 2015

	Strategic land £'000	Commercial £'000	Unallocated £'000	Total £'000
Revenue	16,186	39,292	—	55,478
Other direct costs	(10,511)	(37,011)	—	(47,522)
Write down of trading properties	—	(4,402)	—	(4,402)
Total direct costs	(10,511)	(41,413)	—	(51,924)
Gross profit/(loss)	5,675	(2,121)	—	3,554
Acquisition costs	—	—	(857)	(857)
Non-recurring administrative expenses	—	—	(190)	(190)
Share-based payment expense	—	—	(1,777)	(1,777)
Other administrative expenses	—	—	(7,526)	(7,526)
Total administrative expenses	—	—	(10,350)	(10,350)
Other operating income	217	130	—	347
Discount on acquisition	—	—	4,731	4,731
Surplus on revaluation of investment properties	2,538	(608)	—	1,930
Share of post-tax profit from joint ventures	3,760	—	—	3,760
Impairment of loans to joint ventures	—	(826)	—	(826)
Profit on disposal of other investment	—	1,326	—	1,326
Release of other liabilities	—	—	1,922	1,922
Operating profit/(loss)	12,190	(2,099)	(3,697)	6,394
Net finance income	—	—	645	645
Profit/(loss) before tax	12,190	(2,099)	(3,052)	7,039

In the year ended 30 September 2015, there were three major customers that generated £30,772,000, £6,460,000 and £5,867,000 of revenue. Each of these represented 10 per cent or more of the total revenue.

Consolidated balance sheet
as at 30 September 2015

	Strategic land £'000	Commercial £'000	Unallocated £'000	Total £'000
Investment properties	72,965	25,650	—	98,615
Property, plant and equipment	—	1,486	1,222	2,708
Investments in joint ventures and associates	38,097	3,621	—	41,718
Deferred tax assets	—	—	8,657	8,657
Non-current assets	111,062	30,757	9,879	151,698
Trading properties	88,766	74,693	—	163,459
Trade and other receivables	18,563	14,705	—	33,268
Cash and cash equivalents	—	—	43,574	43,574
Current assets	107,329	89,398	43,574	240,301
Borrowings	(11,408)	—	—	(11,408)
Trade and other payables	(10,442)	(18,354)	—	(28,796)
Deferred tax liabilities	(3,967)	—	—	(3,967)
Total liabilities	(25,817)	(18,354)	—	(44,171)
Net assets	192,574	101,801	53,453	347,828

5. Finance income and finance costs

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Interest receivable from cash deposits	**151**	497
Unwinding of discount applied to long-term debtors	**339**	168
Other interest receivable	**668**	—
Finance income	**1,158**	665
Interest payable on borrowings	**(929)**	(207)
Amortisation of loan arrangement costs	**(759)**	—
Finance costs pre-capitalisation	**(1,688)**	(207)
Finance costs capitalised to trading properties	**508**	187
Finance costs	**(1,180)**	(20)
Net finance (costs)/income	**(22)**	645

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

6. Tax on profit on ordinary activities

(a) Analysis of charge in the year

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Current tax:		
Adjustments in respect of previous periods	**14**	10
Total current tax	**14**	10
Deferred tax:		
Origination and reversal of timing differences	**4,915**	4
Adjustments in respect of previous periods	**89**	—
Total deferred tax	**5,004**	4
Total tax charge	**5,018**	14

(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 2016 £'000	Year ended 30 September 2015 £'000
Profit attributable to the Group before tax	**25,859**	7,039
Profit multiplied by the average rate of UK corporation tax of 20.0 per cent (30 September 2015: 20.4 per cent)	**5,172**	1,437
Expenses not deductible for tax purposes	**550**	288
Income not assessable for tax purposes	**—**	(1,359)
Differences arising from taxation of chargeable gains and property revaluations	**(1,755)**	—
Tax losses and other items	**1,089**	(362)
Changes in tax rates	**(141)**	—
	4,915	4
Adjustments to tax charge in respect of previous periods	**103**	10
Total tax charge	**5,018**	14

(c) Associates and joint ventures

The Group's share of tax on the joint ventures and associates is £Nil (30 September 2015: £Nil).

7. Earnings per share

Basic earnings per share

The calculation of basic earnings per share is based on a profit of £20,841,000 (30 September 2015: £7,025,000) and on 142,981,602 (30 September 2015: 141,705,236) 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 £20,841,000 (30 September 2015: £7,025,000) and on 144,230,321 (30 September 2015: 143,060,593) shares, being the weighted average number of shares in issue and to be issued less own shares held and the dilutive impact of share options granted.

Weighted average number of shares	**2016 Number**	2015 Number
In issue at 1 October	**144,006,555**	140,497,109
Effect of shares issued on acquisition of Catesby Property Group plc	**359,456**	2,076,823
Effect of shares issued under scrip dividend scheme	**11,297**	—
Effect of own shares purchased and transferred	**(1,395,706)**	(868,696)
Weighted average number of shares at 30 September – basic	**142,981,602**	141,705,236
Effect of shares to be issued on acquisition of Catesby Property Group plc	**379,651**	437,389
Dilutive effect of share options	**869,068**	917,968
Weighted average number of shares at 30 September – diluted	**144,230,321**	143,060,593

8. Dividends

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Final dividend of 1.65p per share proposed and paid February 2016	**2,352**	—
Interim dividend of 1.1p per share paid July 2016	**1,432**	—
Interim dividend of 1.1p per share granted via scrip dividend scheme	**146**	—
Final dividend of 1.5p per share proposed and paid February 2015	**—**	2,107
Interim dividend of 1.0p per share paid June 2015	**—**	1,425
	3,930	3,532

The Directors are proposing a final dividend of 1.8p (30 September 2015: 1.65p) per share totalling £2,580,000. 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 2016.

9. Investment properties

(i) Carrying amount reconciliation

	£'000
Valuation	
At 1 October 2014	66,291
Additions at cost	30,394
Surplus on revaluation	1,930
At 1 October 2015	98,615
Additions at cost	19,685
Transfer to property, plant and equipment	(3,425)
Surplus on revaluation	13,983
Carrying value at 30 September 2016	**128,858**
Lease incentives granted to tenants included within prepayments and accrued income	509
Portfolio valuation at 30 September 2016	**129,367**

(ii) Operating lease arrangements

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

(iii) Items of income and expense

During the year ended 30 September 2016, £4,430,000 (30 September 2015: £3,410,000) 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 £2,140,000 (30 September 2015: £1,903,000). The Group did not incur any direct operating expenses arising from investment properties that did not generate rental income (30 September 2015: £Nil).

(iv) Restrictions and obligations

At 30 September 2016 and 2015 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.

At 30 September 2016 contractual obligations to develop investment properties amounted to £2,055,000 (30 September 2015: £5,269,000).

(v) Historical cost and capitalisation

The historical cost of investment properties as at 30 September 2016 was £91,699,000 (2015: £75,439,000), which included capitalised interest of £10,705,000 (2015: £10,705,000). There was no interest capitalised during the year. During the year staff and administrative costs of £1,478,000 (30 September 2015: £1,658,000) have been capitalised and are included within additions.

(vi) Fair value measurement

The Group's principal investment property, Alconbury Weald, which represents 73 per cent of the year-end carrying value (2015: 74 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. At 30 September 2016, another investment property, which represents 10 per cent of the year-end carrying value, has also been valued by CBRE Limited, and a further property, representing 17 per cent of the year-end carrying value has been valued by Jones Lang LaSalle Limited (JLL), an independent firm of chartered surveyors, both valuations being on the basis of fair value.

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

Following the Referendum held on 23 June 2016 concerning the UK's membership of the EU, a decision was taken to exit. Since that date CBRE have monitored market transactions and market sentiment in arriving at their opinion of fair value. After an initial period of uncertainty and an absence of activity, transactional volumes and available evidence has risen in most sectors of the market and liquidity is returning to more normal levels. This has led to a generally more stable outlook for the market. However, there remains a paucity of comparable transactions in central London offices, development land and buildings, retail parks and large shopping centres and therefore valuations in these sectors reflect a greater degree of judgement by CBRE.

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.

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, discharging the s106 cost obligations and then selling fully serviced parcels of land to housebuilders for development), taking into account expected house price/land value growth rates, build cost inflation, absorption rates and general economic conditions. The expected net cash flows are discounted using risk adjusted discount rates and the resultant value is benchmarked against transaction evidence.

Significant unobservable inputs

The key inputs to the valuation included:

	30 September 2016	30 September 2015
Expected annual house price inflation (per cent)	**3.25**	3.70
Expected annual cost price inflation (per cent)	**2.00**	2.00
Profit on cost (per cent)	**22.00**	20.00
Private residential gross development value (£ per sq.ft.)	**285**	230 – 240
Infrastructure, section 106 and community infrastructure levy (£ per NDA)	**561,000**	561,000
Risk adjusted discount rate (per cent)	**6.5 – 10.0**	8.5 – 10.0

Inter-relationship between significant unobservable inputs and fair value measurement

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

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

The Group's other investment properties at Bradford and Feethams were valued by CBRE and JLL respectively with initial yields between 5.0 and 8.0 per cent. An increase in the initial yield assumptions would result in a decrease in the fair value of these properties.

10. Property, plant and equipment

	Freehold property £'000	Leasehold improvements £'000	Furniture and equipment £'000	Total £'000
Cost				
At 1 October 2014	—	23	245	268
Acquired through business combination	—	30	37	67
Additions	2,000	627	584	3,211
At 1 October 2015	2,000	680	866	3,546
Additions	—	20	304	324
Transfer from investment properties	3,425	—	—	3,425
At 30 September 2016	**5,425**	**700**	**1,170**	**7,295**
Depreciation				
At 1 October 2014	—	3	141	144
Charge for the year	514	44	136	694
At 1 October 2015	514	47	277	838
Charge for the year	408	161	244	813
At 30 September 2016	**922**	**208**	**521**	**1,651**
Net book value				
At 30 September 2016	**4,503**	**492**	**649**	**5,644**
At 30 September 2015	1,486	633	589	2,708

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

11. Investments

Investments in joint ventures and associates

	Joint ventures £'000	Associates £'000	Total £'000
Cost or valuation			
At 1 October 2014	16,518	500	17,018
Share of post-tax loss excluding investment property revaluation	(110)	—	(110)
Share of revaluation uplift on investment property	3,870	—	3,870
Share of post-tax profit from joint ventures	3,760	—	3,760
Acquired through business combination	17	—	17
Additions	285	—	285
Loans advanced	21,619	—	21,619
Loans repaid	(155)	—	(155)
Impairment of loans to joint ventures	(826)	—	(826)
At 1 October 2015	41,218	500	41,718
Share of post-tax loss excluding investment property revaluation	(179)	—	(179)
Share of revaluation uplift on investment property	6,730	—	6,730
Share of post-tax profit from joint ventures	6,551	—	6,551
Loans advanced	4,090	—	4,090
Loans repaid	(895)	—	(895)
Impairment of loans to joint ventures	(417)	—	(417)
At 30 September 2016	**50,547**	**500**	**51,047**

At 30 September 2016 the Group's interests in its joint ventures were as follows:

SUE Developments LP	50%	Property investment
Achadonn Limited	50%	Property development
Altira Park JV LLP	50%	Property development

On 30 September 2016 the property held by SUE Developments LP was reclassified to trading properties.

Summarised information on joint ventures 2016

	SUE Developments LP £'000	Achadonn Limited £'000	Altira Park JV LLP £'000	Total 2016 £'000
Revenue	92	—	1,720	1,812
Profit/(loss) after tax	13,102	(4)	345	13,443
Total assets	106,105	6,553	2,454	115,112
Other liabilities	(61,649)	(6,597)	(1,388)	(69,634)
Total liabilities	(61,649)	(6,597)	(1,388)	(69,634)
Net assets/(liabilities)	**44,456**	**(44)**	**1,066**	**45,478**
The carrying value consists of:				
Group's share of net assets	22,227	—	533	22,760
Loans	25,607	2,073	107	27,787
Total investment in joint ventures	**47,834**	**2,073**	**640**	**50,547**

SUE Developments LP's principal asset is a development property that, until 30 September 2016 was classified as an investment property carried at fair value and classified as level 3 within the fair value hierarchy as some of the inputs used in determining the fair value were based on unobservable market data. On 30 September 2016, the Group and its joint venture partner agreed that the strategy for this property was to develop it for sale. Accordingly on 30 September 2016 the property was reclassified as a trading property. The property is valued on a semi-annual basis by CBRE Limited, an independent firm of chartered surveyors, using the same valuation technique as adopted for the valuation of the Group's principal investment property, Alconbury Weald (see note 9). The values for the significant unobservable inputs in the valuation at the point of transfer on 30 September 2016 are listed below, whilst their relationship with the fair value measurement is described in note 9.

Significant unobservable inputs:

	30 September 2016	30 September 2015
Expected annual house price inflation (per cent)	**3.25**	3.25
Expected annual cost price inflation (per cent)	**2.00**	2.00
Profit on cost (per cent)	**22.00**	20.00
Private residential gross development value (£ per sq.ft.)	**250.0 – 252.5**	230.0 – 235.0
Infrastructure, section 106 and community infrastructure levy (£ per NDA)	**513,000**	539,000
Risk adjusted discount rate (per cent)	**7.00 – 10.00**	8.75 – 10.25

Summarised information on joint ventures 2015

	SUE Developments LP £'000	Achadonn Limited £'000	Altira Park JV LLP £'000	Total 2015 £'000
Revenue	—	—	—	—
Profit/(loss) after tax	7,520	(7)	—	7,513
Total assets	76,770	6,556	1,265	84,591
Other liabilities	(45,416)	(6,596)	(983)	(52,995)
Total liabilities	(45,416)	(6,596)	(983)	(52,995)
Net assets/(liabilities)	31,354	(40)	282	31,596
The carrying value consists of:				
Group's share of net assets	15,677	—	141	15,818
Loans	22,420	2,490	490	25,400
Total investment in joint ventures	38,097	2,490	631	41,218

At 30 September 2016 the Group's interests in its principal associate is as follows:

Terrace Hill Development Partnership	20%	Property development

Summarised information on principal associate

	2016 Terrace Hill Development Partnership £'000	2015 Terrace Hill Development Partnership £'000
Revenue	**541**	2,242
Profit after tax	**576**	1,613
Total assets	**7,422**	7,465
Total liabilities	**(7,532)**	(8,152)
Net liabilities	**(110)**	(687)
Non-recourse net liabilities	**(110)**	(687)
Adjust for:		
Group's share of net liabilities	**—**	—
The carrying value consists of:		
Group's share of net liabilities	**—**	—
Loans	**500**	500
Total investment in associates	**500**	500
Share of unrecognised profit		
At 1 October	**368**	45
Share of unrecognised profit for the period	**115**	323
At 30 September	**483**	368

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

Terrace Hill Development Partnership has not been equity accounted for as the entity has preferential investors that will receive their return before the Group. When the entity can satisfy the obligations to those investors, equity accounting will resume. Terrace Hill Development Partnership is classified as an associate due to the significant influence being exercised by the Group over its operating activities. The investment in Terrace Hill Development Partnership is carried at cost and subject to regular impairment reviews. The carrying value of this associate is £500,000 (2015: £500,000).

12. Deferred tax

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

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
At 1 October	**4,690**	6,989
Arising on business combination	**—**	(2,295)
Movement in the year (see note 6)	**(5,004)**	(4)
At 30 September	**(314)**	4,690

The deferred tax balances are made up as follows:

	At 30 September 2016 £'000	At 30 September 2015 £'000
Deferred tax assets		
Tax losses	**5,159**	8,657
	5,159	8,657
Deferred tax liabilities		
Revaluation surpluses	**5,473**	3,967
	5,473	3,967

At 30 September 2016, the Group had unused tax losses of £47,764,000 (2015: £56,053,000), of which £28,309,000 (2015: £43,285,000) has been recognised as a deferred tax asset and £18,586,000 (2015: £11,907,000) 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 £869,000 (2015: £861,000) 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 Group's deferred tax balances have been measured at rates between 17 and 19 per cent (2015: 20 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. The Finance Act 2016 has been enacted, which will see the UK corporation tax rate reduced to 19 per cent from 1 April 2017 and 17 per cent from 1 April 2020. This will reduce the amount of UK corporation tax that the Group will have to pay in the future.

13. Trading properties

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
At 1 October	**163,459**	78,115
Additions at cost	**78,506**	62,546
Acquired through business combination	**—**	34,077
Amounts written off value of trading properties	**(7,108)**	(4,402)
Disposals	**(49,653)**	(6,877)
Carrying value at 30 September	**185,204**	163,459

During the year staff and administrative costs of £5,639,000 (2015: £5,420,000) have been capitalised and are included within additions.

Capitalised interest of £869,000 is included within the carrying value of trading properties as at 30 September 2016 (2015: £494,000) of which £508,000 (2015: £187,000) was capitalised during the year. Included within disposals is £133,000 (2015: £Nil) of interest capitalised.

At 30 September 2016, £25,851,000 (2015: £12,610,000) of trading properties were carried at fair value less costs to sell.

14. Trade and other receivables

	At 30 September 2016 £'000	At 30 September 2015 £'000
Trade receivables	**49,188**	28,105
Less: provision for impairment of trade receivables	**(31)**	(7)
Trade receivables (net)	**49,157**	28,098
Other receivables	**5,324**	1,592
Amounts recoverable under contracts	**63**	449
Prepayments and accrued income	**5,930**	3,129
	60,474	33,268

Trade receivables include £38,200,000 in relation to a trading property sale which has been received in full after the year end.

15. Trade and other payables

	At 30 September 2016 £'000	At 30 September 2015 £'000
Trade payables	**12,607**	4,501
Taxes and social security costs	**221**	1,417
Other payables	**3,455**	9,622
Accruals	**12,416**	12,619
Deferred income	**1,429**	637
	30,128	28,796

16. Borrowings

	At 30 September 2016 £'000	At 30 September 2015 £'000
Bank loans	**36,774**	—
Other loans	**12,782**	11,408
	49,556	11,408

Maturity profile	At 30 September 2016 £'000	At 30 September 2015 £'000
Less than one year	**16,100**	—
Between one and five years	**33,456**	—
More than five years	**—**	11,408
	49,556	11,408

Other loans comprise borrowings from the Homes and Communities Agency and a conditional grant. The loan of £11.2 million was first drawn in March 2015 and has a final repayment date of March 2021. Interest is charged at 2.2 per cent above the EC Reference Rate and the facility is secured against specific land holdings. At 30 September 2016, £0.6 million of interest has been accrued (2015: £0.2 million). 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.

Bank loans are secured against specific property holdings.

One bank loan with a carrying amount of £16,100,000 and secured against the trading property contracted for sale at 30 September 2016 was repaid in full on 18 October 2016.

17. Share capital

Urban&Civic plc	At 30 September 2016 £'000	At 30 September 2015 £'000
Issued and fully paid		
144,804,728 (2015: 144,006,555) shares of 20p each (2015: 20p each)	**28,961**	28,801

Movements in share capital in issue

Ordinary shares	Issued and fully paid £'000	Number
At 1 October 2014	28,099	140,497,109
Shares issued in consideration for Catesby Property Group plc	702	3,509,446
At 1 October 2015	28,801	144,006,555
Shares issued in consideration for Catesby Property Group plc	148	739,107
Shares issued under scrip dividend scheme	12	59,066
At 30 September 2016	**28,961**	**144,804,728**

The Company issued 739,107 shares in the year as part of a deferred consideration arrangement on the acquisition of Catesby Property Group plc in 2015.

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

Net asset value and EPRA net asset value per share is 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 and to be issued at that date, adjusted for own shares held and the dilutive effect of outstanding share issues.

The Directors have revisited the basis for calculating the dilutive effect of share options, which has resulted in a restatement of the comparative numbers. The impact on NAV and EPRA NAV per share at 30 September 2015 was a decrease of 1.6p and 1.7p per share, respectively.

	At 30 September 2016	At 30 September 2015
Number of ordinary shares in issue	**144,804,728**	144,006,555
Shares to be issued	**—**	739,107
Own shares held	**(1,483,503)**	(1,485,303)
Dilutive effect of share options	**869,068**	917,968
	144,190,293	144,178,327
NAV per share (restated)	**254.0p**	241.2p
Net asset value (£'000)	**366,312**	347,828
Revaluation of trading property held as current assets (£'000)		
– Alconbury Weald	**31,714**	18,978
– Land promotion sites	**7,176**	4,700
– Newark	**(171)**	2,355
– Manchester sites	**439**	589
– Stansted	**(1,910)**	—
– Herne Bay – sold in year	**—**	7,500
– Bridge Quay – sold in year	**—**	3,011
– Other	**794**	950
	38,042	38,083
Deferred tax liability (£'000)	**5,473**	3,967
EPRA NAV (£'000)	**409,827**	389,878
EPRA NAV per share (restated)	**284.2p**	270.4p
Deferred tax (£'000)	**(12,701)**	(11,583)
EPRA NNNAV (£'000)	**397,126**	378,295
EPRA NNNAV per share (restated)	**275.4p**	262.4p

19. Contingent liabilities, capital commitments and guarantees

The parent company has given guarantees totalling £47,626,000 (2015: £600,000) as part of its development obligations.

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

	At 30 September 2016	At 30 September 2015
Contracted but not provided for	**27,589**	18,958

20. 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 2016 £'000**	At 30 September 2015 £'000
In one year or less	**1,981**	1,836
Between one and five years	**3,638**	4,928
In five years or more	**139**	268
	5,758	7,032

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 2016 £'000**	At 30 September 2015 £'000
In one year or less	**5,516**	5,462
Between one and five years	**13,900**	8,427
In five years or more	**23,638**	5,825
	43,054	19,714

21. Related party transactions

Key management personnel

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

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

The following amounts are due from the Group's joint ventures and associates. These sums relate to loans provided to those entities and form part of the net investment in that entity.

	At 30 September 2016 £'000	At 30 September 2015 £'000
SUE Developments LP	**25,607**	22,420
Terrace Hill Residential PLC	**4,220**	4,220
Achadonn Limited	**3,316**	3,316
Altira Park JV LLP	**499**	490
	33,642	30,446

Amounts due from Terrace Hill Residential PLC have been fully provided against at 30 September 2016 and 2015. On 13 October 2015 Terrace Hill Residential PLC went into liquidation. During the year an amount of £417,000 (2015: £826,000) has been provided against the loans advanced to Achadonn Limited, such that the total provision at 30 September 2015 was £1,243,000 (2015: £826,000).

Fees charged by the Group to SUE Developments LP during the year were £717,000 (2015: £282,000). Included in prepayments and accrued income at 30 September 2016 was £556,000 (2015: £282,000) in respect of these fees.

Glossary of terms

AGM	Annual General Meeting
Catesby/Catesby Property Group plc	Catesby Property Group plc and subsidiaries, joint ventures and associates
CIL	Communities infrastructure levy
Company	Urban&Civic plc
DCLG	Department for Communities and Local Government
Earnings per share (EPS)	Profit after tax divided by the weighted average number of shares in issue
EBT/the Trust	Urban&Civic Employment Benefit Trust
EC Reference Rate	European Commission Reference Rate
Employment land/plots	Land and parcels of land upon which a variety of commercial uses will be delivered in accordance with a planning consent
EPRA	European Public Real Estate Association
EPRA net asset value (EPRA NAV)	Net assets attributable to equity shareholders of the Company, adjusted for the revaluation surpluses on trading properties and eliminating any deferred taxation liability for revaluation surpluses
EPRA net gearing	Total debt less cash and cash equivalents divided by EPRA net assets
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	Open market rental value that could reasonably be expected to be obtained for a new letting or rent review at a particular point in time
Fair value	The price that would be required to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measureable 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
Group and Urban&Civic Group	Urban&Civic plc and subsidiaries, joint ventures and associates
Gross development value (GDV)	Sales value once construction is complete
Gearing	Group borrowings as a proportion of net asset value
HCA	Homes and Communities Agency
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 capable of measurement and are used to evaluate Group performance
LADs	Liquidated Ascertained Damages

Risk review

Risk management framework
Urban&Civic's top down, bottom up approach to risk management seeks to define and communicate the Group's risk appetite, to identify and evaluate the principal risks faced by the Group and to review, report and revise the Group's approach in response to changes in the risk environment.

The Board has ultimate responsibility for risk management and monitors key risks regularly. The Audit Committee's role is to ensure that the Group's risk management framework and the processes on which the Board relies are working effectively. This will be enhanced by the internal audit programme being commissioned from Grant Thornton.

Risk management structure
The Board uses the risk management framework to ensure that risks attaching to the Group's business strategy are understood and managed within the Group's risk appetite.

The Board recognises that the business operates in a sector that is cyclical and subject to market volatility, where risks are inherent and ever present, but seeks to deliver market-leading returns to shareholders within identified risk parameters, reflecting the Group's risk appetite.

Approach to risk management
Identify risk appetite
Central to the Group's risk management strategy is understanding the risks that the Group is willing to take and those which it is not (risk appetite). Risk appetite underpins the Group's risk culture and consequently how employees behave when presented with key decisions or risks at a particular point in time.

Setting an organisational culture that reflects and supports the Group's risk appetite
The Board seeks to:

- provide an open door policy to all employees, which aids early identification and resolution of issues;
- put in place clear lines of communication and provide formal opportunities for intragroup debate;
- avoid shocks to the control framework by evolving systems at manageable rates and focusing on maintaining a stable senior management team; and
- ensure employees understand and have confidence in the Group's whistleblowing policy.

Identify, classify, assess and present each key risk clearly
To help formalise the Group's risk appetite, the Board uses internal resources (including discussions with senior management) to identify the Group's key risks, assess the likelihood of that risk arising and estimate its potential impact on operations. Each key risk is summarised into a risk register, discussed and consequently scored against set criteria. Finally, the Group has appointed an independent internal auditor, Grant Thornton, who will provide an internal audit service, which will review the Group's risk process.

The Board designs internal action points and controls to help mitigate the identified key risks, resulting in a mitigated risk rating.

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

Risk description	Risk appetite	Risk behaviour
External environment	High	The Group is prepared to operate in a volatile environment, but not at all costs and only when enhanced returns compensate for increased risk. The key override will always be long-term viability.
Operational strategy	Moderate	While the Group's strategy is enshrined in its investment decisions and investment thresholds and structures, flexibility is retained throughout the Group to allow strategic changes within relatively short time horizons.
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 against land, with the exception of infrastructure loans provided by the Homes and Communities Agency.
People	Low	The Group cannot function without a motivated and well trained workforce and aims to recruit, train, retain and promote staff where appropriate.

As previously noted, a key component of the Group's risk management framework is the maintenance of a risk register. The Group's risk register typically includes around 30 risks across all risk areas. The eight key risks, which have been reviewed by the Board and rationalised from those presented last year, are set out below.

Key risk	Impact of risk	Controls and mitigation/action	Movement since 30 September 2015

Key risk	Impact of risk	Controls and mitigation/action	Movement since 30 September 2015
1. Market risk External environment	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 policy. Adverse changes in market conditions and the economic environment increase the risk of a decline in shareholder returns.	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, industry forums and adviser updates are used to keep management 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. 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 are maintained with detailed sensitivity analysis. Ongoing monitoring with the assistance, when required, of appropriate professional advisers (tax, accounting, regulatory and company law).	Increase
2. Strategic risk Operational strategy	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.	Board meetings are held at two-monthly intervals to review progress against objectives and, where necessary, to update strategy. The Group annually approves a business plan and produces 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 monitored and remedial actions are identified and approved where necessary. Material capital commitments, which have not previously been approved in the Group business plan, require additional Board approval.	No change
3. Legal and regulatory risk Operational strategy	Non-compliance with laws and regulations could result in project delays, failure to obtain planning consents, financial penalties and reputational damage.	The Group employs highly qualified and experienced staff and retains specialist consultants where appropriate, to ensure compliance with laws and regulations.	No change
4. Competition risk Operational strategy	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.	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.	Decrease
5. Financial risk Finance	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.	Detailed annual business plan prepared, approved and regularly monitored by the Board. Continuous monitoring of capital and debt markets (with advisers). Maintenance of relationships with lenders. Review of principal terms of prospective loans and ongoing monitoring of covenants/requirements to	No change

Key risk	Impact of risk	Controls and mitigation/action	Movement since 30 September 2015
		ensure compliance.	
6. Delivery risk Operations	Ineffective delivery of projects could lead to delays, reduced build quality and cost pressures.	Projects are monitored on an ongoing basis by the Board. Internal development and project management teams manage project delivery. Fixed price contracts are used where appropriate.	No change
7. Health and safety risk Operations	Serious injury and loss of life. Developments may be adversely impacted by site closure, delays and cost overrun. Damage to reputation. Directors' liability.	Health and safety procedures are reviewed, including the appointment of principal contractor and planning-coordinator (to ensure compliance with Construction (Design and Management) Regulations or as amended). 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 by either the Group or its contractors.	No change
8. People risk People	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.	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. The Nomination Committee reviews succession planning for Directors and senior management. Appropriate notice periods to minimise disruption.	No change